

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WISCONSIN

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E2INTERACTIVE, INC. and  
INTERACTIVE COMMUNICATIONS  
INTERNATIONAL, INC.,

OPINION AND ORDER

09-cv-629-slc

Plaintiffs,

v.

BLACKHAWK NETWORK, INC.,

Defendant.

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In this patent lawsuit, plaintiffs e2Interactive, Inc. and Interactive Communications International, Inc. (collectively InComm) allege that defendant Blackhawk Network, Inc. is infringing plaintiffs' U.S. Patent Nos. 7,578,439 (the '439 patent) and 7,630,926 (the '926 patent), related to prepaid gift cards. Dkt. 105. This case has traveled a slow, arduous path with several delays. On October 7, 2010, almost a year after filing its lawsuit, InComm filed an amended complaint that added the '926 patent and accused additional Blackhawk products. Dkt. 105. InComm's amended complaint accused Blackhawk's "real-time reload services" to wireless customers of infringing the '926 patent, which relates in part to the process through which an account holder can add value to his or her wireless account through a retailer's point of sale device. *Id.* at 5. On November 5, 2010, InComm filed its '926 patent infringement contentions, specifically identifying Blackhawk's card-based Real-Time Replenishment (RTR) system. Dkt. 165, exh. 4.

Relying on those infringement contentions, Blackhawk filed a motion for summary judgment on May 16, 2011, arguing with respect to the '926 patent that it has never made, used, offered or sold card-based RTR services. Dkt. 161. A week later, on May 23, InComm filed an emergency motion under Fed. R. Civ. P. 56(d), asking that the court deny the summary judgment motion as premature because it only recently had come to its attention that Blackhawk

provides non-card based RTR services, which InComm alleges directly reads on to the '926 patent. Dkt. 170. InComm asserts that a substantial amount of discovery has yet to be completed on those services, including several depositions scheduled for later this month and a review of Blackhawk's source code. Before Blackhawk had an opportunity to respond to the emergency motion, InComm amended its initial '926 patent infringement contentions on June 2, 2011 to include Blackhawk's non-card service (also referred to as "top-up service"). Dkt. 184, Exh. 3. Blackhawk responded with its own emergency motion, asking the court to strike the amended infringement contentions as untimely. Dkt. 185. Both emergency motions (dkts. 170 and 185) are now before the court.

The motions will be denied. Because InComm has all the discovery it needs to respond to the summary judgment motion, which focuses solely on the card-based RTR services, the motion is not premature. With respect to the remaining question of whether InComm may amend its infringement contentions at this stage in the litigation, I find that InComm acted with diligence and did not unduly delay acting on information produced concerning Blackhawk's non-card based RTR services.

## BACKGROUND

On July 9, 2010, Blackhawk produced over 36,000 pages of documents in response to InComm's discovery requests. Dkt. 186, Exh. 1. Included among those documents were 9 "message specifications" describing transactions Blackhawk has with merchants and service providers. *Id.*, Exhs. 2-10. The specifications identify the data elements required for each transaction. *Id.* The specifications all reference "Telecom Top Up Request/Response" and the use of a universal product code (UPC) "identifying the telecom carrier." *Id.*, Exh. 2 at B2093-94; Exh. 3 at B2141-42; Exh. 4 at B10043-44; Exh. 5 at B2028-29; Exh. 6 at B10008-9; Exh.

7 at B13382-83; Exh. 8 at B20257-58; Exh. 9 at B20151-52; and Exh. 10 at B32700-01. InComm used these specifications as exhibits at the deposition of Mike Blandina on September 22, 2010. Dkt. 164 at 201-40. Blandina testified that the specification is given as a guidance book to partners who want to connect to Blackhawk. *Id.* at 203-05.

After filing its amended complaint in October 2010, InComm served interrogatories on December 6, 2010, asking Blackhawk to identify and describe all of its “RTR card products or services” and identify merchants that have offered or were considering offering “Blackhawk’s RTR services or RTR cards.” Interrog. Nos. 9 and 12, dkt. 178, exh. 2. On December 15 and 16, 2010, InComm reviewed Blackhawk’s source code in an attempt to decipher what RTR services Blackhawk provided.

Blackhawk responded to InComm’s interrogatories on January 10, 2011, stating that it “has not sold any RTR card products or services” and that “no ‘Merchant’ has ever offered Blackhawk’s RTR services or RTR cards.” Resp. to Interrog. Nos. 9 and 12, dkt. 175, exh. 6. Blackhawk specifically stated in each response that it was interpreting “the phrase ‘RTR card products or services’ as relating to the Real-Time Replenishment system as identified in InComm’s Disclosure of Asserted Claims and Preliminary Infringement Contentions, served on November 5, 2010.” *Id.* In response to a separate interrogatory about reload transaction requests, Blackhawk stated that since at least 2009, it has had a relationship with Boost Mobile and Verizon Wireless “that allows Blackhawk to send a top-up message” to those companies. Resp. to Interrog. No. 11, *id.*

In a letter dated February 1, 2011, InComm pointed out to Blackhawk that its interrogatory responses appeared contradictory because although it denied conducting commercial RTR transactions, it admitted having a relationship with Boost Mobile and Verizon Wireless. Dkt. 190, Exh. F. Blackhawk responded in a letter dated February 10 that there was no inconsistency because Interrogatory No. 9 asked about RTR card products or services,

whereas Interrogatory No. 11 asked about “reload transaction requests.” Dkt. 190, Exh. G. Blackhawk viewed the services provided to Boost Mobile and Verizon Wireless as reload transaction requests.

According to InComm, these interrogatory responses “did not make sense based on the Blackhawk documents that had been produced,” which indicated that Boost Mobile and Sprint offered RTR services through Blackhawk. Br. in Supp. of Emer. Mot., dkt. 171 at 3. As a result, InComm issued subpoenas to those companies in March 2011 and Blackhawk unsuccessfully attempted to suppress them. In a letter to Blackhawk dated April 8, 2011, InComm identified what it believed to be deficiencies in Blackhawk’s discovery responses:

As we have made clear in previous communications, Blackhawk’s overly restrictive reading of “RTR” does not comport with the available documentation and testimony that clearly shows that Blackhawk’s RTR services encompass any technology which allows a customer to enter information at the merchant POS such that value is added directly to a customer’s account by a service provider. Indeed, Blackhawk’s former employees have testified that Blackhawk offers “top-up” services (which at least Mr. Bhattacharya equated with “RTR” services) which allow customers to add value, for example, to their wireless accounts directly through merchant POS terminals (*see* Worsey Tr. at 53, 175-77; Bhattacharya Tr. at 205-10). . . .

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Nonetheless, more than two months after InComm has requested that Blackhawk provide sufficient interrogatory responses regarding its RTR (i.e., “top-up”) service, Blackhawk has not done so.

Dkt. 173, Exh. 3 at 4.

(The Bhattacharya deposition referenced in the letter appears to have been taken on March 11, 2011.)

On April 22, 2011, the parties met and conferred in an effort to resolve these discovery disagreements. Dkt. 173, Exh. D. In an April 25, 2011 letter commemorating the meeting,

InComm wrote that “Based on our correspondence and the understanding that our interrogatory requests encompass more than simply Real Time Replenishment (i.e., they cover top-up and other reload transactions conducted by Blackhawk), we understand that supplemental interrogatory responses will also be provided to those requests outlined in our April 8th letter.” InComm also asked that Blackhawk produce the source code showing the implementation of the top-up RTR process. *Id.* at 2. On April 27, 2011, Blackhawk responded that its source code relevant to its RTR/top-up service had been available for review for months. Dkt. 173, Exh. E at 2. Blackhawk also noted that because it routinely updates its source code, it would make the updated source code available for InComm’s review, even though no material changes had been made. *Id.*

On April 28, 2010, InComm deposed Ansar Ansari, who testified that Blackhawk had not yet implemented a card-based RTR system but that it had top-up capability, which also is an RTR system. Dkt. 162 at 254-56, 269-72 and 276. Ansari also identified a number of Blackhawk employees who had more knowledge about Blackhawk’s RTR services. *Id.* at 205-07, 255 and 276. The depositions of those employees have been scheduled for June 15-17, 2011. On May 3, 2011, Blackhawk supplemented its response to Interrogatory No. 9, stating that it

[P]rovides services that allow Blackhawk to send a top-up message to a telecom carrier. These services are not “RTR card products” or “RTR card services” as they do not utilize cards. Instead, these services allow a telephone number and a universal product code (“UPC”) to be provided via a terminal for topping-up a customer’s prepaid account. Then these services use the UPC to identify the telecom carrier to which the top-up message is routed. As such, the top-up services provided through Blackhawk are distinct from the proposed, and subsequently canceled, accused Real-Time Replenishment Card system as identified in InComm’s Disclosure of Asserted Claims and Preliminary Infringement Contentions, served on November 5, 2010.

Dkt. 173, Exh. J at 7.

## OPINION

### I. Rule 56(d) Motion

Fed. R. Civ. P. 56(d) provides that if a party opposing a summary judgment motion “shows by affidavit or declaration that, for specified reasons, it cannot present facts essential to justify its opposition,” then the court may defer considering the motion, deny it, allow additional time for discovery or take other appropriate action. InComm asserts that it has not had sufficient time to conduct discovery on Blackhawk’s non-card based RTR services. However, as InComm itself admits, Blackhawk’s summary judgment motion “is based solely on InComm’s preliminary infringement contentions served on November 5, 2010 and Blackhawk’s claim that it has yet to offer the *card based* Real Time Replenishment (“RTR”) services identified in those contentions.” Pls’ Supp. Br. at 1, dkt. 171 at 4 (double-emphasis in original). Therefore, Blackhawk’s alleged non-card based RTR services are not relevant to the current infringement allegations on which Blackhawk has moved for summary judgment. What InComm actually is seeking is additional time in which to conduct discovery so that it may decide whether to amend its infringement contentions and accuse additional products. Although related, that issue involves a separate question and is the subject of Blackhawk’s motion to strike, which is addressed below. Accordingly, InComm’s Rule 56(d) motion is denied.

### II. Motion to Strike Infringement Contentions

Given InComm’s late amendment to its complaint in October 2010, the court amended the scheduling order on December 9, 2010 to extend pending case deadlines. Dkt. 130. That order did not set a deadline for filing infringement contentions with respect to the amended complaint because by that point, InComm already had filed them. Like many federal district courts, this court requires patent litigants to identify their contentions of infringement, invalidity and unenforceability early in the litigation process. The Court of Appeals for the Federal Circuit

has recognized that such local rules “seek to balance the right to develop new information in discovery with the need for certainty as to the legal theories.” *O2 Micro Int’l Ltd. V. Monolithic Power Sys., Inc.*, 467 F.3d 1355, 1366 (Fed. Cir. 2006) (discussing local patent rules for the Northern District of California). Although this court’s standard Preliminary Pretrial Conference Order does not provide specifically for amendments to those contentions, modification of the scheduling order generally is allowed upon a showing of good cause. *See* Fed. R. Civ. P. 16(b)(4); *Domino v. Didion Ethanol, LLC*, 670 F. Supp. 2d 901, 911 (W.D. Wis. 2009). The Federal Circuit has noted that “refusing to allow any amendment to contentions based on new information developed in discovery could be contrary to the spirit of the Federal Rules [of Civil Procedure].” *O2 Micro*, 467 F.3d at 1366.

Rule 16(b)’s “good cause” standard focuses primarily on the diligence of the party seeking amendment. *Trustmark Insurance Co. v. General & Cologne Life Re of America*, 424 F.3d 542, 553 (7<sup>th</sup> Cir. 2005); *see also O2 Micro*, 467 F.3d at 1366 (“If the parties were not required to amend their contentions promptly after discovering new information, the contentions requirement would be virtually meaningless as a mechanism for shaping the conduct of discovery and trial preparation.”). Here, Blackhawk contends that InComm does not have good cause for amending its infringement contentions after seven months because it has had access to information regarding its top-up services since July 9, 2010 and has had an opportunity to conduct discovery on those services since that time. In support, Blackhawk points to nine message specifications that it produced last year along with over 36,000 pages of documents in response to InComm’s request for production of documents. *See* dkt. 186, exh. 1. It claims that InComm used these specifications as exhibits at the deposition of Mike Blandina on September 22, 2010. *See* dkt. 164 at 201-40. Blackhawk also claims that since December 2010, InComm has had access to its source code, which contained information on its top-up services.

InComm asserts that the message specifications only generally reference “top-up,” which it alleges is a general term for adding value to a customer account and may be implemented in many ways. According to InComm, these documents do not show that Blackhawk was offering a service in which the UPC is used to identify the telecom carrier and that allows a telephone number and UPC to be provided via a terminal for topping-up a customer’s prepaid account. InComm also contends that the specifications discuss only the message sent to Blackhawk and not what Blackhawk does with the message when it is received.

Although I agree with Blackhawk that the specifications mention both top-up and a UPC identifying a telecom carrier, it is not clear from those specifications exactly how Blackhawk’s top-up process works or how it uses the messages received from the merchants. Blandina also did not discuss Blackhawk’s top-up services during his deposition a few months later. Therefore, I cannot conclude that InComm should have known from the specifications alone that Blackhawk offers a service allowing a telephone number and UPC to be provided via a terminal for topping up a customer’s prepaid wireless account.

Although Blackhawk generally asserts that the source code produced for InComm’s review in December 2010 detailed how the top-up service works and the fact that a UPC identifies the telecom carrier, InComm contends that Blackhawk’s lack of clarity on the issue prevented it from deciphering exactly what RTR services Blackhawk offered. Without more specific information from the parties on the content of the source code, the court cannot find that it was obvious from the source code that Blackhawk provided a non-card based RTR service.

It was not until Blackhawk provided its interrogatory responses in January 2011 that InComm realized that Blackhawk’s top-up services actually may be an RTR service. At that point, InComm questioned Blackhawk’s responses and went as far as to issue subpoenas to Blackhawk customers. Subsequent deposition testimony of Blackhawk employees began

confirming InComm's suspicions. InComm promptly amended its infringement contentions after Blackhawk supplemented its interrogatory responses on May 3, 2011.

From this course of events, I conclude that InComm was sufficiently diligent when investigating the extent of Blackhawk's RTR services and it did not unduly delay amending its infringement contentions. Although there were clues along the path that Blackhawk may be offering a different type of RTR service, Blackhawk was not entirely forthcoming in identifying those services for InComm. Therefore, even if InComm may have been able to discover the non-card based services a few months earlier, I cannot say that it does not have good cause to amend its infringement contentions at this point in the litigation. Although Blackhawk contends that it will suffer prejudice in the form of litigation delay if InComm's amended infringement contentions are allowed to stand, the fact that InComm acted with diligence and filed its amendment within a reasonable period weigh in favor of allowing the amended contentions. The motion to strike will be denied.

#### ORDER

IT IS ORDERED that:

(1) The emergency motion filed by plaintiffs e2Interactive, Inc. and Interactive Communications International, Inc. to deny defendant Blackhawk Network, Inc.'s motion for summary judgment under Fed. R. Civ. P. 56(d) (dkt. 170) is DENIED; and

(2) Blackhawk's motion to strike InComm's amended infringement contentions (dkt. 185) is DENIED.

Entered this 22<sup>nd</sup> day of June, 2011.

BY THE COURT:

/s/

STEPHEN L. CROCKER  
Magistrate Judge