

CHICAGO BOARD OPTIONS EXCHANGE, INC. v. INTERNATIONAL SECURITIES EXCHANGE, LLC, Appeal No. 2013-1326 (Fed. Cir. April 7, 2014). Before Rader, Reyna, and Wallach. Appealed from N.D. Ill. (Judge Lefkow).

Background:

International Securities Exchange (ISE) sued Chicago Board Options Exchange (CBOE) for infringing claims of its patent for an "automated exchange" for trading financial information. CBOE has a product that uses a hybrid trading system including (1) a fully screen-based trading system called "CBOEdirect" and (2) an open-outcry system that is a manual system in which people stand in a "pit" and shout orders.

The district court determined that ISE's patent disavowed any open-outcry system and claimed only an "automated exchange" system. The district court also ruled in a pre-trial hearing that the accused system before the court was the hybrid system (including the CBOEdirect system and the open-outcry system).

ISE determined that it could not prove that the accused, hybrid system met the "automated exchange" claim limitation recited by its claim 1 in view of the district court's rulings and thus stipulated to non-infringement. Because of this stipulation, the district court entered final judgment against ISE, and ISE appealed.

Issues/Holdings:

Whether the district court erred in making a pretrial ruling that led ISE to stipulate to non-infringement? No, affirmed.

Discussion:

The Federal Circuit agreed with the district court's ruling that the accused system before the court was the hybrid system, which all parties agreed included both an automated, CBOEdirect system and an open-outcry system. Because of this ruling, ISE therefore argued that it was precluded from asserting that CBOEdirect infringed its patent claims. ISE felt it could not prove that the CBOE hybrid system infringed its claim limitations because ISE's claims did not recite an open-outcry system, and argued that it was therefore effectively forced to agree to non-infringement. The Federal Circuit did not agree. The Federal Circuit noted that the district court had specified that an issue for trial was whether the hybrid system was actually two, independent exchange systems (one an "automatic exchange" represented by CBOEdirect and the other an open-outcry exchange) or an integrated exchange system that required both automated and open-outcry portions.

Thus the Federal Circuit found that ISE was not precluded from asserting that CBOEdirect infringed its patent claims. Instead, ISE should have argued that the hybrid system of CBOE was actually two, independent exchange systems and that the CBOEdirect system both (1) did not include an open-outcry system and (2) infringed ISE's patent claims. Instead, ISE stipulated to non-infringement and did not argue these points. The Federal Circuit therefore affirmed the district court's ruling.