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ACE PARKING MANAGEMENT, INC.

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

PARK ASSIST LLC,

Plaintiff,

v.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY AND ACE PARKING MANAGEMENT, INC.,

Defendants.

Case No. 3:18-cv-02068-BEN-MDD

REPLY BRIEF IN SUPPORT OF ACE PARKING MANAGEMENT, INC.'S MOTION FOR RULE 11 SANCTIONS

Date: April 22, 2019
Time: 10:30 a.m.
Place: Courtroom 5A
Judge: Hon. Roger T. Benitez

I. INTRODUCTION

Park Assist's opposition brief is an insult to the Court. Park Assist repeatedly dodges the issues, fails to address fatal deficiencies in its claim, and fails to provide critical components of its pre-filing investigation (e.g. the claim construction upon which the claim was based). Park Assist is blatantly expecting this Court to overlook multiple deficiencies and give it a pass on complying with Rule 11. Park Assist's brief confirms that the Original and First Amended Complaints are frivolous and their filing violated Rule 11.

Ace Parking showed three independent violations of Rule 11:

1. Park Assist had no basis to allege the existence of human review and correction of any erroneous determinations of occupancy;
2. Park Assist had no basis to allege the existence of permit parking (and therefore no basis to allege the existence of enforcement of permit parking); and
3. Park Assist had no basis to allege infringement of a claim that cannot be infringed because it is physically impossible.

Park Assist provided no substantive response to any of them:

1. Park Assist argues that because 99% accuracy is required, there ***must be*** correction to achieve 100% accuracy, which is plainly not a legitimate inference and contrary to the evidence it submitted and the declarations provided by Ace Parking;
2. Park Assist dodges the issue regarding permit parking by discussing differential pricing without pointing to any evidence that Ace Parking uses permits to apply differential pricing (or even uses differential pricing at all); and
3. Park Assist provides no explanation how the asserted claim could be infringed and instead focuses on the irrelevant presumption of validity – there is no presumption of infringement.

Park Assist's counsel failed to conduct – ***and could not have conducted*** – a reasonable and competent inquiry before signing the pleadings. Park Assist violated its Rule 11 obligations and its misconduct merits sanctions.

II. ARGUMENT

A. CLAIM 1 OF THE '956 PATENT IS IMPOSSIBLE TO INFRINGE AND PARK ASSIST VIOLATED ITS RULE 11 OBLIGATIONS IN FILING THIS LITIGATION.

As explained in Ace Parking's opening brief, element (h) of claim 1 of the '956 patent requires a parking space to actually be vacant. However, element (i) of claim 1 requires the parking space to be occupied such that a "permit identifier" can be extracted from the image of the occupied parking space. Claim 1 of the '956 patent cannot be infringed because a parking space cannot be both vacant and occupied at the same time, as the patent requires.

Park Assist does not propose any resolution to this fatal conflict in its opposition brief and does not explain any interpretation of Claim 1 which would support infringement.[1] This confirms the violation of Rule 11 which requires, "at a minimum, that an attorney interpret the asserted patent claims." *Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1300-01 (Fed. Cir. 2004).[2]

Park Assist cannot hide behind the presumption of validity. Its cited cases on this issue are all inapposite because they concerned issues different from the patent holder ignoring a patent claim that is impossible to infringe. *See, e.g., id.* at 1303 (patent holder received letters from accused infringers questioning the validity of the patent); *Brady Constr. Innovations, Inc. v. Cal. Expanded Metal Co.*, No. CV 07-217 AHS (MLGx),

[1] This glaring omission is not only fatal to Park Assist's claim but calls into question Park Assist's statement that its counsel "interpreted the claims" before filing suit. D.I. 46 at 24. Either that statement is false or the pre-filing claim interpretation did not support infringement. If the analysis had been done and supported the claim, Park Assist was required to disclose it.

[2] Park Assist's attorney, Mr. Melgar, testified by declaration that he interpreted the claims before filing the Original Complaint but, tellingly, did not disclose what that interpretation was. D.I. 46-1 ¶ 9.

2007 U.S. Dist. LEXIS 98156, at *6 (C.D. Cal. Sept. 25, 2007) (USPTO had expressly concluded that a particular claim of a reissued patent was narrower than the claims of the original patent); *Kimberly-Clark Worldwide, Inc. v. First Quality Baby Prods., LLC*, No. 10-C-1118, 2011 U.S. Dist. LEXIS 66745, at *13 (E.D. Wis. June 22, 2011) (Rule 11 motion was only directed at infringement, not validity, issues). Additionally, any reliance on the presumption of validity does not change the fact that claim 1 is impossible to infringe.

In a last ditch effort to justify its misconduct, Park Assist argues that this Court should re-write Park Assist's patent to eliminate the fatal conflict. Park Assist's cited cases do not stand for this bold proposition. *In re Johnston*, 435 F.3d 1381, 1384 (Fed. Cir. 2006) (using the permissive term "may" in a patent claim limitation does not narrow the claim because the claim limitation is optional); *Cadence Pharms., Inc. v. Exela Pharma Scis., LLC*, No. 11-733-LPS, 2013 U.S. Dist. LEXIS 166097, at *59-61 (D. Del. Nov. 13, 2013) (claim expressly recited that certain steps were "optional"). There is no language in either claim 1 of the '956 patent, or anywhere else in the '956 patent, supporting this flawed theory.

Claim 1 of the '956 patent, as written, is impossible to infringe. Park Assist had the affirmative duty to have a plausible claim construction supporting infringement before filing the lawsuit. Its failure to provide one even in the face of a motion for sanctions shows that it has no plausible construction and has violated Rule 11. This violation of Rule 11 merits sanctions.

B. PARK ASSIST VIOLATED ITS RULE 11 OBLIGATIONS REGARDING THE REQUIREMENT FOR HUMAN OVERRIDE.

Regarding the human override requirement, Park Assist's brief cites to the same documents and quotations found in its Complaint and FAC. It is beyond dispute that Park Assist's position is fundamentally based on the implausible assertion that because an accuracy of 99% is required, the system must have the ability for human override to achieve 100% accuracy. There is no evidence to support that proposition and it is facially

unreasonable. There is nothing in the PGSR that requires any errors to be corrected.[3] There is also nothing in INDECT's documents or website that states the INDECT system allows occupancy determination errors to be corrected. Both Ace Parking and INDECT have provided direct evidence that no human review and correction occurs.

As pointed out in Ace Parking's opening brief, the "human override" elements of claim 1 require an indicator light at each parking space that can change colors from "vacant" to "occupied" and back. D.I. 42-1 at 7. ***Nothing in the PGSR even requires such lights*** and therefore nothing in the PGSR supports an inference about using human override to correct the status of a single parking space and therefore change the associated lights. Park Assist's strained reading of broad statements in the PGSR concerning "control", as well as a statement on INDECT's website concerning the ability of the INDECT system to "[q]uickly change … colors" (which counsel for Ace Parking has made clear has nothing to do with correcting occupancy determinations (D.I. 46-19 at 2)) provide no support for an infringement claim.

Park Assist's reliance on a news report released on June 26, 2018, before Park Assist filed this litigation, is bizarre. It provides affirmative evidence that there are no corrections to occupancy determination errors and thus no infringement. Park Assist's counsel admits reviewing it before filing the original Complaint (D.I. 46-1 ¶ 7(b); D.I. 46-2), but Park Assist ignored this strong evidence of non-infringement and filed suit anyway.[4]

Park Assist has been on notice at least since December 3, 2018, when it received a sworn declaration from INDECT's President, that the INDECT system used in the

[3] The declaration of Park Assist's CEO submitted with Park Assist's opposition brief (D.I. 46-21) is irrelevant. Whether Mr. Neff believes it would be "incomprehensible" for the INDECT system to not be able to correct occupancy status (*id.* ¶ 27) is irrelevant to whether the INDECT system actually has this functionality. Nor does Mr. Neff's unsupported belief that the PGSR required a parking override feature (*id.* ¶ 24) make it so. The same holds true for all of Mr. Neff's unsupported beliefs regarding preferred parking in the PGSR and INDECT system.

[4] This testimony by Park Assist's attorney, *inter alia*, waived Park Assist's attorney-client privilege.

Airport Parking Plaza does not allow for human override of system determinations of occupancy. D.I. 42-13; 42-14 ¶ 12. This plain fact was also confirmed by the General Manager of Ace Parking in another sworn declaration. D.I. 42-2 ¶ 13.[5] It is thus not surprising that Park Assist can point to no specific statements in either the PGSR or an INDECT document that describes the ability to correct a system determination of occupancy. Park Assist's ignorance of the evidence of non-infringement and blind assumption that infringement occurs does not satisfy its Rule 11 obligations.

C. PARK ASSIST VIOLATED ITS RULE 11 OBLIGATIONS REGARDING THE REQUIREMENT FOR PARKING PERMIT ENFORCEMENT.

Regarding the parking permit enforcement requirement, Park Assist claims it has "strong" pre-suit evidence showing permit parking, but then only cites to the documents relied on in the FAC as supporting the existence of this claim requirement. Park Assist apparently hopes that the Court will allow it to improperly try to support infringement by arguing "capability" when there must be evidence of actual operation for infringement. These references do not state or suggest that the Airport Parking Plaza, ***in operation***, has parking permit enforcement functionality. As explained in Ace Parking's opening brief, whether the PGSR discusses the ***concept*** of preferred parking or the INDECT system has the ***capability*** of reading license numbers and storing them for ***potential*** use is irrelevant. Potential capabilities do not support allegations of infringement of a method claim. "A patented method is a series of steps, each of which must be performed for infringement to occur. It is not enough that a claimed step be 'capable' of being performed." *Cybersettle, Inc. v. Nat'l Arbitration Forum, Inc.*, 243 Fed. App'x 603, 606 (Fed. Cir. 2007); *see also Ormco Corp. v. Align Tech., Inc.*, 463 F.3d 1299, 1311 (Fed. Cir. 2006) (rejecting an argument that a claim requiring the replacement of appliances can be performed if the appliances are merely "capable of" being replaced); *NTP, Inc. v.*

[5] Park Assist's only substantive response to these declarations is to essentially label both declarants perjurers.

Research in Motion, Ltd., 418 F.3d 1282, 1318 (Fed. Cir. 2005) ("[T]he use of a [claimed] process necessarily involves doing or performing each of the steps cited."). Nonetheless, differential pricing does not involve permits, as explained in Ace Parking's opening brief.

Park Assist cannot identify, either in the Complaint, the FAC, or its opposition brief, a single instance where the "infringement process"[6] recited in claim 1 of the '956 patent has actually occurred in the Airport Parking Plaza. Park Assist acknowledges that it visited the Airport Parking Plaza prior to filing suit, and thus knew through that visit that there are no permit parking areas subject to enforcement. Defendants confirmed this fact to Park Assist numerous times (D.I. 42-11, 42-12, 42-15), and the General Manager of Ace Parking has also confirmed that the Airport Parking Plaza does not have any permit parking that is monitored or enforced with any component of the INDECT system (D.I. 42-2 ¶¶ 14-17).[7]

Despite claiming, without explaining how it could possibly be true, that its visit to the San Diego Airport and the photographs taken during that visit "are perfectly consistent with the [alleged] documentary evidence of the infringement", Park Assist then – inconsistently – argues that "no amount of public inspection could ever confirm the absence of the permit elements because the system can be implemented in any of many different ways" and postulates, without support, that the Airport Parking Plaza may have had this functionality at one point and then removed it. D.I. 46 at 18:12-19:26. Park Assist provides this Court with no excuse for its lack of a proper pre-filing investigation

[6] Park Assist argues, incorrectly, that differential parking rates could constitute an enforcement action. Even if correct, Park Assist must show a basis to allege that differential parking rates are charged based on parking location. This is inherently public information and Park Assist has provided no evidence that it occurs. Park Assist complains that this argument involves claim construction but does not disclose its pre-filing construction for "permit parking" and therefore has waived this argument.

[7] Park Assist's reliance on Melgar Decl. Ex. 19 (D.I. 46-20) is of no consequence, as that website only discusses the ability of the Airport Parking Plaza to scan a license plate, not initiate an "infringement process" as required by claim 1 of the '956 patent. Additionally, as Park Assist admits, this scanning of the license plate occurs before the vehicle even enters the Airport Parking Plaza, not at the parking space as claim 1 of the '956 patent requires.

into this issue. The Airport Parking Plaza has been available for public inspection since it began operation, Park Assist actually visited the Airport Parking Plaza, and yet Park Assist presents no evidence that the Airport Parking Plaza has areas controlled by permits or the required permit enforcement functionality.

Despite not having evidence prior to filing either its Complaint or FAC that the Airport Parking Plaza, in operation, has parking permit enforcement functionality, despite being told numerous times that the documents Park Assist relies on in its FAC do not demonstrate the operation of the Airport Parking Plaza in practice, and despite having visited the Airport Parking Plaza and not finding any evidence of parking permit enforcement functionality, Park Assist ***assumed, and continues to assume***, that the Airport Parking Plaza has this functionality. Both the Complaint and the FAC are factually baseless from an objective perspective, and Park Assist failed in its Rule 11 obligations. Park Assist should therefore be sanctioned by this Court.

Park Assist's argument that evidence of infringement cannot be obtained publicly is an admission that it violated Rule 11. Even accepting its unreasonable interpretation of the PGSR, the patent requires permit parking and an infringement process actually occur. This would necessarily be public information so that those without permits can know where they cannot park. For example, accepting, *arguendo*, Park Assist's argument that differential pricing is a sufficient "infringement process," there would necessarily be signs showing areas reserved for staff, as suggested by Park Assist, so that a different rate would be charged to non-staff. Park Assist has admitted the absence of any such signage and thus the lack of any basis to bring the claim. The PGSR, prepared over two years ago, does not control current operations and there is no reasonable basis to believe it does.

D. POST-FILING EVIDENCE IS RELEVANT TO THE RULE 11 INQUIRY.

Park Assist wrongly argues that this Court cannot consider events occurring after Park Assist filed suit. Many courts have properly considered events occurring after the

initial filing of a patent infringement lawsuit in granting Rule 11 motions. *See, e.g., Smart Wearable Techs. Inc. v. Fitbit Inc.*, No. 17-cv-05068-VC, 2018 U.S. Dist. LEXIS 111375, at *2 (N.D. Cal. June 27, 2018) (granting Rule 11 sanctions where defendant sent plaintiff a letter putting plaintiff on notice of why the accused devices did not infringe, and defendant also gave plaintiff a declaration from an engineer of the defendant yet plaintiff "boldly continued to assert its implausible (and, as the unrebutted evidence at summary judgment showed, impossible) theories of infringement."); *Gabriel Techs. Corp. v. Qualcomm Inc.*, No. 3:08-cv-01992-AJB-MDD, 2013 U.S. Dist. LEXIS 14105, at *43-46 (S.D. Cal. Feb. 1, 2013) (granting Rule 11 sanctions for actions taken by Plaintiff in continuing the litigation after the court had issued a bond order that "clearly indicated that Plaintiffs' claims were likely unmeritorious, lacked any significant evidentiary support, and appeared to be brought in bad faith"); *Fraser v. High Liner Foods, Inc.*, No. 06-11644-RWZ, 2008 U.S. Dist. LEXIS 111929, *22-25 (D. Mass. July 10, 2008) (granting Rule 11 sanctions when plaintiffs continued their litigation "despite letters from counsel for [defendants] explaining the process used by their clients and pointing out the differences between the patented method and that used by defendants" and finding "[p]laintffs have put defendants to great expense not only by bringing the lawsuit, but then prosecuting it with procedural misstep after procedural misstep and willful misunderstanding of the concept of infringement. Whether plaintiffs were ill-advised, ignorant, or obstinate, they failed to heed ample evidence of the futility of their hunt and rejected numerous opportunities to reevaluate their untenable position. That is what Rule 11 is about."); *Despatch Indus. Ltd. P'ship v. TP Solar, Inc.*, No. CV 11 2357-R (FMOx), slip op. at 2-3 (C.D. Cal. Nov. 28, 2011) (granting Rule 11 sanctions as "Plaintiff ignored the unambiguous claim limitations in the patent … it was clear that there could be no literal infringement and that no amount of discovery will change the fact … A reasonable and competent inquiry would have revealed the substantive deficiencies of Plaintiff's claims.").

While the filing of Park Assist's Complaint and FAC both violated Rule 11 for the reasons explained herein and in Ace Parking's opening brief, Park Assist's continued prosecution of this litigation after learning on December 3, 2018 that the Airport Parking Plaza could not infringe Park Assist's patent (D.I. 42-13, 42-14), also supports Rule 11 sanctions.

E. THE DECLARATION OF PARK ASSIST'S COUNSEL FAILS TO SUPPORT A REASONABLE PRE-FILING INVESTIGATION.

Park Assist's attempt to show a reasonable pre-filing inquiry fails. The declaration states that attorneys at the Sills Cummis & Gross law firm[8] reviewed the patent, reviewed the prosecution history, reviewed the documents attached to the Complaint and FAC, and performed the analysis disclosed in the FAC.[9] D.I. 46-1 ¶¶ 6-12. Park Assist provides nothing that this Court can use to determine that the pre-filing investigation was adequate, nor anything supporting the unreasonable inferences and half-truths that Park Assist conjures from the documents cited in the Complaint and FAC (e.g. Mr. Melgar's unsupported conclusions that the PGSR contained "critical requirements of … the preferred parking features and manual override features" and "Indect's product literature that touted the functionality to implement the features required by the PGSR"). Nor does Park Assist's declaration claim it attempted to construe the key claim limitations (human review and correction, permit enforcement, and the physical impossibility of having a

[8] The declaration only states limited information concerning the work performed by attorneys at the Sills Cummis & Gross law firm. However, Park Assist's Complaint was not signed by an attorney from that firm. D.I. 1 (signed by Mary Robberson of the Higgs Fletcher & Mack law firm). Thus, Park Assist's declaration is not relevant to the Rule 11 motion concerning the filing of the Complaint. *See* Fed. R. Civ. P. 11(b) advisory committee's note to 1993 amendment (subdivisions (b) and (c) "restate the provisions requiring attorneys and pro se litigants to conduct a reasonable inquiry into the law and facts before signing pleadings, written motions, and other documents, and prescribing sanctions for violation of these obligations.").

[9] Park Assist has waived privilege and work product concerning its pre-filing investigation through the filing of its declaration. But the declaration discloses virtually nothing about the actual pre-filing investigation. Park Assist is using the privilege as both a sword and a shield by only selectively disclosing limited portions of its pre-filing investigation. After this Court rules on Ace Parking's Rule 11 motion, further discovery into Park Assist's pre-filing investigation may be required, *e.g.* to determine the appropriate sanction.

parking space be both occupied and vacant at the same time) prior to filing suit.

Importantly, Park Assist's declaration does not disclose any investigation performed after filing the Complaint and before filing the FAC. Park Assist received a letter from the San Diego Airport on October 17, 2018 raising specific Rule 11 concerns regarding the human override and permit enforcement requirements of claim 1 of the '956 patent. D.I. 42-6. Two days later, INDECT filed a Complaint in this Court seeking declaratory relief that its camera-based parking guidance systems do not infringe Park Assist's '956 patent, *inter alia*, because they do not perform the human override and permit enforcement requirements of claim 1 of the '956 patent. D.I. 42-7. Park Assist filed its FAC on October 26, 2018 and its declaration does not disclose any additional investigation performed into its infringement allegations based on the information it received on October 17, 2018 and October 19, 2018. At the very least, Park Assist had a duty to further investigate its claims given what it learned from the San Diego Airport and INDECT before filing the frivolous FAC. *See, e.g., Smart Wearable Techs.*, 2018 U.S. Dist. LEXIS 111375, at *2; *Gabriel Techs.*, 2013 U.S. Dist. LEXIS 14105, at *43-46; *Fraser*, 2008 U.S. Dist. LEXIS 111929, *22-25.

III. CONCLUSION

A plaintiff's failure to demonstrate how it has a reasonable chance of showing infringement "should ordinarily result in the district court expressing its broad discretion in favor of Rule 11 sanctions." *View Eng'g, Inc. v. Robotic Vision Sys.*, 208 F.3d 981, 986 (Fed. Cir. 2000). Here, Park Assist has not shown it has a reasonable chance of showing infringement as the Airport Parking Plaza does not have the ability to correct system determinations of occupancy and the Airport Parking Plaza does not have permit parking subject to enforcement by INDECT's system. Park Assist also has not shown it has a reasonable chance of showing that anyone can infringe claim 1 of the '956 patent given it is physically impossible for a parking space to be both vacant and occupied at the same time. Park Assist has failed to meet its Rule 11 obligations, and this Court should impose Ace Parking's requested sanctions.

Dated: April 15, 2019

Respectfully submitted,

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