

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

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

OPINION AND ORDER

09-cv-629-slc

Plaintiffs,

v.

BLACKHAWK NETWORK, INC.,

Defendant.

In this patent lawsuit, plaintiffs e2Interactive, Inc. and Interactive Communications International, Inc. (collectively InComm) accused defendant Blackhawk Network, Inc. of infringing U.S. Patent Nos. 7,578,439 (the '439 patent) and 7,630,926 (the '926 patent), related to processing prepaid gift cards. Blackhawk counterclaimed for inequitable conduct. After Blackhawk voluntarily dismissed its counterclaim and I granted Blackhawk summary judgment on the '926 patent infringement claims, the parties proceeded to trial on February 21, 2012 on the remaining '439 patent infringement claim. Following a six-day trial, the jury found infringement and awarded InComm \$3,475,159.95 in reasonable royalties. Now before the court is Blackhawk's motion for judgment as a matter of law under Fed. R. Civ. P. 50(b) or in the alternative, motion for a new trial under Rule 59(a). Dkt. 490. InComm's post-trial motions will be addressed in a separate order.

Because Blackhawk's Rule 50 and 59 motions were untimely, I must convert them to a motion for relief from judgment under Rule 60. I conclude that Blackhawk has not established the type of extraordinary circumstances necessary to warrant relief from judgment under the more restrictive Rule 60 standard.

OPINION

I. Timeliness

The first question is whether Blackhawk's Rule 50(b) and 59(b) motions were filed in a timely manner. Both rules require that the motion be filed no later than 28 days after the entry of final judgment, which occurred on March 2, 2012 in this case. Following an unrecorded telephonic status conference on March 16, 2012, I issued a text only order stating that "any Rule 59(e) motion must be filed within the time limit set by the rule and all other motions on all other topics must be filed and served not later than April 20, 2012, along with all supporting documents and legal argument." Dkt. 474. As the parties indicate, InComm raised specific concerns about what effect the court-ordered deadline would have on the 28-day deadline for motions to alter or amend a judgment set forth in Rule 59(e). In response, I excluded Rule 59(e) motions from the later deadline and advised the parties that they should proceed as they saw fit in filing their motions.

Relying on the text only order, Blackhawk filed its motions on April 20, 2012, well after the March 30 deadline imposed by the rules. InComm asserts that Blackhawk's motion is untimely because under Rule 6(b)(2), the deadlines set forth in Rules 50 and 59 are inflexible and may not be extended by district courts. Rule 6(b)(2) states that "[a] court must not extend the time to act under Rules 50(b) and (d), 52(b), 59(b), (d) and (e)." *See also Varhol v. Nat'l R.R. Passenger Corp.*, 909 F.2d 1557, 1561 (7th Cir. 1990) (motion for new trial filed under Rule 59(a) was untimely even though filed within time allowed by court).¹ As InComm also points out, the Court of Appeals for the Seventh Circuit recently addressed this issue in *Blue v. International Broth. of Elec. Workers Local Union 159*, 676 F.3d 579, 585 (7th Cir. 2012), a case

¹ Although the Federal Circuit is the reviewing authority, it reviews denial of post-trial motions for judgment as a matter of law and new trial under regional circuit law (here the Seventh Circuit). *See Wordtech Systems, Inc v. Integrated Networks Solutions, Inc.*, 609 F.3d 1308, 1312 (Fed. Cir. 2010).

that originated in this court. In *Blue*, District Court Judge Conley extended the parties' 28-day deadline for filing post-trial motions and the plaintiff relied on the extension in filing Rule 50 and 59 motions outside the deadline imposed by the rules. Because the defendant did not object to the motions as untimely, the court considered the argument waived and considered the motions on their merits. On appeal, the court of appeals found that the 28-day limit on filing Rule 50 and 59 motions was non-jurisdictional, and that even though the extension violated Rule 6, the district court was within its discretion to consider the post-trial motions. *Id.* at 584-85. However, the court made clear that the scope of the district court's authority was constrained by Rule 60, which is an extraordinary remedy and is granted only in exceptional circumstances. *Id.*; see also *Kiswani v. Phoenix Sec. Agency, Inc.*, 584 F.3d 741, 742-43 (7th Cir. 2009) (when Rule 59 motion not timely filed, it automatically becomes Rule 60(b) motion).

As the parties note, the "unique circumstances" doctrine, also sometimes referred to as equitable tolling, has been used to excuse a late filing where a litigant "has received specific assurance by a judicial officer that [an] act has been properly done." *Osterneck v. Ernst & Whinney*, 489 U.S. 169, 179 (1989); see also *Properties Unlimited, Inc. v. Cendant Mobility Services*, 384 F.3d 917 (7th Cir. 2004) (citing *Harris Truck Lines, Inc. v. Cherry Meat Packers, Inc.*, 371 U.S. 215 (1962)). However, the Seventh Circuit has "taken a narrow view of the *Osterneck* rule, lest it become an exception that swallows the rules concerning time for appeal. Merely entering a minute order that apparently extends the time for filing a motion under Fed. R. Civ. P. 59, for example, is not enough to count as a 'specific assurance' from the court." *Properties Unlimited*, 384 F.3d at 921 (citing *Green v. Bisby*, 869 F.2d 1070, 1072 (7th Cir. 1989)); see also *Robinson v. City of Harvey*, 489 F.3d 864, 870-71 (7th Cir. 2007) (noting same and that it and Supreme Court have questioned continued validity of doctrine). In *Properties Unlimited*, the court of appeals also held:

Similarly, it cannot be enough if the district court announces that it is giving the parties more time than the rules permit, because the rules then would impose no limits on the court's discretion. In our view, the “unique circumstances” exception is available only when there is a genuine ambiguity in the rules to begin with, and the court resolves that ambiguity in the direction of permitting additional time to appeal. In that case, the equities that motivated the Supreme Court to begin with lie strongly on the side of the party who relied on the affirmative judicial statement.

Id. at 921-22.

Although I sympathize with Blackhawk’s predicament, the law is clear; this court does not have the authority to extend the 28-day deadline for filing Rule 50(b) and Rule 59 motions and Blackhawk cannot rely on my text only order stating otherwise. Therefore, I have no choice but to find that Blackhawk’s Rule 50 and 59 motions were untimely and instead analyze their arguments under the more restrictive Rule 60 standard.²

II. Estoppel

InComm also asserts that Blackhawk is estopped from seeking post-trial relief because in the damages phase of the trial, Blackhawk’s counsel made statements during his opening and closing statements about the jury’s liability verdict standing forever. For example, InComm points out that defense counsel argued that “Blackhawk has heard you and it’s taking action” and “an award of zero does not take away your determination of infringement. That will stand forever.” Dkt. 459 at 5-B-33; dkt. 472 at 6-D-26. InComm characterizes these statements as judicial admissions of liability. *See McCaskill v. SCI Mgmt. Corp.*, 298 F.3d 677, 680 (7th Cir. 2002) (finding verbal admission by defense counsel at oral argument that arbitration agreement

² As a result, it is unnecessary to address InComm’s argument that Blackhawk failed to preserve all of the arguments it raised in its Rule 50(b) motion by first asserting them in its Rule 50(a) motion.

was unenforceable was binding judicial admission and formal concession); *Robinson v. McNeil Consumer Healthcare*, 615 F.3d 861, 872 (7th Cir. 2010) (attorney’s statement that is “deliberate, clear and unambiguous” can qualify as a [binding] judicial admission”); *In re Lefkas Gen. Partners*, 153 B.R. 804 (N.D. Ill. 1993) (noting that judicial admissions are “any ‘deliberate, clear and unequivocal’ statement, either written or oral, made in the course of judicial proceedings.”).

InComm’s argument is not persuasive. As the Seventh Circuit made clear in *Robinson*, 615 F.3d at 872, “in order to qualify as judicial admissions, an attorney’s statements must be deliberate, clear and unambiguous.” In that case, the court of appeals found that defense counsel’s statements that his client had never blamed the plaintiff for her own injuries was not a judicial admission that the plaintiff was not contributorily negligent. *Id.* “Were the plaintiff’s conception of judicial admissions accepted, statements made by lawyers in opening and closing arguments, in making objections, at side bars, and in questioning witnesses would be treated as pleadings and searched for remarks that might be construed as admissions though neither intended nor understood as such. Trials would be turned into minefields.” *Id.* The same is true in this case. Blackhawk’s counsel was not admitting any specific facts or even overall liability; he merely was letting the jury know that their liability verdict would stand even if they chose to award zero damages.

III. Merits

Under Rule 60, a court may relieve a party from final judgment for (1) mistake, inadvertence, surprise, or excusable neglect; (2) newly discovered evidence that, with reasonable diligence, could not have been discovered in time to move for a new trial under Rule 59(b); (3) fraud, misrepresentation or misconduct by an opposing party; (4) the judgment is void; (5) the judgment has been satisfied, released or discharged; or (6) any other reason that justifies relief. However, it is an “extraordinary remedy” granted only in “exceptional circumstances.”

Harrington v. City of Chicago, 433 F.3d 542, 546 (7th Cir. 2006) (citations omitted). Legal error is not a proper ground for relief under Rule 60(b). *Gleash v. Yuswak*, 308 F.3d 758, 761 (7th Cir. 2002). Rule 60(b) “was designed to address mistakes attributable to special circumstances and not merely to erroneous applications of law.” *Russell v. Delco Remy Div. of Gen. Motors Corp.*, 51 F.3d 746, 749 (7th Cir. 1995); *see also Eskridge v. Cook County*, 577 F.3d 806 (7th Cir. 2009) (citing same).

In its post-verdict motion, Blackhawk challenges the court’s construction of the “determining” and “initiating” steps in claims 1 and 19 of the ‘439 patent, asserts that InComm should have been awarded zero damages and argues that the trial was fundamentally unfair. Although Blackhawk did not frame its arguments under the Rule 60 standard, the only arguable grounds for relief are new evidence under Rule 60(b)(2) and the catchall category in Rule 60(b)(6).

Relief under Rule 60(b)(6) “is warranted only upon a showing of extraordinary circumstances that create a substantial danger that the underlying judgment was unjust.” *Margoles v. Johns*, 798 F.2d 1069, 1073 (7th Cir. 1986). As discussed below, Blackhawk has not shown that any special circumstances exist that justify the reversal of the court’s claim construction decisions or evidentiary rulings at trial. Although I understand that Blackhawk disagrees with the court’s legal conclusion in each instance, this is an insufficient basis for relief under Rule 60. Further, the “new” statements made by the patent examiner during reexamination and after the conclusion of the trial do not offer Blackhawk a ground for relief because they would not have changed the outcome of the trial for the reasons discussed below.

A. Determining step—terminal identifier

Claims 1 and 19 both require “determining if the requesting terminal is authorized to request the requested transaction type for the stored value card.” On summary judgment, the

court extensively reviewed the intrinsic evidence (including the claim language, specification and statements made by InComm and the patent examiner during the reexamination of the ‘439 patent) and determined that there was no stated requirement that the step be based on the terminal identifier, as Blackhawk had argued. Dkt. 258 at 30-31. I found that the claims were silent with respect to exactly what information is used to verify whether the requesting terminal is authorized or how that determination is made, and that the specification states only that the determining step *may* be completed by verifying the terminal identifier, not that it *must* be done that way. Similarly, I concluded that the statements made by InComm and the patent examiner during the reexamination of the ‘439 patent were at best ambiguous because none of the statements clearly and unmistakably established that using the terminal identifier is mandatory.

In its post-verdict motion, Blackhawk incorporates by reference the exact arguments that it made on summary judgment and reasserts that the court should construe the determining step as requiring some sort of analysis, comparison or consideration of the terminal identifier. Because the court thoroughly addressed those arguments on summary judgment, it will not revisit them here.³ Blackhawk also points to statements made by InComm and its inventors after the summary judgment motion had been briefed in hopes that the court will find that this additional evidence tips the scales in Blackhawk’s favor.⁴ However, the later statements that Blackhawk cites suffer the same problem that the court identified on summary judgment with respect to other InComm statements: none establishes unequivocally that using the terminal identifier is mandatory in the determining step.

³ This includes Blackhawk’s references in its supporting brief to a statement made by Scott Loftesness about the ‘439 patent disclosing a two-step determination. *See* dkt. 491 at 7.

⁴ In its summary judgment order, the court stated that “Factors point in both directions: Blackhawk’s exegesis of the reexamination is logical, but InComm benefits from a deferential test of its intent to disclaim.” Dkt. 258 at 25.

In a December 12, 2011 “Amendment in Reply to Action of October 11, 2011,” InComm distinguished the Dorf reference on the following ground:

Furthermore, the determination described by Dorf is a determination that a merchant is authorized for a transaction, rather than a determination that a requesting terminal is authorized to request a requested transaction type.

Dkt. 351, Exh. 2 at 35.

As with its other statements discussing the prior art, InComm does not make any direct representation about what the ‘439 patent claims disclose or cover. Further, as InComm notes, the cited statement does not even mention the terminal identifier at all.

Using similar reasoning, Blackhawk points to the deposition testimony of two inventors, which was taken after the summary judgment decision. Specifically, when Brooks Smith was asked whether his “patent discloses the use of terminal ID as a basis for authorizing a terminal to perform a transaction type,” he responded that “[i]t does mention in the claims the use of terminal ID as related to determining transaction authorization via type.” Dkt. 209 at 100-01. Phillip Graves stated in his deposition that the transaction message that comes from the terminal typically contains a terminal ID and in the determining step, the computer system makes a determination about whether the terminal ID and authorization type are correct. Dkt 263 at 68-9. At trial, Graves also testified that with multiple transaction types, he and Smith felt that they had to look at the transaction type and the terminal making the request to determine if the terminal was authorized for the requested transaction.

As an initial matter, InComm argues that Blackhawk cannot rely on the inventor deposition testimony because (1) it was not part of the underlying trial record, (2) Blackhawk sought to preclude inventor testimony during trial as irrelevant and (3) the statements constitute extrinsic evidence that cannot overturn the court’s claim construction that was based on intrinsic evidence. InComm’s first and third points are the most persuasive. Even though the inventor

deposition testimony was available at the time of trial, Blackhawk did not attempt to use it to revisit the court's claim construction decision. Further, it cannot be considered "new evidence" for purposes of Rule 60 for the same reason.

With respect to InComm's third point, I determined on summary judgment that the intrinsic sources of evidence were sufficient to allow me to construe the term determining step. Dkt. 258 at 30 n.1 (citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1317-18 (Fed. Cir. 2005) (in general extrinsic evidence is less reliable than patent and prosecution history); *Digene Corp. v. Third Wave Technologies, Inc.*, 2007 WL 5614110, *12 (W.D. Wis. Sept. 26, 2007) ("extrinsic evidence is not a starting point for claim construction, but becomes relevant only when intrinsic sources of evidence are inadequate"). Therefore, InComm is correct that it would be inappropriate to consider the inventor's later statements concerning the meaning of the determining step. However, for argument's sake, I note that none of the cited testimony makes clear that the determining step always uses the terminal identifier. As with all of the other statements cited by Blackhawk, the testimony of Smith and Graves is ambiguous and at most supports an inference that the terminal identifier *may* be part of the determining step.

B. Determining step—transaction type

In a motion in limine, InComm sought to preclude Blackhawk from arguing at trial that the determining step must be based on an analysis or consideration of the requested transaction type. It appeared to the court that InComm was saying that the transaction type was not relevant or played no part in the determining step, an argument seemingly in direct conflict to the earlier position that InComm took in response to summary judgment. Given InComm's previous representations on summary judgment, and the fact that the claim language explicitly refers to "transaction type," I stated at the final pre-trial hearing that the determining step must be based on the transaction type.

InComm took issue with this characterization, fearing that the court was construing the determining step to require the computer to analyze or consider the transaction type in the requested transaction. After additional briefing by the parties, I issued a written order on February 17, 2012, in which I noted that even though this could be a logical inference, it was not what the court intended. Dkt. 414. Specifically, I found that as with the terminal identifier, there was nothing definitive in the claims, specification or prosecution history requiring any particular analysis of the transaction type. The claims merely require that a determination be made that the requesting terminal is authorized to request the transaction type being requested. In other words, the linchpin with respect to this step is the act of determining whether the terminal is authorized for a particular transaction, not an analysis of the requested transaction type.

In addition to rehashing the arguments it made on summary judgment and in response to InComm's motion in limine, Blackhawk asserts that the court ignored statements made by InComm during the reexamination process in reaching its claims construction decision. *See* quoted statements, dkt. 491 at 17-18. However, Blackhawk previously had quoted the very same statements in its January 2012 brief in opposition to InComm's motion in limine. *See* dkt. 347 at 4-5. Although I did not conduct a detailed analysis of the statements in the February 17, 2012 written order, I specifically found that the prosecution history did not clearly indicate that the determining step required an analysis of the requested transaction type. As indicated above, for prosecution disclaimer to limit the scope of the claims, the patent owner's actions must be clear, deliberate and unmistakable. *Omega Eng'g, Inc. v. Raytek Corp.*, 334 F.3d 1314, 1325-26 (Fed. Cir. 2003). The statements cited by Blackhawk fail to establish InComm's clear and unmistakable disavowal.

Blackhawk also argues that inventor testimony not considered at summary judgment provides additional support for construing the determining step to require the determination to

be based on the transaction type. *See* dkt. 491 at 19-20 for quoted testimony. However, as discussed above, because the court has concluded from the intrinsic evidence that the determining step does not require any particular analysis of the transaction type, it is unnecessary to look at later acquired extrinsic evidence. Further, a review of the testimony in question shows only that the determination step requires a determination of whether the terminal is authorized for a particular transaction. Although the inventors mention that the invention looks at the transaction type during this process, nothing in their statements makes clear that a particular analysis is required in every instance.

Finally, Blackhawk attempts to find additional support for its position in statements made by the patent examiner on reexamination after the briefing on post-verdict motions had been completed. *See* Blackhawk's Notice of Supplemental Authority, dkt. 507. Although these statements may qualify as new evidence under Rule 60(b), they do not help Blackhawk because they would not have affected the claims construction or the outcome of the trial.

In distinguishing a prior art reference in an Action Closing Statement dated June 26, 2012, the patent examiner stated that:

[T]here is simply no teaching which is directed to authorization based on transaction type. That is, the claim is directed to determining if the requesting terminal is authorized to request the requested "transaction type" for the stored value card.

Dkt. 508, Exh. 1 at 8 and 9.

Similarly, he stated that he agreed with InComm's statement that "claim 1 requires the requested transaction type (not the transaction request itself or card identifier) to be used as the basis of an authorization determination." *Id.* at 11.

As an initial matter, InComm correctly points out that these statements were not made in the context of a final office action. *See* M.P.E.P. § 2671.02 ("Although an Action Closing Prosecution (ACP) has many attributes similar to a 'final rejection' made in an *ex parte*

reexamination proceeding or in a non-provisional application, it is not a final action. . .”). Further, although statements made by a patent examiner during reexamination are relevant prosecution history, *see St. Clair Intellectual Property Consultants, Inc. v. Canon Inc.*, 412 Fed. Appx. 270, 275-76 (Fed. Cir. 2011), the statements made by the examiner here do not contradict the court’s claim construction and add little in the way of explaining what kind of analysis is involved in making the authorization determination.⁵ The only affirmative statement that the examiner makes about the ‘439 patent claims is that a determination has to be made as to whether the requesting terminal is authorized to request the transaction type at issue. He never says that a particular analysis or consideration of the transaction type is required.

Blackhawk also asserts that during the reexamination, the examiner adopted the opinion of InComm’s expert, Mr. Loftesness, that the determining step reasonably requires a determination that “implicates general authorization to conduct transactions of a particular type which is not satisfied by simply determining whether a terminal is authorized for all transactions, regardless of type.” Blackhawk seizes upon this statement as proof that BLAST cannot infringe the determining step because it authorizes all transactions.

First, it is not clear from the ACP that the examiner actually adopted Loftesness’s statement. He notes that InComm relies on this opinion, goes on to cite another opinion rendered by Loftesness and *then* states that he agrees “in part” with InComm, without referring

⁵ Blackhawk cites *St. Clair* and *Procter & Gamble Co. v. Kraft Foods Global, Inc.*, 549 F.3d 842, 848 (Fed. Cir. 2008) for the proposition that an examiner’s statements carry significant weight. However, I agree with InComm that both cases are inapposite. In *St. Clair*, the court of appeals reversed a district court’s reliance on another court’s earlier claim construction where five examiners had rejected that specific construction on reexamination. 412 Fed. Appx. at 275-76. In *Procter & Gamble*, the court of appeals merely instructed the district court on remand to monitor proceedings before the PTO to ascertain whether any claims construction it might have to make would be impacted by the PTO action. 549 F.3d at 848.

to any language in the original statement about determining whether a terminal is authorized for all transactions regardless of type.

Second, Loftesness appears to be stating an opinion with respect to infringement rather than the meaning of the claim itself. In fact, Blackhawk identified this very opinion at trial in cross examining Ken Maliga, another InComm expert, about what type of system would satisfy the determining step. Maliga explained on redirect that Loftesness meant that a system in which a terminal allows all transactions through, without considering which transaction types are authorized, would not be covered by the '439 patent. Dkt. 426 at 2-C-83.

Given the ambiguity surrounding the statement and the fact that the jury had the opportunity to consider it in relation to how BLAST functioned, the ACP provides little to no basis for reversing the court's claim construction decision or the jury's finding of infringement.

C. Initiating Step

While Blackhawk's expert, Lori Breitzke, was testifying at trial, the parties renewed a long-dormant claims construction issue regarding the preambles to claims 1 and 19 of the '439 patent. Blackhawk argued that the preambles require the central processor to perform the requested transaction, whereas InComm asserted that no such requirement was present. After hearing from the parties, I entered a text only order, concluding that the preamble to claim 1 does not require that all four steps of the method in claim 1 must be performed by the central processor, and that the preamble to claim 19 does not require that all four instructions for performing an action must be performed by the central processor. Dkt. 431.

In its post-trial motion, Blackhawk asserts that the court's "mid-trial adjustment of its prior claim construction ruling constituted manifest injustice and prejudicial error." As InComm notes, this characterization is inaccurate. During the final pretrial conference, Blackhawk made a last-minute request for the court to determine whether the preambles were limiting in that they

include essential structures for the performance of the elements recited in the claims. *See* February 17, 2012 order, dkt. 414 at 10-13. I agreed with Blackhawk and found that the preambles provide an essential structure for the receiving, determining and initiating steps recited in the body of the claims and define the environment within which the claimed method and program operate or function. *Id.* at 12. However, because Blackhawk did not identify the performance of the initiating step as an issue, I did not address it. The issue arose only when Breitcke sought to construe the requirements of the preambles during her testimony at trial. In response to InComm’s objections, Blackhawk explained that it had misinterpreted the court’s previous ruling as a construction that the central processor perform the initiating step. Therefore, when it became clear that the meaning of the preamble and not just its scope was in dispute, the court construed it. The fact that this happened during trial is of little significance. District courts have an obligation to construe any claim term when it is necessary to resolve a genuine and material legal dispute between the parties. *O2 Micro Intern. Ltd. v. Beyond Innovation Technology Co., Ltd.*, 521 F.3d 1351, 1362-63 (Fed. Cir. 2008). Blackhawk’s claims of manifest injustice and prejudicial error are unfounded.

With respect to the construction of the preamble, Blackhawk repeats the same arguments that it made at trial concerning the role of the central processor, pointing to the claims themselves and embodiments in the specification. In sum, Blackhawk argues that the court’s misinterpreted the preambles and erred in allowing Kenneth Maliga to testify that Blackhawk infringed because third-party processors performed the initiating step in the accused system.

Although there was not time to fully commit my claims construction reasoning to writing during trial, I reviewed all of the intrinsic evidence and was able to conclude that it did not support Blackhawk’s construction. The preambles discuss a computer method (Claim 1) and program (Claim 19) for processing a “transaction request in a card data management system having a central processor in communication with a plurality of point-of-sale terminals” where

the central processor is “in communication with a database.” The claims then set forth four steps comprising the method and program: receiving the request, determining if the requesting terminal is authorized, initiating the transaction and transmitting a response to the requesting terminal. The claims do not state that the central processor must perform the requested transaction. The specification language cited by Blackhawk, *see* dkt. 491 at 23, is similarly non-instructive, discussing only possible embodiments of the claims. Blackhawk’s renewed arguments to the contrary are not persuasive.

Blackhawk also renews its objection to Maliga’s expert testimony during trial regarding how Blackhawk’s BLISS system interacted with its BLAST system, claiming that the trial testimony was the first time Maliga had ever mentioned BLISS. The court overruled the objection at the time, saying it was an area for cross-examination. However, when Blackhawk explained that its objection related to the dispute over the preambles, I asked the parties to brief the issue. *See* dkt. 432-33. I determined that Maliga’s expert report had provided fair notice of the opinion he provided at trial concerning the role of BLISS. Dkt. 452 at 4-A-3 to 4-A-6. I also noted that InComm had discussed BLISS as a third-party processor in its identification of asserted claims. Blackhawk’s reiteration of the arguments that it made at trial fail to meet the elevated showing of extraordinary circumstances required for relief under Rule 60.

Finally, Blackhawk argues that even if the court’s claim construction is correct, neither party offered any evidence at trial about how BLISS or any other third-party processor operates. This is not entirely correct. At trial, the parties offered conflicting evidence as to what system performs the initiating step. Maliga testified that BLAST initiates the transaction request and sends it to BLISS or other third-party processors to complete the transaction processing. Dkt. 425 at 2-B-28 to 2-B-29 and 2-B-34 to 2-B-35. Breitzke testified for Blackhawk that the transaction flows through the point of sale, through BLAST to the card processor. Dkt. 452 at 4-A-122 to 4-A-126. It was her opinion that BLISS initiates the requested transaction. *Id.*

Although InComm did not submit evidence on the detailed workings of BLISS, that fact is irrelevant. As discussed at length below, the jury apparently sided with InComm because it is clear that the jury based its infringement verdict on a finding that BLAST satisfied all of the steps of the asserted claims.

D. Damages

During the liability phase of trial, InComm accused BLAST of infringing the '439 patent in combination with BLISS. However, InComm's damages expert, Bruce McFarlane, had failed to offer an opinion on the amount of damages caused by the BLAST/BLISS combination. Blackhawk asserts that it is entitled to an award of zero damages as a result. However, the jury was specifically instructed that "[i]f you conclude that BLISS performs the initiating step of claims 1 and 19 of the '439 Patent, you should not award damages. The evidence related to transactions involving BLISS is too speculative to support an award of damages." Dkt. 470 at 3. The jury apparently followed this instruction to the letter because it returned an award of \$3,475,159.95 as a reasonable royalty, an amount that exactly corresponds to a one-cent per transaction figure for transactions routed only through BLAST. *See* dkt. 467.

ORDER

IT IS ORDERED that defendants' motion for judgment as a matter of law and alternative motion for a new trial (dkt. 490), which is construed as a motion for relief from judgment under Fed. R. Civ. P. 60(b), is DENIED.

Entered this 22nd day of October, 2012.

BY THE COURT:

/s/

STEPHEN L. CROCKER
Magistrate Judge