

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION**

**CATALYST CORPORATE FEDERAL
CREDIT UNION,**

Plaintiff,

v.

**IP NAVIGATION GROUP, LLC and
DOE NO. 1**

Defendants.

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Case No. 4:12-cv-234

PLAINTIFF’S FIRST AMENDED COMPLAINT FOR DECLARATORY JUDGEMENT

Pursuant to Rule 15(a) of the Federal Rules of Civil Procedure, Plaintiff Catalyst Corporate Federal Credit Union (“Catalyst”) files this First Amended Complaint for Declaratory Judgment against Defendants IP Navigation Group, LLC (“IPNav”) and TQP Development, LLC (“TQP”) (collectively “Defendants”), and in support would show the following:

Parties

1. Plaintiff Catalyst Corporate Federal Credit Union is a federal credit union, with its headquarters and its principal place of business located in Plano, Texas.

2. Defendant IPNav is a Texas limited liability company with its principal place of business located at Two Lincoln Center, 5420 LBJ Freeway, Dallas, Texas. IP Nav has already been served with process. Nevertheless, this Amended Complaint may be served on IPNav through its registered agent for service of process, Erich L. Spangenberg, 5420 LBJ Freeway, Suite 750, Dallas, Texas. Alternatively, this Amended Complaint may be served on IP Nav at Chateau Plaza, 2515 McKinney Ave. Suite 1000, Dallas, Texas 75201.

3. Defendant TQP Development, LLC is a Texas limited liability company with its principal place of business located at 207C N. Washington Avenue, Marshall, Texas, and its mailing address located at 5420 LBJ Freeway, Suite 750, Dallas, Texas 75240. TQP may be served with process through its registered agent for service of process, Erich L. Spangenberg, 5420 LBJ Freeway, Suite 750, Dallas, Texas.

Jurisdiction and Venue

4. This is a civil action for declaratory judgment of non-infringement, invalidity and unenforceability with respect to U.S. Patent No. 5,412,730 (the “ ‘730 Patent”) (attached hereto as Exhibit A) under the Federal Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202.

5. This Court has subject matter jurisdiction under 28 U.S.C. §§ 2201 *et seq.*; 28 U.S.C. §§ 1331 and 1338(a), and under the patent laws of the United States, 35 U.S.C. §§ 1 *et seq.*

6. This Court has personal jurisdiction over IPNav because: (i) IPNav purposefully directed acts at a resident in this district giving rise to this Complaint; (ii) IPNav regularly and actively conducts business in this judicial district and has previously sued others in this judicial district for patent infringement; and (iii) upon information and belief it appears that IPNav maintains an office located in this judicial district.

7. This Court also has personal jurisdiction over TQP because: (i) TQP maintains a principal place of business within this district; (ii) TQP, acting by and through its agent IPNav, purposefully directed acts at a resident of this district giving rise to this Complaint; and (iii) TQP has regularly and actively conducted business in this judicial district and has filed a patent infringement suit against Catalyst in this judicial district.¹

¹ On April 25, 2012, one week after Catalyst had filed its Original Complaint in this action, TQP filed Case No. 2:12-cv-258 in the Marshall Division of the Eastern District of Texas, alleging patent infringement against Catalyst

8. Venue in this District is proper under 28 U.S.C. § 1391(b), 28 U.S.C. § 1391 (c), and/or 28 U.S.C. § 1400(a) because: (i) a substantial portion of the events giving rise to this action occurred in this judicial district; (ii) Defendants are each subject to personal jurisdiction in this District; and (iii) Defendants, acting individually and in concert with one another, purposefully directed acts at a resident in this district giving rise to this Complaint.

Factual Background

9. Catalyst is a federal credit union that emerged from a merger in September of 2011, after Southwest Corporate Federal Credit Union had been placed in conservatorship and was liquidated. The members of Catalyst are other credit unions and credit union service organizations (“CUSOs”). Catalyst presently has 1,432 members, consisting of 1,391 credit unions and 41 CUSOs. There are no individual natural persons who are members of Catalyst. Catalyst provides its member credit unions and CUSOs with a wide range of financial services including, but not limited to: (i) payment services (*e.g.* wire transfers); (ii) correspondent services (*e.g.* check processing and check collection); (iii) settlement accounts; (iv) loan and credit services; (v) off-balance sheet investment services; and (vi) access to an excess balance account at the Dallas Federal Reserve Bank.

10. Upon information and belief, IPNav is a company owned or controlled by Eric Spangenberg. IPNav touts itself as being “a leading global intellectual property advisory firm” and boasts on its web site that its “expertise is monetizing patents.” IPNav further states that “we focus on turning intangible assets into tangible profits with our unparalleled monetization solutions.” IPNav claims that it employs an aggressive approach to monetizing patents, which has resulted in the filing and litigating of a large number of patent infringement lawsuits.

Corporate Federal Credit Union and an entity identified as “Catalyst Corp.” Although Catalyst Corporate Federal Credit Union is sometimes referred to as “Catalyst Corp.,” Catalyst Corporate Federal Credit Union is not otherwise familiar with any such entity.

11. Upon information and belief, TQP is yet another company owned or controlled by Eric Spangenberg. TQP purports to be the assignee of the '730 Patent. The U.S. Patent and Trademark Office issued the '730 Patent to a company known as Telequip Corporation on May 2, 1995. (Indeed, the '730 Patent will expire and enter the public domain on May 2, 2012.) At some point in time, TQP purports to have acquired rights under the '730 Patent by way of an assignment. In 2008, TQP filed its first patent infringement lawsuit in the Eastern District of Texas asserting the '730 Patent in Case Number 2:08-cv-471. Since then, TQP has filed more than 50 other patent infringement lawsuits against numerous other defendants in order to extract royalties for the '730 Patent.

12. On or about March 27, 2012, IPNav sent Catalyst a letter titled "Proposal to Negotiate Patent License" (attached hereto as Exhibit B). Accompanying the letter was a one page "Confidentiality and Forbearance Agreement" ("Agreement"). The letter states that IPNav had been "engaged" by an unnamed "client" who purports to own "valuable patents in the field of financial document processing." IPNav further stated, "[a]n analysis of your products shows that your company makes, uses, or sells products or services that would benefit from a license to [IPNav's client's] patents." Although IPNav refused to reveal in its letter the identity of its "client" or even to disclose any specific patent to which IPNav was referring, Catalyst now understands that "client" to be TQP, and that the "valuable patents in the field of financial document processing" include at least the '730 Patent. IPNav demanded Catalyst sign the Agreement as a prerequisite to IPNav identifying the '730 Patent (or any other possible patents) "and provid[ing] information outlining the basis for the infringement claims against your products or services." The use of such language and tactics in its demand letter makes it clear that IPNav and TQP had already determined that they not only believe Catalyst is infringing the

‘730 Patent, but also that they were prepared to sue if Catalyst did not agree to their terms. Indeed, on April 25, 2012, TQP filed the patent infringement lawsuit against Catalyst in Marshall, Texas that was intimated in IPNav’s letter.

13. The Agreement provides that each party would maintain in strict confidence any nonpublic information provided by the other party, and that any such information could be used only for “the limited purpose of evaluating whether to enter into potential patent licensing arrangements.” Moreover, even if the parties would fail to reach an agreement, Catalyst would be required to maintain confidentiality of information it received from IPNav (and/or TQP) for a period of three years. In addition, the Agreement contained the following provision:

Each Party agrees that neither the request to engage in licensing discussions, nor the existence of licensing discussions under this Agreement, nor information disclosed during the course of those discussions under this Agreement shall form the basis for instituting legal proceedings against the other Party. Without limiting the preceding sentence, Company [*i.e.*, Catalyst] agrees that it will not bring an action for Declaratory Judgment against IPNav during the term of this Agreement.

Nothing in the Agreement, however, would prevent IPNav or TQP from filing a patent infringement suit against Catalyst at any time. Finally, IPNav demanded that Catalyst respond, and agree to waive its legal rights, within fourteen days of the date of the letter, a time period that IPNav agreed to extend for an additional ten business days.

14. IPNav asserts in its letter that financial document processing systems and/or services infringe TQP’s patents. The letter demonstrated that, unless Catalyst entered into the Agreement, and later a licensing agreement, IPNav and/or TQP would take legal action against Catalyst, *i.e.*, in the form of a patent infringement lawsuit. By virtue of these allegations alone, as well as IPNav’s own well-documented history of using litigation to “monetize” intellectual property in this judicial district and others, Catalyst had a reasonable apprehension that IPNav

and/or TQP would file suit against Catalyst. Indeed, these facts, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment. One week after Catalyst filed its Original Complaint in this action, its fears and apprehensions were confirmed when TQP sued Catalyst for patent infringement related to the '730 Patent in Case No. 2:12-cv-258.

15. Catalyst uses systems and methods for processing financial documents that result in the processing of millions of financial transactions every day. Catalyst is closely regulated and is regularly examined by the National Credit Union Administration to ensure that its practices and procedures comply with all applicable laws and regulations. By virtue of the TQP lawsuit, Catalyst is now aware that its "TranZact" internet portal may be the focus of TQP's assertion of the '730 Patent. To the extent that the "TranZact" internet portal provides a channel through which Catalyst's members and customers can share information with Catalyst, and assuming *arguendo* that the elements of the claims of the '730 Patent could be identified with respect to a transaction utilizing the "TranZact" internet portal, Catalyst believes that there would not be a single person or entity who would perform all of the elements of the claims of the '730 Patent. Moreover, Catalyst does not direct or control the activities of others who might, on their own, perform or use any of the elements of the claims of the '730 Patent. At this time, Catalyst does not believe that any of its financial document processing procedures or associated products or services, including its "TranZact" internet portal, infringe any valid claims of the '730 Patent. Catalyst expressly states that it is entitled to make, use, sell or offer to sell its financial document processing products and services, including its "TranZact" internet portal, without interference from IPNav and/or TQP.

16. As a direct result of the allegations, threats, conduct, and actions of IPNav and TQP, including but not limited to IPNav's letter and TQP's subsequent patent infringement lawsuit directed to Catalyst, the Defendants have created an actual justiciable case and controversy between themselves and Catalyst concerning whether Catalyst is infringing any valid and enforceable claim of the '730 Patent. Through its letter, IPNav placed Catalyst in the untenable position of being forced to choose between waiving its legal rights pursuant to the terms of the Agreement or subjecting itself to an ongoing threat of litigation and unspecified allegations of infringement directed at the core of Catalyst's business. Catalyst refuses to make such a choice and, instead, asks this Court to declare Catalyst's legal rights now in its home court. Moreover, by asserting the '730 Patent against Catalyst after Catalyst had filed its original complaint in this action, TQP has placed itself squarely within the province of this Court to make a declaratory judgment as to Catalyst's rights.

Causes of Action

Count One: Declaratory Judgment of Non-Infringement

17. Catalyst realleges and incorporates herein the allegations contained in paragraphs 1 through 16.

18. At this time, Catalyst believes that it has not, and presently does not, directly or indirectly infringe any valid claim of the '730 Patent. Catalyst does not itself perform or use each of the elements of the claims of the '730 Patent. To the extent that Catalyst's "TranZact" internet portal provides a channel through which Catalyst's members and customers can share information with Catalyst, and assuming *arguendo* that the elements of the claims of the '730 Patent could be identified with respect to a transaction utilizing the "TranZact" internet portal, Catalyst believes that there would not be a single person or entity who would perform all of the

elements of the claims of the '730 Patent. Moreover, Catalyst does not exercise control or direction over the activities of any other parties that might perform or use any of the elements of the claims of the '730 Patent.

19. IPNav engaged in a course of conduct that demonstrates a preparedness and willingness to file suit against Catalyst. By reason of this course of conduct Catalyst has been forced to choose between abandoning its rights or risk being sued for patent infringement. TQP subsequently has filed a patent infringement suit against Catalyst, asserting the '730 Patent. Under all the circumstances, a substantial controversy exists, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment of non-infringement of the '730 Patent.

20. Catalyst's activities do not and have not constituted infringement, individually or jointly, either directly, contributorily, or by inducement of others, of any claims of the '730 Patent, either literally or under the doctrine of equivalents.

Count Two: Declaratory Judgment of Invalidity

21. Catalyst realleges and incorporates herein the allegations contained in paragraphs 1 through 16.

22. Based upon its reading of the '730 Patent, Catalyst believes that none of the claims of the '730 Patent are valid.

23. IPNav engaged in a course of conduct that demonstrates a preparedness and willingness to file suit against Catalyst. By reason of this course of conduct Catalyst has been forced to choose between abandoning its rights or risk being sued for patent infringement. TQP subsequently has filed a patent infringement suit against Catalyst, asserting the '730 Patent. Under all the circumstances, a substantial controversy exists, between parties having adverse

legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment that the claims of the '730 Patent are not valid.

24. One or more of the claims of the '730 Patent are invalid for failure to comply with the provisions of the Patent Laws, 35 U.S.C. §§ 1 *et seq.*, including, but not limited to, one or more of 35 U.S.C. §§ 101, 102, 103 and/or 112.

Count Three: Declaratory Judgment of Unenforceability

25. Catalyst realleges and incorporates herein the allegations contained in paragraphs 1 through 16.

26. Based upon its reading of the '730 Patent, Catalyst believes that the '730 Patent is not enforceable.

27. IPNav engaged in a course of conduct that demonstrates a preparedness and willingness to file suit against Catalyst. By reason of this course of conduct Catalyst has been forced to choose between abandoning its rights or risk being sued for patent infringement. TQP subsequently has filed a patent infringement suit against Catalyst, asserting the '730 Patent. Under all the circumstances, a substantial controversy exists, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment that the '730 Patent is not enforceable.

Count Four: Laches/Equitable Estoppel

28. Catalyst realleges and incorporates herein the allegations contained in paragraphs 1 through 16.

29. An assignment is recorded with the US Patent and Trademark Office that indicates the '730 Patent was assigned to TQP on or about November 4, 2008. Prior to that, records from the Patent Office show that the '730 Patent was first assigned to a Spangenberg-

related entity on or about May 29, 2008. In spite of claiming rights under the '730 Patent since 2008, either directly or through its predecessors-in-interest, TQP did not attempt to assert the '730 Patent against Catalyst until the spring of 2012. Upon information and belief, TQP delayed filing suit against Catalyst with respect to the '730 Patent for an unreasonable and inexcusable length of time from when TQP and/or its predecessors-in-interest knew or reasonably should have known of their claims against Catalyst. TQP's delay in bringing suit under the '730 Patent against Catalyst has caused prejudice to Catalyst. Catalyst has spent significant amounts of time, money and resources in connection with its "TranZact" internet portal based on its presumed rights to do so. As a result of the unfair and inexcusable delay by TQP in bringing this action against Catalyst, and the prejudiced caused to Catalyst as a result of that delay, Catalyst is entitled to a declaratory judgment that the '730 Patent is unenforceable under the doctrine of laches and/or equitable estoppel.

Count Five: Limitation of Damages

30. Catalyst realleges and incorporates herein the allegations contained in paragraphs 1 through 29.

31. Based upon the foregoing, Catalyst believes that TQP does not have any valid claims that it can assert against Catalyst. However, to the extent TQP attempts to assert any claim for damages against Catalyst, TQP's alleged damages are limited under 35 U.S.C. § 287.

WHEREFORE, Catalyst respectfully prays that the Court enter judgment in its favor and award the following relief against IPNav and TQP:

- A. Declare that Catalyst has not infringed and is not infringing, directly or indirectly, any valid claims of the '730 Patent;
- B. Declare that the claims of the '730 Patent are not valid;

- C. Declare that the '730 Patent is not enforceable;
- D. Declare that the '730 Patent is not enforceable due to laches and/or equitable estoppel;
- E. Permanently enjoin IPNav and TQP, together with their respective officers, directors, agents, servants, employees and attorneys, and any and all persons acting in concert with any of them, from asserting, stating, implying or suggesting that Catalyst and/or any of its respective officers, directors, agents, servants, employees, subsidiaries, affiliates, members or customers infringe any valid claim of the asserted patents;
- F. Find this case to be an exceptional case under 35 U.S.C. § 285;
- G. Award Catalyst its reasonable and necessary attorneys fees and costs incurred in connection with this action; and
- H. Award and grant Catalyst all other relief, at law or in equity, to which Catalyst may be entitled.

Jury Demand

Catalyst respectfully requests a jury trial on all issues so triable.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing is being served electronically upon all counsel of record on April 30, 2012 or, otherwise, on parties who have not yet appeared by certified mail return receipt requested.

/s/ Diane Page
Diane Page