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

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

Plaintiffs,

v.

BLACKHAWK NETWORK, INC.,

Defendant.

OPINION AND ORDER

09-cv-629-slc

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. With the court's permission, Blackhawk filed two summary judgment motions against InComm's infringement claims. Dkts. 161 and 204. On December 13, 2011, I issued an order rejecting Blackhawk's arguments concerning non-infringement of the '439 patent (although its disavowal argument was a wobbler). Dkt. 258. This order addresses Blackhawk's summary judgment arguments claiming that it does not infringe the '926 patent. As discussed below, I agree with Blackhawk on this one and I am granting summary judgment.

At the outset of this lawsuit, InComm accused only Blackhawk's card-based Real-Time Replenishment (RTR) system of infringing the '926 patent. After Blackhawk filed its original summary judgment motion (dkt. 161) but before briefing was complete, InComm amended its '926 patent infringement contentions to include Blackhawk's non-card RTR service, a/k/a "top-up service." As just noted, I allowed Blackhawk to file a follow-up summary judgment motion with respect to InComm's new contentions. Dkt. 194. Thus, Blackhawk's first summary judgment motion (dkt. 161) addresses the card-based system and its second motion (dkt. 204) addresses the non-card services.

In its initial summary judgment motion, Blackhawk asserted that it never made, sold or offered for sale any card-based RTR services. Although Blackhawk admits that it was in the process of developing a card-based RTR system, it has submitted affidavits from employees who aver that Blackhawk had stopped all work on the system by December 2010, and that Blackhawk's systems never have had the capability to support an RTR card. In response, InComm points to vague statements that Blackhawk had made about having the functionality to support an RTR card, and about initiating a pilot project of such a system. As discussed below, I find that a reasonable jury could not infer from these statements that Blackhawk actually made or used a card-based system. Therefore, Blackhawk is entitled to summary judgment on the claim that its card-based RTR services infringed the '926 patent.

This leaves Blackhawk's top-up service. Here, the parties' central dispute is how to construe the "wherein" clause and the claim term "account identification data" in claims 1 and 18 of the '926 patent. The parties dispute whether the "wherein" clause, properly is construed as a limiting term that requires that the specific provider adds value to the pre-existing customer account, or whether the "wherein" clause properly is construed as a non-limiting term because it merely states the result of the preceding method/process. Having reviewed the intrinsic evidence and the parties' arguments, I conclude that the "wherein" clause in claims 1 and 18 constitutes a claim limitation that requires the specific provider to add value to the customer account. Any further construction or definition of the term is unnecessary.

Because it is undisputed that the telecommunication service providers add value to the customer account in Blackhawk's cardless RTR system, Blackhawk only can be held liable for direct infringement if it directs or controls the actions of the service providers. After reviewing all of the evidence submitted by the parties, I find that InComm has failed to come forward with sufficient evidence from which a reasonable jury could infer that Blackhawk exhibits the requisite direction and control. As a result, Blackhawk is entitled to summary judgment on InComm's

claims that it directly infringes the '926 patent. Given these findings, it is unnecessary for the court to address the parties' arguments regarding the construction of the term "account identification data."

In addition to the findings of fact found in the court's December 13, 2011 order—which I incorporate by reference, and which should be read in conjunction with the instant order—I find the following additional facts to be material and undisputed:

FACTS

On December 8, 2009, the United States Patent and Trademark Office (USPTO) issued U.S. Patent Number 7,630,926 (the '926 patent), entitled "Inserting Value Into Customer Account at Point of Sale Using a Customer Account Identifier." The '926 patent has been assigned to plaintiff e2Interactive, Inc., and plaintiff Interactive Communications International, Inc. is the exclusive licensee. The Abstract of the '926 patent recites:

> A method of adding a value to a customer account is provided. A request to add a value to a customer account of a customer is received from a point of sale terminal. Value identification data associated with the value and account identification data associated with the customer account may form part of the request. The customer account identification data may be entered at the point of sale. The request may be associated with a purchase of the value. The value may be caused to be added to the customer account. During subsequent value purchase transactions, additional value may be added to the account.

I. Claims at Issue

Independent claim 1 of the '926 patent recites:

> A method of adding a value redeemable with one or more providers including a specific provider having a pre-existing customer account identified by a specific customer account number, the method utilizing a central processor in selective

communication with a point of sale terminal and the one or more providers, the method comprising:

> receiving, at the central processor, from a point of sale terminal a request to add a value to the pre-existing customer account of a customer, the request resulting from a purchase of the value and comprising:
>
> > value identification data associated with the value;
> >
> > account identification data associated with the pre-existing customer account;
>
> the value identification data and account identification data being received by the point of sale terminal;
>
> determining, by the central processor, the specific provider based on the account identification data;
>
> communicating, by the central processor, with a processor of the specific provider; and
>
> providing, by the central processor, to the processor of the specific provider, the value identification data and the account identification data, wherein the value is added to the pre-existing customer account by the specific provider based on the value identification data provided.

Independent claim 18 recites:

> A system of adding a value redeemable with one or more providers including a specific provider having a pre-existing customer account identified by a specific customer account number, the system comprising:
>
> > an input device in selective communication with at least one point of sale terminal for receiving from the point of sale terminal a request to add the value to the pre-existing customer account, the request

comprising value identification data associated with the value and account identification data associated with the pre-existing customer account;

a processor for determining the specific provider and the specific customer account number based on the account identification data; and

an output device for communicating, by the central processor, with a processor of the specific provider and providing to the central processor of the specific provider the value identification data and the account identification data, wherein the value is added to the preexisting customer account by the specific provider based on the value identification data provided.

II. Specification

The "Background of the Invention" section of the '926 patent recites:

> Conventional stored value accounts are reloaded in a two-step process. First, the customer purchases a stored value card associated with a specific value, such as $20. Second, the customer accesses a central processor, e.g., by calling an 800 number on the back of the card, and requests to add the card's value to the customer's account. During the call, the customer typically provides card account information as well as information sufficient to identify the customer's account. For a mobile telephone service account, such identifying information may include the [identity] of the telecommunications service provider (such as AT&T) as well as the customer's mobile phone number.
>
> This two-step process is time-consuming for the customer. In particular, contacting a central processor such as an IVR and navigating through all the prompts to provide all the necessary information can be especially time-consuming and/or difficult, especially for customers who do not speak the languages of the IVR system. For pay-as-you-go accounts, the burdensome IVR system may be navigated anew each time the customer adds value to the account. It is desirable to provide an improved system and method for iteratively adding value to a stored-value account.

Col. 1, lns. 48-67.

The "Detailed Description of the Drawings" section teaches:

> The invention, through a combination of technologies, provides a customer-friendly process that allows the customer to add value, i.e., money or usage credits, to an existing customer account from a point-of-sale (POS) device. The customer may purchase value at a merchant POS terminal or other terminal (such as an ATM). For instance, as in prior art methods, the customer may purchase a stored value card or a PIN associated with value, such as a $20 phone card. Alternatively, a customer may simply request to have a particular value added to a specific account. (It should be noted that the account may belong to the customer or another entity.) In either case, value purchase data and/or customer account identification data (such as phone number corresponding to a telecommunications account) may be provided, e.g., by entering it at the point of sale (e.g., a POS terminal). The value purchase data and customer account identification data may be passed from the POS terminal to a central processor. The central processor may identify the value and/or the customer account based on the received value purchase data and the customer account identification data. For instance, the central processor may identify the value based on a database that links the value identification data (e.g., a value identifier or card number) to a specific value. The central processor may then cause the identified value to be added to (or "inserted" into) the identified account. For instance, the central processor may send an automated and/or electronic request (e.g., via an API) to an account provider system to add the value to the identified customer account.
>
> An advantage of this approach is that value may be added to a customer account via a single POS transaction. This saves time and hassle compared to prior systems, which typically required a POS transaction that activates the value followed by a subsequent phone call and IVR navigation to cause the account provider system to have the activated value added to a specific customer account.

Col. 3, lns. 14-48.

> Once the customer selects the indicia, or an article bearing the indicia, the customer provides payment for the service value associated with the identifier represented by the indicia. For

example, the customer pays $25 for a $25 card associated with an identifier associated with a $25 service value (e.g., the identifier may be printed on the card, e.g., beneath a scratch-off adhesive to obscure it from view). The merchant sends a communication to the central system confirming the transaction with the customer so that the identifier at the central system can be activated. Customer account identification information may also be passed to the central system so that the central system may identify the target account to which the value will be added. For instance, the customer may enter the phone number corresponding to a telecommunications service account at a POS device, and the POS device may transmit this information to the central system.

When the identifier and customer account information are identified, the central system may communicate with the customer's account provider system to add the service value to the customer's account.

Col. 3, ln. 65 - Col. 4, ln. 17.

FIG. 5 is a flowchart showing the "adding associated service value to customer account" step of FIG. 1 in further detail in accordance with one embodiment of the invention. The process continues in step S140 and then may pass to step S141, wherein the system may determine whether the customer's carrier supports value insertion of service value into its customers' accounts. If the carrier does support direct value insertion, the process passes to step S144, wherein the system access the carrier system. Then, in step S145, the system requests approval from the carrier system to add the service value associated with the identifier to the customer's account. In step S146, the system determines whether the add value request is approved. If so, the process passes to step S148, wherein the system adds the service value to the customer's account, and then passes to step S150, wherein the system obtains updated customer account information from the carrier system. This updated account information may include the new account balance, as well as the account's expiration date, for example. The process then passes to step S152.

Col. 9, lns. 37-56.

III. Prosecution History

As originally filed, claim 1 recited:

[a] method of adding a value to a customer account, the method comprising:

> receiving from a point of sale terminal a request to add value to a customer account of a customer, the request comprising value identification data associated with the value and account identification data associated with the customer account, the customer account identification data being entered at the point of sale terminal, the request being associated with a purchase of the value; and causing the value to be added to the customer account.

Claim 21 originally recited

[a] system of adding value to a customer account, the system comprising:

> an input device for receiving from a point of sale terminal a request to add a value to a customer account of a customer, the request comprising value identification data associated with the value and account identification data associated with the customer account, the customer account identification data being entered at the point of sale, the request associated with a purchase of the value; and a processor for causing the value to be added to the customer account.

A. December 2008 Rejection

On December 19, 2008, the patent office rejected these original claims for several reasons. The patent examiner rejected both claims under 35 U.S.C. § 102(e) as being anticipated by U.S. Patent No. 6,473,500 ("Risafi"). He rejected claim 1 under 35 U.S.C. § 101 as being directed to non-statutory subject matter because "[a]lthough claim recites 'receiving' from a point of sale terminal, 'this is a nominal recitation of another statutory class. The point of sale system itself is not performing the actively recited steps or acts of the claimed method/process (e.g., 'receiving. . . .') but, rather these steps are performed by a human operator alone.'"

Finally, the patent examiner rejected claims 1 and 21 under the second paragraph of 35 U.S.C. § 112 because they did not particularly point out and did not distinctly claim the subject matter.[1] The examiner noted that because claims 1 and 21 were "incomplete for omitting essential elements, essential steps and/or essential structural cooperative relationships of elements." In particular, the "steps or acts are performed by a human operator at a system (i.e., the point of sale terminal) separate from the invention claimed," and the "steps or acts of the claimed invention are not positively recited (e.g., 'adding the value to the customer account')."

In a March 19, 2009 response, the applicants amended claim 1 in the following manner (see strikeouts and underlines):

> A method of adding a value redeemable with one or more providers including a specific provider to a pre-existing customer account with the specific provider, the pre-existing customer account identified by a specific customer account number, the method utilizing a central processor in selective communication with a point of sale terminal and the one or more providers, the method comprising:
>
> > receiving at the central processor from a point of sale terminal a request to add a value to a customer account of a customer, the request resulting from a purchase of value and comprising:
> >
> > > value identification data associated with the value;
> > > [[and]]
> > >
> > > account identification data associated with the pre-existing customer account;
> >
> > ~~,~~the customer value identification data and account identification data being entered at the point of sale terminal and transmitted to the central processor;~~, the request being associated with a purchase of the value~~

[1] Section 112 sets forth certain requirements for patent applications, including that "[t]he specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention."

> determining at the central processor the specific provider and the specific customer account number based on the account identification data; and the central processor causing the value to be added to the pre-existing customer account with the specific provider.

The applicants amended claim 21 to recite:

> A system of adding value redeemable with one or more providers including a specific provider to a pre-existing customer account with the specific provider, the pre-existing customer account identified by a specific customer account number, the system comprising:
>
> > an input device in selective communication with at least one point of sale terminal for receiving from [[a]] point of sale terminal a request to add [[a]] the value to [[a]] the pre-existing customer account ~~of a customer~~, the request received from the point of sale terminal comprising value identification data associated with the value and account identification data associated with the pre-existing customer account, the ~~customer~~ account identification data and the value identification data being entered at the point of sale~~, the request associated with a purchase of the value~~; [[and]]
> >
> > a processor for determining at the central processor the specific provider and the specific customer account number based on the account identification data; and
> >
> > an output device for causing the value to be added to the pre-existing customer account with the specific provider.

In their March 19, 2009 response, the applicants stated that "the method steps of claim 1 have been thoroughly tied to a 'central processor'—a recitation which prevents the interpretation of a person performing the steps." They also stated:

> Of the rejected claims, claims 1 and 21 are independent claims. Both of claims 1 and 21 recite the requirement of a request to add value to a customer account "resulting from a purchase of the value," wherein the request to add value comprises both "value identification data" and "account identification data" each entered at the point of sale, and a central processor receives this information and determines "the specific provider and the specific customer account number based on the account identification data," and wherein the central processor then causes "the value to

> be added to the preexisting customer account with the specific provider."
>
> Risafi includes no such disclosure. Risafi is directed to a pre-paid MasterCard product that can be used [at] a point of sale to purchase goods and services in a traditional sense. Risafi is not used to add value to "pre-existing customer account." Risafi does not teach a central processor receiving information from a point of sale and determining the target location of the value to be transferred. Simply put, Risafi does not anticipate, disclose, teach, or even suggest the recited elements of claims 1 and 21.

B. April 2009 Rejection

On April 27, 2009, the examiner rejected claims 1 and 21 under 35 U.S.C. § 102(e) as being anticipated by Risafi, or in the alternative, as being obvious under 35 U.S.C. § 103 over Risafi in view of U.S. Patent No. 6,502,745 ("Stimson"). The examiner also rejected claims 1 and 21 under 35 U.S.C. § 112, second paragraph for failure to particularly point out and distinctly claim the subject matter because the "steps or acts of the claimed invention are not positively recited (e.g., 'adding the value to the customer account')." In the office action, the examiner stated:

> The following language is interpreted as not further limiting the scope of the claimed invention. Language in a method claim that states only the intended use or intended result, but the express does not result in a manipulative difference in the steps of the claim. Language in a system that states only the intended use or intended result, but does not result in structural difference between the claimed invention and the prior art. In other words, if the prior art structure is capable of performing the intended use, then it meets the claim. Claim limitations that contain statement(s) such as "if, may, might, can could," as option language. As matter [*sic*] of linguistic precision, optional claim elements do not narrow claims limitations, since they can always be omitted. Claim limitations that contain statement(s) such as "wherein, whereby," that fail to further define the steps or acts to be performed in method claims or the discrete physical structure required of system claims.

On July 17, 2009 the applicants responded to the rejection of claims 1 and 21 (emphasis in original):

> The present invention is directed to adding value to an account with a specific provider. This value is added into the pre-existing customer account through a transaction conducted at a point-of-sale. Risafi includes no such disclosure. Risafi is directed to a pre-paid MasterCard product that can be used [at] a point of sale to purchase goods and services in a traditional sense. Risafi is not used to add value to "provider" or the customer account. The portions of Risafi cited by the Office teach adding value to the card account of Risafi.
>
> The present invention teaches purchasing value at the point of sale, providing account identification data at the point-of-sale, a central processor determining the specific provider based on the received account identification data, and providing value to the provider. Risafi does not teach, disclose, or suggest these claim elements.

They amended claim 1 to recite:

> A method of adding a value redeemable with one or more providers including a specific provider having a ~~to a preexisting customer account with the specific provider, the~~ preexisting customer account identified by a specific customer account number, the method utilizing a central processor in selective communication with a point of sale terminal and the one or more providers, the method comprising:
>
> > receiving at the central processor from a point of sale terminal a request to add a value to [[a]] the pre-existing customer account of a customer, the request resulting from a purchase of value and comprising:
> >
> > > value identification data associated with the value;
> > >
> > > account identification data associated with the pre-existing customer account;
> >
> > the value identification data and account identification data being ~~entered at~~ received by the point of sale terminal ~~and transmitted to the central processor~~;

> determining ~~at the central processor~~ the specific provider ~~and the specific customer account number~~ based on the account identification data; and
>
> ~~the central processor causing the value to be added~~ providing value to the ~~pre-existing customer account with the~~ specific provider.

They amended claim 21 to recite:

> A system of adding value redeemable with one or more providers including a specific provider having a ~~to a preexisting customer account with the specific provider, the~~ pre-existing customer account identified by a specific customer account number, the system comprising:
>
> > an input device in selective communication with at least one point of sale terminal for receiving from point of sale terminal a request to add the value to the pre-existing customer account, the request ~~received from the point of sale terminal~~ comprising value identification data associated with the value and account identification data associated with the pre-existing customer account~~, the account identification data and the value identification data being entered at the point of sale~~;
> >
> > a processor for determining ~~at the central processor~~ the specific provider and the specific customer account number based on the account identification data; and
> >
> > an output device ~~for causing the value to be added~~ providing value to the ~~pre-existing customer account with the~~ specific provider.

After adding the phrase "central processor causing the value to be added" to claims 1 and 21 in the March 19, 2009 amendment, the applicants removed this phrase in their July 17, 2009 Amendment. The applicants removed some of the references to "central processor" in claims 1 and 21 in the July 2009 amendment as a result of their attorney's discussion with InComm's Director of Intellectual Property.

C. October 2009 Interview

On October 7, 2009, the applicants' representative, Gregory Murphy, participated in a telephonic interview with patent examiner Sara Chandler. Murphy in part discussed "101-Bilski, 112-ways to clarify the steps of claimed invention and how value is added to proper account" and authorized the examiner to amend claims 1 and 21. On October 19, the examiner amended claim 1 in the following relevant part:

> determining, by the central processor, the specific provider based on the account identification data; and
>
> communicating, by the central processor, with a processor of the specific provider; and
>
> providing, by the central processor, ~~value~~ to the processor of the specific provider, the value identification data and the account identification data, wherein the value is added to the pre-existing customer account by the specific provider based on the value identification data provided.

She amended claim 21 to recite:

> an output device for communicating, by the central processor, with a processor of the specific provider and providing ~~value~~ to the central processor of the specific provider the value identification data and the account identification data, wherein the value is added to the preexisting customer account by the specific provider based on the value identification data provided.

These amendments satisfied 35 U.S.C. §§ 101 and 112 and introduced the phrase "a processor of the specific provider" for the first time.

On October 30, 2009, the applicants accepted the examiner's amendments without comment and paid the issue fee. On December 8, 2009, claim 1 issued and the claim originally filed as claim 21 issued as claim 18.

IV. Accused Products

Blackhawk provides Real-Time Replenishment (RTR) services for adding value to pre-existing wireless customer accounts. Blackhawk processes transactions through a central processor, called the Blackhawk Acquiring Switch (BLAST), or by Blackhawk's PayGo Platform, which typically is implemented at smaller merchants that do not wish to modify their point-of-sale (POS) systems to request stored-value card transactions.

A. Card-Based Services

As early as 2007, Blackhawk began exploring the feasability of providing an RTR card. In two separate documents dated August 23, 2007 and May 12, 2010,[2] Blackhawk stated that

> Blackhawk Network currently has functionality in place supporting the RTR card processing, but it is limited to the PayGo platform and terminal. This request is to extend the current functionality to the POS and to Safeway (and other Tier 1 Partners).

Notwithstanding these statements,, on or before December 23, 2010, Blackhawk decided not to pursue the RTR card.

In a January 24, 2011 document titled "Telecom Variable RTR Pinpad TopUp at Tier 1, Project ID: 1375, Vision," Blackhawk stated that

> A pilot project (project id 1078) was initiated 4th quarter 2009, which provided for a proof of concept and initial testing with the telecom carriers Boost and T-Mobile. Based on the results of the pilot, full implementation for the Telecom Variable RTR product is now going forward within the scope of this project (project id 1375). However, due to the inability to go to market with a complete offering it was discovered that Boost and T-mobile would

[2] Blackhawk has challenged the authenticity of these documents submitted by Incomm, asserting that InComm has not produced supporting testimony from the documents' custodian. F.R. Civ. Pro. 56(c)(2) provides that a party may object to materials cited on summary judgment "that cannot be presented in a form that would be admissible evidence." Given that Blackhawk produced both documents during discovery, there is little risk that they could not be authenticated.

> be the only carriers willing [*to*] support the Recharge Card process. Further research indicates there is a desire among carriers' [*sic*] to move to a solution that allows the retailer to collect the mobile phone number at the point of sale. . . .
>
> By offering a variable RTR solution, BHN will be able to substantially reduce card production costs, expand the number of available pegs on Planograms, and create a more consumer friendly TopUp process.

Dkt. 184, Exh. 11 at 5. This same document later refers to the program as a "cardless solution." *Id.* at 11.

B. Cardless or Top-Up Services

One of the transactions available for processing by BLAST or PayGo is an RTR top-up message to a wireless telecommunications provider. In Blackhawk's cardless RTR service, a telecommunications carrier recharges the customer's telephone number with the requested amount of air time and sends a suitable response back to Blackhawk.

Blackhawk has entered into separate contracts with T-Mobile USA, Inc.; Prepay Nation, LLC; Verizon Wireless; Sprint/United Management Company (Boost agreement); and Cingular Wireless (AT&T agreement) regarding cardless RTR services. Blackhawk currently performs the actual service for Boost Mobile, Verizon Wireless, Cingular/AT&T and international carriers through Prepay Nation, and Blackhawk is discussing with other service providers (including T-Mobile) regarding the future performance of RTR or top-up services.

The Prepay Nation Agreement states:

> The replenishment transaction is processed by transmitting the relevant sales and Activation data, via Blackhawk, to Provider or a third party service bureau, as applicable, and registering the sale of the RTR Product in the applicable Blackhawk and Provider's prepaid billing database. Upon receipt of such data, Provider or a third party service bureau, as applicable, instantaneously will update Carrier's prepaid billing database, causing the immediate

> Activation of the wireless airtime represented by the sale and updating such customer's account accordingly.
>
> Exhibit A, paragraph III.

Paragraph 2.2 of Exhibit L of the T-Mobile Agreement states:

> [T]he parties agree that when [Blackhawk] sends a Recharge Account request to [T-Mobile], an order transaction has occurred for a recharge value, for which [Blackhawk] shall be responsible for payment to [T-Mobile] for such Prepay Products ordered. Upon receipt of the Prepay Products Recharge Account order, [T-Mobile] will directly apply the amount of airtime ordered to the applicable Subscriber's mobile telephone number verified by [Blackhawk] as the correct "Query Sub"account in accordance with the terms and conditions of this Agreement.

(InComm cites generally to Blackhawk's agreements with Verizon, Sprint/Boost and Cingular/AT&T for the proposition that these providers are "contractually bound to take the steps necessary to facilitate successful RTR transactions with Blackhawk." However, because InComm failed to cite specific sections of the agreements in support of its factual allegation, the court will not comb these documents to determine whether InComm has supported its proposed fact adequately. *See* Helpful Tips for Filing a Summary Judgment Motion at ¶ 2; Procedure To Be Followed on Motions for Summary Judgment at § C(1), both attached to dkt. 24).

Blackhawk does not maintain any customer accounts for Boost Mobile, T-Mobile or Verizon Wireless. In other words, for a top-up transaction to occur to a customer account with these providers, Blackhawk must send a top-up message to Boost Mobile, T-Mobile or Verizon Wireless. (The parties do not discuss the customer accounts of Prepay Nation or Cingular/AT&T).

DISCUSSION

I. Card-Based System

Blackhawk asserts that it does not infringe the '926 patent because it never made, sold, or offered for sale any card-based RTR services. Although Blackhawk admits that it was in the process of developing a card-based RTR system, it claims that it stopped all work on the system by December 2010 and that its systems never have had the capability to support an RTR card.

InComm disputes this assertion, pointing to a January 24, 2011 document titled "Telecom Variable RTR Pinpad TopUp at Tier 1, Project ID: 1375, Vision" that Blackhawk produced during discovery. This document is dated after Blackhawk claims to have stopped all work on the card-based system. In this document, Blackhawk states that a pilot project had been initiated at the end of 2009, and based on the results of the pilot, "full implementation for the Telecom Variable RTR product is now going forward." According to InComm, this document shows that Blackhawk had sufficient capabilities to support a pilot test that went well enough for Blackhawk to undertake "full implementation" of a cardless system.

As Blackhawk notes, however, it is clear from the face of this document that the Telecom Variable RTR product is a cardless RTR system. Apparently, Boost and T-mobile would have been the only carriers willing to support the "Recharge Card process" and research indicated that carriers wanted instead to move to a solution that would allow the retailer to collect the mobile phone number at the point of sale. Therefore, although the piloted product appears to have been a card-based system, that pilot concluded in 2009 and led Blackhawk to switch gears and begin implementing a cardless system.

InComm also points out that in the August 2007 and May 2010 documents, Blackhawk admitted that it had "functionality in place supporting the RTR card processing," although it was limited to the PayGo platform and terminal. According to InComm, these documents suggest that Blackhawk has supported RTR card processing for its terminal or Tier 2 merchants.

The sum of what we know from the evidence adduced by InComm is that Blackhawk stated in a document that it had "functionality in place" to support a card-based system and had "initiated" a pilot project. However, in order to prove infringement, InComm must adduce sufficient evidence to allow a jury to conclude that Blackhawk practiced, made, used, sold or offered for sale products or processes that embodied each element of the disputed claims of the '926 patent. Incomm has failed to do so. It is too great a stretch to infer from the vague statements made in the cited documents that Blackhawk actually made or used a card-based system. Because InComm has failed to establish a genuine dispute as to any material fact, Blackhawk is entitled to summary judgment on the claim that its card-based RTR services infringed the '926 patent.

II. Cardless System

InComm has accused Blackhawk's cardless RTR systems and services of infringing literally and under the doctrine of equivalents independent claims 1 and 18 and dependent claims 3-4, 6-10, and 13-17 of the '926 patent. Central to the parties dispute is the meaning of a "wherein" clause in the independent claims. In the court's December 13, 2011 order, I outlined the legal standards governing both summary judgment and claim construction and I will employ those standards without repeating them here.

A. Construction of the "Wherein" Clause

Independent claims 1 and 18 recite an element by which the central processor provides certain data to the processor of the specific provider, "wherein the value is added to the pre-existing customer account by the specific provider based on the value identification data provided." Section 2111.04 of the Manual of Patent Examining Procedure (MPEP) states that "whereby" and "wherein" clauses are "examples of claim language . . . that may raise a question

as to the limiting effect of the language in a claim." "The determination of whether each of these clauses is a limitation in a claim depends on the specific facts of the case." *Id.* Blackhawk contends that the "wherein" clause in the asserted claims constitutes a further limitation, and proposes that the phrase be construed to mean "wherein the specific provider adds value to the pre-existing customer account based on the value identification data." InComm argues that the clause merely states a result and is not limiting.

Although the Court of Appeals for the Federal Circuit has not had much opportunity to address "wherein" clauses, it has interpreted "whereby" clauses on a number of occasions. *See Griffin v. Bertina*, 285 F.3d 1029, 1034 (Fed. Cir. 2002) ("Aside from the fact that 'wherein' is an adverb and 'whereby' is a conjunction, those cases are all fact-specific."). Under Federal Circuit precedent, a "'whereby' clause that merely states the result of the limitations in the claim adds nothing to the patentability or substance of the claim." *Texas Instruments Inc. v. U.S. Intern. Trade Com'n*, 988 F.2d 1165, 1172 (Fed. Cir. 1993); *see also Minton v. National Ass'n. of Securities Dealers, Inc.*, 336 F.3d 1373, 1381 (Fed. Cir. 2003) ("A whereby clause in a method claim is not given weight when it simply expresses the intended result of a process step positively recited."). "However, when the 'whereby' clause states a condition that is material to patentability, it cannot be ignored in order to change the substance of the invention." *Hoffer v. Microsoft Corp.*, 405 F.3d 1326, 1329 (Fed. Cir. 2005).

Blackhawk argues that the "wherein" clause is material to the '926 patent because it was added by the patent examiner to inform an essential element of the mechanics of the patented invention and it is the only claim language that discusses who adds value to an account and how. In response, InComm takes the contrary position, urging the court not to construe the "wherein" clause because it merely represents an express outcome of a method as opposed to being a part of the method itself. The crux of InComm's argument is that the five steps outlined in claims 1 and 18 constitute the inventive method/process and the "wherein" clause merely specifies the

intended result of the last step (the central processor "providing" identification data to the specific provider's processor). In support, InComm relies on the holdings in *Texas Instruments* and *Minton*. Having reviewed those cases and others involving "wherein"/"whereby" clauses in conjunction with the purpose and prosecution history of the '926 patent, I am not persuaded by InComm's argument.

In *Texas Instruments*, the claims at issue related to a multi-step process of encapsulating a semiconductor device where the final step concluded with either a "whereby" or "to preclude" clause. *Id.* at 1169-70. For example, the claim containing the whereby clause recited

> holding the ends of the conductors extending from the mold cavity while injecting a fluid insulating material into the mold cavity on the other side of the plane to subsequently solidify and embed said device, the fluid insulating material being injected into a portion of the cavity remote from the device and the means electrically connecting the terminals of the device to the conductors, *whereby the fluid will not directly engage the device and electrical connection means at high velocity, and the conductors will be secured against appreciable displacement by the fluid*.

Id. (emphasis added). The Federal Circuit considered whether the "whereby" and "to preclude" clauses established limitations relating to the fluid velocity and how the conductors are secured; it concluded that the clauses "merely describe the result of arranging the components of the claims in the manner recited in the claims: the fluid does not directly engage the device and the electrical connection means because the gate through which the fluid enters is remote from them; the conductors are secured against appreciable displacement by the fluid because they are clamped in notches by the upper and lower halves of the mold die." *Id.* at 1172. As such, the court reasoned that "the 'whereby/to preclude' clauses do not contain any limitations not inherent to the process found in [the] claims." *Id.*

In *Minton*, the clause at issue stated "whereby the security is traded efficiently between the first [offering] individual and the second [replying] individual." 336 F.3d at 1380. The Federal Circuit found "on its face ["efficiently"] does not inform the mechanics of how the trade is executed, and nothing in the specification or prosecution history suggests otherwise." *Id.* at 1380-81. Rather, said the court, the term "efficiently" was "a laudatory one characterizing the result of the executing step." *Id.*

In *Griffin v. Bertina*, 285 F.3d 1029, 1034 (Fed. Cir. 2002), the court was not persuaded that the "wherein" clauses merely stated the inherent result of performing the manipulative steps of a method claim. In that case, the patent application recited:

> A method for diagnosing an increased risk for thrombosis or a genetic defect causing thrombosis comprising the steps of:
>
> > (A) obtaining, from a test subject, test nucleic acid comprising codon 506 within EXON 10 of the human Factor V gene; and
> >
> > (B) assaying for the presence of a point mutation in the nucleotides of codon 506 within EXON 10 of the human Factor V gene, wherein said point mutation correlates to a decrease in the degree of inactivation of human Factor V and/or human Factor Va by activated protein C, wherein the presence of said point mutation in said test nucleic acid indicates an increased risk for thrombosis or a genetic defect causing thrombosis.

Id. at 1033.

The court found that because both "wherein" clauses referred to the point mutation, they gave meaning and purpose to the manipulative steps, clarifying what was required. *Id.* According to the court, these manipulative steps had little meaning without the "wherein" clauses, which provided the necessary purpose of diagnosing an increased risk of developing thrombosis. *Id.* at

1034. In other words, the purpose of obtaining test nucleic acid and assaying that material was the correlation between the point mutation and an increased risk of thrombosis, rather than mere knowledge of the point mutation. *Id.* As a result, the court found the clauses material to the patentability of the count. *Id.*

The Federal Circuit reached a similar decision regarding the materiality of a whereby clause in *Hoffer*, 405 F.3d 1326. The patent-in-suit in *Hoffer* involved "an apparatus and method by which remote users of computer terminals could obtain data concerning economic activity from an index, and interactively post and receive messages concerning economic topics." *Id.* at 1328. The claims at issue in the case concluded with "whereby a trade network supports users . . . who are collectively able to concurrently engage in interactive data messaging on said topic boards." *Id.* at 1329. Plaintiff argued that because the "whereby" clause did not state the mechanics of how to update or store files or show how transmissions occur, it simply described the overall objective and did not limit the claim to interactive data messaging. *Id.* at 1330. The court disagreed, finding that the "whereby" clause was part of the patented process because the patent specification and prosecution history described the invention as including interactive data messaging. *Id.*

Blackhawk contends that unlike in *Texas Instruments* or *Minton*, the "wherein" clause in this case is not merely a laudatory step or an action inherent in the method/process itself because the clause states an additional element: informing how the value ultimately is added to the account. I agree. The clause in this case is more like those in *Griffin* and *Hoffer* because it includes an independent action and gives meaning and purpose to the method/process set forth in claims 1 and 18. *See Intergraph Hardware Technologies Co. v. Toshiba Corp.*, 508 F. Supp. 2d 752, 769 (N.D. Cal. 2007) (noting that in *Texas Instruments*, the "whereby" clause stated pure results rather than actions directly involving the structures or limitations at issue).

The '926 patent has the stated purpose of "adding stored value to a stored-value account" and seeks to provide an improved system for doing so. The five steps outlined in claims 1 and 18 (the central processor receiving a request, the point of sale terminal receiving data, the central processor determining the specific provider and the central processor communicating with and providing data to the specific provider) would have little meaning if there were no means of adding value to the customer account. Without the "wherein" clause, the purpose of the '926 patent—adding value to the customer account—would not be accomplished. The method would be incomplete without the action of adding value. Further, the specific provider adding value to the customer account is not a necessary result of the five steps; it is a separate function that must be read as part of the limitation. *Intergraph*, 508 F. Supp. 2d at 769.

Blackhawk also points out that the patent examiner specifically required InComm to add the "wherein" clause to specify who added value to the customer account, making it clear that the clause is material to the patentability of the claims. In support, it relies on *Desenberg v. Google, Inc.*, 392 Fed. Appx. 868, 871 (Fed. Cir. 2010), an unpublished opinion in which the Federal Circuit affirmed a district court's finding that a "wherein" clause added by the patent examiner was part of the claimed method. In that case, the method claim recited:

> 1. A method for a user using a communication network to search for and identify at least one matching provider of project work, the method comprising:
>
> > transmission of a lead comprising contact information that enables communication between the user and the provider, . . . wherein a service is performed by the user or the provider as a result of the transmission of the lead. . .

Id. The plaintiff in *Desenberg* argued that it would be absurd to suggest that the "wherein" clause was a patentable element of the claim because it did not add anything to the invention.

The court rejected this argument on the ground that the patent examiner had required the limitation as a condition of patentability. *Id.*

The undisputed facts show that the original '926 patent claims (nos. 1 and 21) concluded with "causing value to be added to the customer account."[3] On December 19, 2008, the examiner rejected the claims in part because the step or act of "adding the value to the customer account" was not "positively" recited. InComm then amended the claims twice: first, on March 19, 2009, it added that "the central processor" (claim 1) and "an output device" (claim 21) causes "value to be added to the pre-existing customer account with the specific provider." The examiner again rejected this claim element for the same reason, so on July 17, 2009, InComm amended the claims to state "providing value to the specific provider." The examiner remained unsatisfied; on October 7, 2009, she conducted a telephonic interview during which InComm attempted for the third time to clarify how value would be added to the proper account. Subsequently, InComm agreed to accept the following amendments by the examiner:

> providing, by the central processor, to the processor of the specific provider, the value identification data and the account identification data, wherein the value is added to the pre-existing customer account by the specific provider based on the value identification data provided (claim 1).
>
> an output device for communicating, by the central processor, with a processor of the specific provider and providing to the central processor of the specific provider the value identification data and the account identification data, wherein the value is added to the preexisting customer account by the specific provider based on the value identification data provided (claim 21)

It is clear from the examiner's repeated rejection of InCommi's proposals that she deemed it necessary for the claims to recite positively how the value was added to the customer account.

[3] Claim 21 ultimately issued as claim 18.

See Papyrus Technology Corp. v. New York Stock Exchange, Inc., 581 F. Supp. 2d 502, (S.D.N.Y. 2008) (relying on prosecution history in finding that "whereby" clause in method claim constituted further limitation and was not merely intended result of previous 4 steps). The examiner rejected InComm's continued attempts to skate by with vague, passive language about "causing value to be added" and "providing value" to the customer account. In the end, the examiner herself added the language necessary to clarify that in the final step of the method, the central processor provides data to the specific provider processor and the specific provider uses that data to add value to the customer account.

InComm argues that Blackhawk has mischaracterized the April 27, 2009 rejection that led to the examiner's amendment because the examiner specifically noted that "wherein" clauses do not limit the scope of claims. As Blackhawk points out, however, the examiner did not definitively state that "wherein" clauses are non-limiting. The April 2009 office action cited the MPEP and stated generally that "[c]laim limitations that contain statement(s) such as 'wherein, whereby,' that fail to further define the steps or acts to be performed in method claims or the discrete physical structure required of system claims." It did not reference the "wherein" clause in the '926 patent, which was added only several months later. As such, the examiner appears to have been reciting boilerplate from the MPEP and not commenting on the "wherein" clause at issue in this case.

In a short final argument, InComm points out that the preambles of claims 1 and 18 recite the intended results of "adding value redeemable with *one or more providers*," and notes that preambles generally do not limit the claims. This is true as far as it goes, but just because preambles generally are non-limiting, and the preambles in the claims at issue reference added value, it does not follow that the "wherein" clauses within those claims also are non-limiting. Further, the preamble language refers to a characteristic of the added value (namely that it is

redeemable with one or more providers) and does not discuss *how* the value is added, as the "wherein" clauses do.

In sum, I find that the "wherein" clause in claims 1 and 18 constitutes a claim limitation. However, I find it unnecessary to adopt Blackhawk's proposed construction that the clause means "wherein the specific provider adds value to the pre-existing customer account based on the value identification data." The claim language is sufficiently clear and Blackhawk's proposed construction does not add necessary explanation.

B. Infringement Analysis

In the accused system in this case, a third party telecommunications provider and not Blackhawk adds value to the pre-existing customer account as required in the "wherein" clause of claims 1 and 18. Typically, direct infringement of a method claim occurs only if a single party performs each step of the claimed method. *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1328 (Fed. Cir. 2008); *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1378-9 (Fed. Cir. 2007). However, in cases like this one where more than one party performs the steps of a claimed method, there is no direct infringement unless "one party exercises 'control or direction' over the entire process such that every step is attributable to the controlling party." *Muniauction*, 532 F.3d at 1329 (citing *BMC Resources*, 498 F.3d at 1380–81); *see also Centillion Data Systems, LLC v. Qwest Communications Intern., Inc.*, 631 F.3d 1279, 1284 (Fed. Cir. 2011) (noting same).

In an initial argument, Blackhawk contends that InComm cannot proceed under a joint infringement theory because it never alleged such a claim in its complaint or infringement contentions. In its amended complaint, InComm alleged that "Blackhawk has infringed and continues to infringe, directly or indirectly, the '926 Patent." Dkt. 105, ¶ 22. Although InComm did not use the term "joint infringement," it did not have to: joint infringement is a

form of direct infringement. *See BMC Resources,* 498 F.3d at 1381. Further, InComm provided Blackhawk with the factual basis of its joint infringement claim by alleging in its amended '926 patent infringement contentions that "[t]he Telecom carrier then 'recharges the customer's phone number with the requested amount'" and "[t]he service provider then adds the value to the pre-existing customer account." Dkt. 210, exh. 2 at 4 and 10. These allegations sufficiently identify the involvement of a third party in the accused system to put Blackhawk on notice that joint infringement may be at issue.

The parties' main dispute is whether Blackhawk exercises the requisite direction or control over the actual service providers to satisfy the standard for a joint infringement claim. In a recent decision, the Federal Circuit decided that a finding of joint infringement could be made only upon showing the existence of an agency or contractual relationship between the parties who performed the method. *Akamai Technologies, Inc. v. Limelight Networks, December 28, 2011Inc.*, 629 F.3d 1311, 1318–1320 (Fed. Cir. 2010). Last Spring, however, the court vacated that decision to allow for a rehearing *en banc*. *Akamai Technologies, Inc. v. MIT*, 419 Fed. Appx. 989 (Fed. Cir. Apr. 20, 2011). The procedural posture of *Akamai* creates some uncertainty regarding the joint infringement standard; even so, it seems clear enough from the court's previous decisions that a plaintiff must show more than an arms-length business transaction between the defendant and a third party. *See BMC Resources*, 498 F.3d at 1381 (citing *BMC Resources,* 2006 WL 306289 (N.D. Tex. Feb. 9, 2006)).

Although the Federal Circuit has acknowledged that "the standard requiring control or direction for a finding of joint infringement may in some circumstances allow parties to enter into arms-length agreements to avoid infringement," it found that "this concern does not

outweigh concerns over expanding the rules governing direct infringement."[4] *BMC Resources*, 498 F.3d at 1381. The court explained:

> A party cannot avoid infringement . . . simply by contracting out steps of a patented process to another entity. In those cases, the party in control would be liable for direct infringement. It would be unfair indeed for the mastermind in such situations to escape liability.

Id. at 1381.

Even prior to *Akamai*, the Federal Circuit often looked to the existence of something more akin to an agency agreement or contractual relationship to show direction and control in joint infringement cases. *See, e.g., Centillion*, 631 F.3d at 1287 (noting previous "vicarious liability precedents" and concluding that third party customers did not act as defendant's agents in using claimed computer system); *Muniauction*, 532 F.3d at 1330 (standard is satisfied where law traditionally would hold accused direct infringer vicariously liable for those acts by another party necessary to complete performance of claimed method); *BMC Resources*, 498 F.3d at 1382 (finding that the record "contained no evidence even of a contractual relationship" between defendant and other participants in the alleged infringement); *Cross Medical Products*, 424 F.3d at 1311 (finding no direct infringement because surgeons who joined defendant's accused medical device to bone during surgery were not agents the defendant medical device

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[4] In addition, the court discussed how expanding direct infringement would "subvert the statutory scheme for indirect infringement":

> Direct infringement is a strict-liability offense, but it is limited to those who practice each and every element of the claimed invention. By contrast, indirect liability requires evidence of "specific intent" to induce infringement. Another form of indirect infringement, contributory infringement under § 271(c), also requires a mens rea (knowledge) and is limited to sales of components or materials without substantial noninfringing uses.

manufacturer). The Federal Circuit also has held that a defendant who fails to provide instructions or directions to the other entities contributing to the asserted infringement does not exert sufficient control. *See BMC Resources*, 498 F.3d at 1381-82 (although defendant Paymentech provided certain data to debit networks, "absent any evidence that Paymentech also provides instructions or directions regarding the use of those data," there could be no inference of direct infringement). The common denominator in all of the above-cited cases was that the patentee failed to adduce sufficient evidence that the named defendant acted as a "mastermind" in directing third party participants in the alleged infringing activities.

In this case, Blackhawk contends that it does not control its carrier customers and that it does not know each carrier determines whether to add value to a customer account or the manner in which the carrier actually adds value. In support of these contentions, Blackhawk cites the affidavit of Sean Anderson, its Director of Product Technology, who avers that because Blackhawk does not maintain any customer accounts for Boost Mobile, T-Mobile and Verizon Wireless, it must send top-up messages to those providers. According to Anderson, Boost Mobile, T-Mobile and Verizon provide specifications that dictate the format of the top-up messages sent to them from Blackhawk's RTS module or BLAST. Anderson avers that Blackhawk then relays a top-up message to the service providers, who then make their own determination whether to add value to a customer account.

InComm disputed these contentions in its initial summary judgment response, asserting that there was evidence that "strongly suggests that the service provider's addition of value to the preexisting customer account is done at the direction of Blackhawk." Dkt. 225 at 8. The evidence before the court does not support InComm's assertion. InComm cited several pages of source code that fail to show on their face that Blackhawk directs or controls the service providers' processing of the RTR request. InComm also noted that its expert, Kenneth Maglia,

has opined that the service providers' addition of value to the pre-existing customer account is done at the direction of Blackhawk. Maglia appears to base his opinion on Ansar Ansari's deposition testimony that "if the transaction is successful, the customer prepaid phone is topped up with the amount," but Ansari never identifies who actually tops up the customer account. Dkt. 230, Exh. A at 59 (citing Ansari Dep., dkt. 230, exh. T at 138:22-139:19).

InComm claimed that there was evidence that Blackhawk "populates a tailored and specific" SOAP or HTTP request to the service providers, providing specific information and clear directions for the service provider to process the RTR request. Although InComm cited Maglia's opinion in support of this assertion, nowhere in the cited passages of his opinion does Maglia state or even imply that Blackhawk provides the service providers with clear directions on processing the RTR request. *See* dkt. 230, exh. A at 49-50. Maglia states only that

> RTR transaction requests, which for Boost Mobile and T-Mobile are transmitted to the service providers by BLAST, and for Verizon is transmitted to the service provider by the RTS module within PayGo, includes the value identification data (which provides the amount for the top-up) and the account identification information

(which is associated to the customer's preexisting account). The service provider then "recharges the customer's phone number with the requested amount and sends a suitable response back to BHN."

Id.

Finally, InComm argued in response to one of Blackhawk's proposed findings of fact that Blackhawk spends significant resources negotiating contracts with the providers "to ensure that the carriers take specific action on the top-up requests." Dkt. 255 at 2. In support of this argument, InComm merely cites a statement appearing in Balckhawk's January 24, 2011 vision document concerning RTR services: "The contracts with the carriers . . . support a successful product launch of the Telecom Variable RTR product." *Id.* This broad statement does not establish that the providers are contractually obligated to perform any RTR processing. Without

more specific evidence regarding the content of the contracts, it is impossible to infer what, if any, role that the carriers have in the RTR product.

Recognizing that it may not have come forth with sufficient evidence in response to Blackhawk's summary judgment motion, InComm explained that it was continuing "to investigate the extent to which Blackhawk directs or controls the providers that insert value into the customers' pre-existing accounts." Dkt. 225 at 8. It noted that it had sought and continued to seek discovery regarding the relationship between Blackhawk and its RTR service providers but that to date, neither Blackhawk nor the service providers had produced the contracts. A little over a month later, InComm moved for leave to supplement its summary judgment opposition on the ground that Blackhawk only recently had produced its RTR service provider contracts. Dkt. 242. I granted the motion and allowed InComm to supplement its response brief and proposed findings of fact based on the newly acquired contracts. Dkt. 247.

In its supplemental submissions, InComm claims that because Blackhawk has entered into a contractual relationship with Boost Mobile, Verizon, Cingular/AT&T, T-Mobile and Prepay Nation for RTR services, those providers are "contractually bound to take the steps necessary to facilitate successful RTR transactions." According to InComm, the fact that the contracts exist shows that Blackhawk directs and controls the providers' addition of value to a customer's account. However, the only specific contractual language that InComm cites in support of this assertion is in the Prepay Nation and T-Mobile contracts. The Prepay Nation contract states that upon receipt of sales and activation data from Blackhawk, Prepay Nation "or a third party service bureau, as applicable, instantaneously will update Carrier's prepaid billing database." Similarly, the T-Mobile contract states that T-Mobile "will directly apply the

amount of airtime ordered to the applicable Subscriber's mobile telephone number . . . in accordance with the terms and conditions of this Agreement." This is not enough.

The Court of Appeals for the Seventh Circuit has described summary judgment as the "put up or shut up" phase of the lawsuit. *AA Sales & Associates, Inc. v. Coni-Seal, Inc.*, 550 F.3d 606, 612-13 (7th Cir. 2008). Even though InComm is the nonmoving party, to stave off summary judgment on its claims InComm must show through specific evidence and legal argument the existence of a triable issue of fact. *Id.*; *Hunter v. Amin*, 538 F.3d 486, 489 (7th Cir. 2009). InComm has failed to do this. *Robyns v. Reliance Standard Life Ins. Co.*, 130 F.3d 1231, 1237 (7th Cir. 1997) (party opposing summary judgment must provide legal or factual reasons why summary judgment should not be entered); *cf. Gagan v. American Cablevision, Inc.*, 77 F.3d 951, 965 (7th Cir. 1996) (failure to cite factual or legal basis for an argument waives it).

The Federal Circuit's decisions in *BMC Resources* and *Muniauction*, *supra*, are instructive because both cases involved defendants who had existing relationships with the third parties participating in the alleged infringement. In *Muniauction*, the patent claimed an electronic method for conducting municipal bond auctions over the internet where the bidder input data associated with a bid and the majority of the remaining steps were performed by defendant's auctioneer system. *Id.,* 532 F.3d at 1321 and 1328-29. The court determined that the fact that defendant controlled access to its system and instructed bidders on its use did not suffice to incur liability for direct infringement in the absence of evidence that defendant had the bidders perform the steps on defendant's behalf. *Id.* at 1329-30. The court found it important that plaintiff had not identified any legal theory under which defendant might be vicariously liable for the actions of the bidders. *Id.* at 1330.

In *BMC Resources*, the patents-in-suit claimed a method for processing debit transactions without a personal identification number (PIN). *Id.*, 498 F.3d at 1375. In the claimed method,

an interactive voice response unit prompted the caller to enter certain information, which in turn was passed on by plaintiff to a debit network and then a banking or financial institution. *Id.* Each of those entities participated in approving and carrying out the transaction. *Id.* Plaintiff adduced evidence that in the accused system, defendant provided data (debit card number, name, amount of purchase, etc.) to the debit networks. *Id.* at 1381. The court agreed that this evidence established that defendant had some kind of relationship with the debit networks. *Id.* However, the court concluded that absent any evidence that defendant also provided instructions or directions regarding use of the data, this evidence did not create a genuine issue of material fact as to whether defendant controlled or directed the activity of the debit networks. *Id.* Although plaintiff argued that instructions or directions could be inferred from defendant's provision of the data, or that the data itself provided instructions or directions, the court found that plaintiff had failed to present any evidence to support either theory. *Id.* The court also determined that the evidence supporting defendant's alleged direction and control over the financial institutions was thinner still, because there wasn't even evidence of a contractual relationship between the entities. *Id.* at 1382.

Similarly in this case, the carrier contracts submitted by InComm establish that Blackhawk has a relationship with the service providers. The cited portions of the Prepay Nation and T-Mobile contracts also show that at least those telecom providers are the ones adding value to customer accounts. However, as Blackhawk points out, InComm has not identified any term in either contract that obliges those carriers to provide the final step of the accused RTR service. InComm also has failed to adduce any other evidence indicating that the carriers are contractually bound to Blackhawk to provide a certain service or that Blackhawk directs or controls the providers' actions. *Cf. Rowe Intern. Corp. v. Ecast, Inc.*, 586 F. Supp. 2d 924, 932 (N.D. Ill. 2008) (court found sufficient evidence of direction and control where

defendant had manufacturing and distribution contracts with third parties, defendant prescribed technical manufacturing specifications to third parties and defendant regarded third parties as "partners" and stated that third parties made product successful).

A cursory review of the cited Prepay Nation and T-Mobile contracts indicates that their intent is to establish Blackhawk as their dealer to promote and sell their wireless services and products. *See* "Recitals," dkt. 246, exhs. 1 and 2, at 2. Further, as Blackhawk points out, each contract states that the parties are independent contractors and that nothing in the agreement shall be construed as creating an agency, joint venture, partnership, employment relationship or franchise between them. *Id.*, Exh. 1 at § 4.4; Exh. 2 at § 19. Blackhawk identifies similar language in the remaining carrier contracts. Thus, it is entirely possible that the providers may choose when to complete the final step of the method—i.e., adding value to customer accounts—and then do so without direction or guidance from Blackhawk.

Accordingly, I find that these contracts, without more, are insufficient evidence from which a jury reasonably could infer that Blackhawk directs and controls the addition of value to a customer account. As a result, Blackhawk is entitled to summary judgment on InComm's claim that it directly infringes the '926 patent under a theory of joint infringement.

Because this decision significantly changes the contours of next month's jury trial, the parties may have until January 20, 2012 to resubmit their first round of documents filed last week in anticipation of the February 9, 2012 final pretrial conference.

ORDER

IT IS ORDERED that:

(1) The claim phrase "wherein the value is added to the pre-existing customer account by the specific provider based on the value identification data provided" is construed as adding a limitation to claims 1 and 18 of the '926 patent;

(2) Defendant Blackhawk Network, Inc.'s motions for summary judgment (dkts. 161 and 204) are GRANTED with respect to plaintiff InComm's claim that defendant directly infringed the '926 patent; and

(3) Both sides may have until January 20, 2012 to update their first round of submissions for the final pretrial conference to account for this order.

Entered this 17th day of January, 2012.

BY THE COURT:

/s/

STEPHEN L. CROCKER
Magistrate Judge