

Intellectual Property Client Service Group

To: Our Clients and Friends

June 2, 2009

Federal Circuit Affirms Judgment for Prepaid Debit Card Defendants in Patent Case

The Federal Circuit Court of Appeals has affirmed a non-infringement judgment and the underlying claim construction in favor of Bryan Cave client Green Dot Corporation and others in patent infringement litigation against vendors of prepaid debit cards. Every Penny Counts, Inc. v. American Express Co., No. 2008-1434 (Fed. Cir. Apr. 30, 2009). The Federal Circuit's decision offers encouragement that, even in complex litigation involving multiple parties and patents, accused infringers can be swiftly and conclusively exonerated. It also illustrates that patent holders asserting an overbroad scope of patent rights will be limited to the actual, sometimes quite limited, invention described at the time of prosecuting the patent application.

Background

In 2007, Every Penny Counts, Inc. ("EPC") asserted seven claims from five patents against Green Dot and co-defendants American Express Company, Visa U.S.A. Inc. and MasterCard International Incorporated, in the United States District Court for the Middle District of Florida. Although EPC's patents are directed to a system for automatically contributing excess cash from retail sales transactions to predetermined charitable or savings accounts, EPC sought to expand the patents' scope to reach the appellees' prepaid debit cards. The case concerned "open" prepaid cards that can be used anywhere debit cards are accepted, and was partially consolidated with a separate case against vendors of "closed" prepaid cards that can be used only at a particular vendor (e.g., Starbucks, Home Depot). EPC had estimated that it could recover \$120 billion in damages and licensing fees over the life of its patents if it succeeded in its litigation.

At the trial court level, Green Dot and its co-defendants obtained an early order limiting the initial stage of discovery to claim construction issues. Only two depositions were taken, and the defendants were required to produce only a handful of documents and no deposition witnesses. As a result, the defendants were able to avoid almost all of the significant expense and burden of discovery, and a Markman claim construction hearing was held within months of the commencement of suit.

At the hearing, Green Dot and co-defendants obtained a favorable interpretation of a single term that appeared in similar form in each of the five asserted patents. Adopting the open-card defendants' proposed construction, the District Court held that, where a customer pays \$105 for a \$100 prepaid card with a \$5 service fee, the price of the product is \$105, and there is thus no "excess cash" involved in the transaction. EPC had argued that the price of the product is only \$5, and that the \$100 reflects "excess cash." Because EPC stipulated it could not prove infringement under the District Court's claim construction, at the same hearing the court entered judgment of non-infringement in favor of Green Dot and the other defendants. EPC appealed the judgment to the United States Court of Appeals for the Federal Circuit.

The Decision

On appeal, EPC argued that its proposed claim construction (which introduced the phrase "sale price") was sufficient to resolve the parties' dispute, and that the meaning of any ambiguous terms in EPC's proposed construction should be left to the jury to determine. EPC also contended that the lower court had improperly considered the workings of the accused products in formulating its claim construction. The Federal Circuit squarely rejected these arguments. Citing *O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1360 (Fed. Cir. 2008), the Court explained that at the claim construction stage, "the court's obligation is to ensure that questions of the scope of the patent claims are not left to the jury." Relying on *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005), the Court emphasized that the description of the alleged inventions in the patent specifications strongly supported the District Court's claim construction. The Court also repeated that, while a court may not use the accused products for the sole purpose of arriving at a dispositive claim construction, a court may properly consider the accused products to provide context. The Court concluded that the District Court's claim construction was correct, affirmed the judgments of non-infringement, and ordered EPC to pay the appellees' costs. EPC's petition for panel rehearing was denied on May 26, 2009.

The often-understated Court did not conceal its assessment of EPC and its arguments. The Court used quotation marks when recollecting the alleged inventor's description of his "invention." And it described EPC's arguments as "way wide of the mark" and "at best ironic and at worst disingenuous." The Court's decision should give pause to those who might attempt to exact tribute from industry members for activity outside the often narrow scope of what the patent owner originally claimed to invent.

The litigation is noteworthy for the efficiency with which a conclusive resolution was obtained. Complex patent litigation often spans several years, involves protracted and expansive discovery, and can result in millions of dollars in attorneys' fees. In this case, the accused infringers were able to obtain a dispositive ruling without these typical litigation burdens and expenses eight months after the case was filed, a ruling that was affirmed on appeal just eleven months later. The Green Dot litigation thus offers an example of how complex patent litigation can be resolved favorably and efficiently.

The Bryan Cave team was headed by St. Louis Partner **Ben Clark**, with substantial assistance from St. Louis associates **Ameer Gado** and **Emma Hartly**.

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