

No. 22-1598

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ALEXSAM, INC.,
Plaintiff-Appellant

v.

SIMON PROPERTY GROUP, L.P., BLACKHAWK NETWORK, INC.,
Defendants-Appellees

US BANK NA,
Defendant

**Appeal From The United States District Court For The Eastern District of
Texas In Case No. 2:19-cv-00331-RWS-RDP,
Honorable Robert W. Schroeder III.**

**CORRECTED PETITION FOR REHEARING OR REHEARING EN BANC
OF PLAINTIFF-APPELLANT ALEXSAM, INC.**

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May 6, 2024

PATENT CLAIMS AT ISSUE – U.S. Patent No. 6,000,608

34. A system comprising:

- a. at least one electronic gift certificate card having an electronic gift certificate card unique identification number encoded on it, said electronic gift certificate card unique identification number comprising a bank identification number approved by the American Banking Association for use in a banking network;
- b. a transaction processor receiving electronic gift card activation data from an unmodified existing standard retail point-of-sale device, said electronic gift certificate card activation data including said unique identification number and an electronic gift certificate card activation amount;
- c. a processing hub receiving directly or indirectly said activation data from said transaction processor; and
- d. said processing hub activating an account corresponding to the electronic gift certificate card unique identification number with a balance corresponding to the electronic gift certificate activation amount.

35. The system of claim 34, wherein the electronic gift certificate card activation amount is encoded in the unique identification number.

36. The system of claim 34, wherein the electronic gift certificate card activation amount is entered at the point-of-sale device.

37. The system of claim 34, wherein said processing hub allows a user of the electronic gift certificate card to purchase a value up to the balance corresponding to the electronic gift certificate activation amount.

38. The system of claim 34, wherein:

- a. said transaction processor receives electronic gift certificate card recharge data from the existing standard retail point-of-sale device, said electronic gift certificate card recharge data including said unique identification number and an electronic gift certificate card recharge amount; and
- b. said processing hub increasing said amount corresponding to the electronic gift certificate card unique identification number with a balance corresponding to the electronic gift certificate card recharge amount.

39. The system of claim 34, wherein the first digit of the bank identification number is selected from a group of numbers consisting of the numbers four and five.

44. The system of claim 34, wherein the transaction processor is coupled to the banking network.

45. The system of claim 34, wherein the processing hub associates loyalty data with the electronic gift certificate card based upon the usage of the electronic gift certificate card.

60. A method of activating a prepaid card having a unique identification number encoded on it, the identification number comprising a bank identification number approved by the American Banking Association for use in a banking network, the method comprising the steps of:

- a. swiping the card through an unmodified existing standard point-of-sale device;
- b. transmitting the identification number and an activation amount from the point-of-sale device to a processing hub; and
- c. activating an account in the processing hub corresponding to the identification number.

62. The method of claim 60, further comprising entering the activation amount into the point-of-sale device.

63. The method of claim 60, wherein the step of transmitting the identification number and the activation amount from the point-of-sale device is carried out at least in part over the banking network.

65. The method of claim 60, further comprising allowing a user of the card to purchase goods and services using the card.

66. The method of claim 60, further comprising associating loyalty data with the card based upon usage of the card.

CERTIFICATE OF INTEREST

Counsel for Plaintiff-Appellant, Alexsam, Inc., certifies the following:

1. The full name of every party or amicus represented by me is:

Alexsam, Inc. (Plaintiff-Appellant)
2. The name of the real party in interest represented by me is: None.
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party represented by me is: None.
4. The names of all law firms and the partners or associates that appeared for Alexsam, Inc. in the trial court or agency or are expected to appear in this Court (and who have not or will not enter an appearance in this case) are:

**Travis Lynch
Jonathan R. Miller
William Cornelius**

5. Related Cases: *see* section entitled “Statement Of Related Cases.”
6. Organizational Victims and Bankruptcy Cases: **None**.

Dates: May 6, 2024

Respectfully submitted,

/s/ Jacqueline K. Burt
Jacqueline K. Burt
Attorney for Plaintiff-Appellant,
AlexSam, Inc.

TABLE OF CONTENTS

PATENT CLAIMS AT ISSUEi

CERTIFICATE OF INTEREST ii

TABLE OF AUTHORITIESiv

STATEMENT OF RELATED CASES..... vii

STATEMENT OF COUNSEL IN SUPPORT OF REHEARING EN BANC...1

**THE POINTS OF LAW AND FACTS OVERLOOKED OR
MISAPPREHENDED BY THE COURT2**

ARGUMENT.....4

**I. THE PANEL SHOULD HAVE RESOLVED THE
DERIVATIVE CLAIM CONSTRUCTION, WHICH DOES
NOT ALIGN WITH THE INTRINSIC EVIDENCE.....4**

**II. THE PANEL INCORRECTLY FOUND APPELLANT TO
HAVE WAIVED ITS UNDERSTANDING OF
“UNMODIFIED.”8**

**III. THE PANEL IGNORED KEY EVIDENCE OF
INFRINGEMENT AND MISSTATED APPELLANT’S
EXPERT’S FULL OPINION.10**

CERTIFICATE OF COMPLIANCE17

TABLE OF AUTHORITIES

Cases

Advanced Fiber Techs. Trust v. J&L Fiber Servs., Inc., 674 F.3d 1365 (Fed. Cir. 2012).....1, 4, 5, 7

AlexSam, Inc. v. IDT Corp., 715 F.3d 1336 (Fed. Cir. 2013)1, 15

Digital-Vending Servs. Int’l, LLC v. Univ. of Phoenix, Inc., 672 F.3d 1270 (Fed. Cir. 2010)1, 3, 10

Douglass v. United Servs. Auto. Assoc., 79 F.3d 1415, 1430 (5th Cir. 1996)2, 14

GE Lighting Sols., LLC v. AgiLight, Inc., 750 F.3d 1304 (Fed. Cir. 2014)1, 2, 4, 5

In re Al Copeland Enters., Inc., 153 F.3d 268 (5th Cir.1998).....9

Interactive Gift Express, Inc., v. Compuserve Inc., 256 F.3d 1323 (Fed. Cir. 2001)1

Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996)1, 2, 4, 5, 7

Massachusetts Instit. of Tech. v. Abacus Software, 462 F.3d 1344 (Fed. Cir. 2006).....8

Morgan v. Sundance, Inc., 142 S. Ct. 1708, 1713 (2022).....1, 5, 9

O2 Micro Intern. Ltd. v. Beyond Innovation Techn. Co., 521 F.3d 1351 (Fed. Cir. 2008)1, 2, 4, 5, 7

Patel v. Tex. Tech Univ., 941 F.3d 743, 747 (Fed. Cir. 2019).....14

Phillips v. AWH Corp., 415 F.3d 1303 (Fed. Cir. 2015)5, 7

Tedford v. Warner-Lambert Co., 327 F. 3d 423
(5th Cir. 2003).....9

United States v. Olano, 507 U.S. 725 (1993).....9

Unwired Planet, LLC v. Apple Inc., 829 F.3d 1353, 1356
(Fed. Cir. 2016).....14

Rules

Fed. R. Civ. P. 83(b).....8

Eastern District of Texas Patent Local Rule 4-1(b) 8

Eastern District of Texas Patent Local Rule 4-2(c)8

Eastern District of Texas Patent Local Rule 4-3(a)(1).....8

STATEMENT OF RELATED CASES

Pursuant to Federal Circuit Rule 47.5, Appellant provides as follows:

- (a) There have been no previous appeals in this case.
- (b) Six (6) district court case(s) may be affected by the Court's decision in this case:

- *AlexSam, Inc. v. Mastercard International Inc.*, Case No. 1:15-cv-02799 (Eastern District of New York);

- *AlexSam, Inc. v. Aetna, Inc.*, Case No. 3:19-cv-01025 (District of Connecticut);

- *AlexSam, Inc. v. Cigna Corp., et al.*, Case No. 2:19-cv-00081 (Eastern District of Texas);

- *AlexSam, Inc. v. U.S. Bank, Inc.*, Case No. 1:21-cv-00588 (Southern District of Ohio);

- *AlexSam, Inc. v. American Express Travel Related Services Company, Inc.*, Case No. 1:21-cv-08116 (Southern District of New York); and

- *AlexSam, Inc. v. HealthEquity, Inc., et al.*, Case No. 2:19-cv-00445 (District of Utah).

STATEMENT OF COUNSEL IN SUPPORT OF REHEARING EN BANC

Based on my professional judgment, I believe the Panel’s Opinion (“Opinion;” Dkt. No. 99) is contrary to the following decisions of the U.S. Supreme Court and the precedent of this Court:

- *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996) and *O2 Micro Intern. Ltd. v. Beyond Innovation Techn. Co.*, 521 F.3d 1351, 1360 (Fed. Cir. 2008); *GE Lighting Sols., LLC v. AgiLight, Inc.*, 750 F.3d 1304 (Fed. Cir. 2014) (finding a “derivative” construction is necessary to resolve a previously stipulated to claim construction that was later found to be in dispute).
- *Morgan v. Sundance, Inc.*, 142 S. Ct. 1708, 1713 (2022) (“Waiver, we have said, ‘is the intentional relinquishment or abandonment of a known right.’”).

I also believe that the Panel’s Opinion overlooks critical factual material that proves that Appellant’s qualified expert, Mr. Ivan Zatkovich, did, in fact, go beyond the proof of infringement presented in the prior case of *AlexSam, Inc. v. IDT Corp.*, 715 F.3d 1336 (Fed. Cir. 2013) (“*IDT Case*”), which was ultimately found in that case to be insufficient. By only referencing a select portion of Appellant’s expert’s opinion in this case, the Panel understated the infringement evidence presented by Appellant and incorrectly concluded that Appellant’s expert’s findings “remain insufficient under *IDT*.” Opinion at 9. Appellant’s expert expressly considered this Court’s ruling in the *IDT* case. See Zatkovich Supplemental Report at Appx03218, ¶18 - Appx03222, ¶26. His opinion addressed and overcame the shortcomings found in *IDT*. Precedent requires that his full opinion be considered and recognized. See

Douglass v. United Servs. Auto. Assoc., 79 F.3d 1415, 1430 (5th Cir. 1996) (*en banc*)
(Court conducting a *de novo* review examines the entire record and makes an independent assessment under the law.).

In light of the foregoing precedent and the overlooked and/or misstated factual evidence, it is Appellant's position that consideration by the full Court is therefore necessary to secure and maintain the uniformity of the law.

/s/Jacqueline K. Burt
Jacqueline K. Burt
*Attorney of Record for Plaintiff-
Appellant, AlexSam, Inc.*

**THE POINTS OF LAW AND FACTS OVERLOOKED OR
MISAPPREHENDED BY THE COURT**

For at least three reasons, the Panel's Opinion is contrary to existing precedent and/or resolves factual issues without recognizing the full scope of the facts presented by Appellant.

First, consistent with the precedent set by the *Markman*, *O2 Micro*, and *GE Lighting Sols.* line of cases, it is well accepted that claim construction disputes, including those involving stipulated constructions, must be resolved first before the infringement analysis can be performed. It is critical that the derivative construction be consistent with the intrinsic evidence; it is not in this case and thus the Opinion misapprehends the law.

Second, the Opinion relies on *Digital-Vending*¹ for the proposition that “to the extent that AlexSam attempts to challenge the stipulated construction of ‘unmodified existing standard [retail] point-of-sale device,’ we conclude that this argument is waived.” Opinion at 7. This finding, however, ignores that in *Digital-Vending* it was the opposing party, Phoenix, that “made clear to Digital-Vending on two occasions” what the stipulated construction would mean. *Digital-Vending*, 672 F.3d at 1278. Here, it was Appellant, not Appellees, who made it clear in its infringement contentions how it understood the “unmodified” claim term to be construed and applied. Appellant has remained consistent in its understanding that “unmodified” is tailored to the claimed functions and that it only applies to modifications “for use in the [patented] card system.”

Third, in deciding the issue of infringement, this Opinion only references two sentences from Appellant’s expert’s Supplemental Report rather than the entirety of his opinions. Appellant’s expert, Mr. Ivan Zatkovich, provides clear testimony of infringement by both Simon and Blackhawk. Mr. Zatkovich’s opinions go well beyond what is merely “required” or “necessary” and thus also go beyond the shortcomings found in the *IDT* Case. Appellant’s expert in this case solved the deficiencies in *IDT*. See Zatkovich Supplemental Report at Appx03218, ¶18 –

¹ *Digital-Vending Servs. Int’l, LLC*, 672 F.3d at 1279.

Appx03222, ¶26. Here, Mr. Zatkovich clearly states that the accused systems are unmodified: “The accused Blackhawk and Simon card systems use an Unmodified Existing Standard POS device.” *See, e.g.*, Appx03232, ¶53. The Panel ignored that statement and the background explanation of the work performed by the expert in the beginning sentences of his opinion, as well as the ending sentence where he states his conclusion. Gripped by that mistake, the Panel incorrectly found that Appellant failed to provide evidence of infringement beyond that provided in *IDT*. This is simply wrong.

ARGUMENT

I. THE PANEL SHOULD HAVE RESOLVED THE DERIVATIVE CLAIM CONSTRUCTION, WHICH DOES NOT ALIGN WITH THE INTRINSIC EVIDENCE.

It is “not an uncommon occurrence” for parties to stipulate to a construction only to learn they have a different understanding of its meaning. *See GE Lighting Solutions, LLC*, 750 F.3d at 1310. “When the parties present a fundamental dispute regarding the scope of a claim term, it is the court’s **duty** to resolve it.” *O2 Micro Int’l Ltd.*, 521 F.3d at 1362 (emphasis added); *see also Markman*, 52 F.3d at 979. In resolving the parties’ claim construction dispute, the Panel should have applied general claim construction principles, which require consideration of, and deference to, the intrinsic evidence. *See Advanced Fiber Techs. Trust v. J&L Fiber Servs., Inc.*, 674 F.3d 1365 (Fed. Cir. 2012) 1373-74 (“[T]he claim construction analysis must

follow the guiding principles set forth in *Phillips [v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005) (en banc)].”; *see also GE Lighting Sols., LLC v. AgiLight, Inc.*, 750 F.3d 1304, 1310-11 (Fed. Cir. 2014). The District Court did not provide a derivative construction for the parties’ stipulated construction of “unmodified,” which was consistent with the intrinsic record, and the Panel failed to recognize this and remand the case for further proceedings consistent with the Supreme Court’s holding in *Markman*, 517 U.S. 370 and the Federal Circuit’s precedent in *O2 Micro Intern. Ltd.*, 521 F.3d at 1360.

Instead, the Panel found that the magistrate judge’s R&R construed “for use in the card system” as “modifications to the software or hardware that impact how the POS device would generally be used *in the card system*....” Opinion at 8 (citing Appx00080). Although the Panel ultimately agreed “with AlexSam that a point-of-sale device can be altered in certain respects while still being ‘unmodified’ for purposes of infringement,” which rejects an “any modification” interpretation, (Opinion at 7), the analysis is complete and correct ***only if*** the Court confirms that the construction is consistent with the intrinsic evidence. That did not occur and the Panel’s Opinion conflicts directly and irreconcilably with disclosures and teachings in the Specification and the Prosecution History. The Opinion, therefore, fails to follow this Court’s precedent.

Specifically, the Panel agreed that the derivative phrase “for use in the card system” should be interpreted to exclude “modifications to the software or hardware that impact how the POS device would generally be used in the card system.” Opinion at 8. However, this interpretation is unsupported – and instead is contradicted – by the Specification, which teaches that the POS devices disclosed and claimed in the patent-in-suit *can* be “reprogrammed” and “customized.”²

For example, the POS device is generally used to transmit a bank identification number (“BIN”). Appx000527 (‘608 Patent, col. 4, lines 36-46.). Under the Panel’s derivative claim construction, POS devices cannot be modified (e.g., reprogrammed) in order to perform this function. However, the Specification expressly teaches that such *reprogramming of the POS is required* for cards covered by the claims. *Id.* (col. 3, lines 9-11 (claimed system not limited to certain types of cards, such as Mastercard or Visa); col. 4, lines 51-53 (“*As a rule, these POS devices* [that are preprogrammed to recognize popular cards such as Mastercard or Visa] *must be reprogrammed* before they will accept a new type of card”) (*emphasis added*)). Moreover, *the Specification teaches customization* of the POS to connect the POS device to the claimed Processing Hub. Appx000528 (col. 5, lines 33-37; col. 6, lines 47-51; and col. 7, lines 48-49 (confirming application of foregoing to

² Per the parties’ stipulated *Datastream* construction, “reprogramming” and “customizations” are forms of modification. *See, e.g.*, Appx00077-00078.

cards at issue).). Notably, it has not been disputed that these teachings relate directly to the embodiment supporting the Asserted Claims.

The Panel's reference to the District Court's construction of "for use in the card system"³ fails to reconcile the construction with the intrinsic evidence in order to be consistent with binding precedent. *See Phillips*, 415 F.3d at 1303; *O2 Micro Int'l Ltd.*, 521 F.3d at 1360, 1362 ("Words of a claim are generally given their ordinary and customary meaning, which is the meaning a term would have to a person of ordinary skill in the art *after reviewing the intrinsic record* at the time of the invention[,]" and "When the parties present a fundamental dispute regarding the scope of a claim term, it is the court's duty to resolve it." (*emphasis added*)).

In sum, the Panel either misapplied or failed to consider binding Supreme Court precedent (including *Markman*) and Federal Circuit precedent (including *O2 Micro* and *Advanced Fiber*) when it declined to resolve the parties' derivative claim construction dispute with reference to or consideration of the intrinsic evidence of record.

³ The Panel's Opinion credits the magistrate judge with applying a construction in his R&R of "modifications to the software or hardware that impact how the POS device would generally be used *in the card system*." Opinion at 8.

II. THE PANEL INCORRECTLY FOUND APPELLANT TO HAVE WAIVED ITS UNDERSTANDING OF “UNMODIFIED.”

The Panel finds “[t]o the extent that AlexSam attempts to challenge the stipulated construction of ‘unmodified...,’ we conclude that this argument is waived.” Opinion at 7. This determination, however, is contrary to the precedent, the facts and to the rules of the District Court.⁴ Here, the only facts considered by the Magistrate Judge, and thus the only facts considered by the Panel, are that (i) the District Court established a claim construction schedule; (ii) the parties stipulated to a construction of the claim term “unmodified ...;” and (iii) a dispute subsequently arose regarding the meaning of the phrase “for use in the card system” that was found in the stipulated construction. These facts do not support a finding of waiver.

⁴ The Patent Local Rules of the Eastern District of Texas encourage the parties to reach agreement on claim construction. Specifically, these Rules *require* litigants to meet and confer to “narrow” claim construction disputes. *See* Eastern District of Texas Patent Local Rules 4-1(b) (“The parties shall ... meet and confer for the purposes ... narrowing or resolving differences [between the parties’ positions regarding terms requiring construction]”); 4-2(c) (“The parties shall thereafter meet and confer for the purposes of narrowing the issues [related to the parties’ respective claim construction positions]”); and 4-3(a)(1) (requiring to identify “terms, phrases, or clauses on which the parties agree”).

The Rules do not notify litigants that stipulations may lead to forfeiture of the right to contest the application of the agreed upon claim construction. *See Massachusetts Instit. of Tech. v. Abacus Software*, 462 F.3d 1344, 1358-59 (Fed. Cir. 2006), citing and quoting Fed. R. Civ. P. 83(b) (“No sanction or disadvantage may be imposed for noncompliance with any requirement not in federal law, federal rules, or the local district rules unless the alleged violator has been furnished in the particular case with actual notice of the requirement.”).

Also, because the parties were encouraged to stipulate to narrow disputes without notice that the stipulation would result in a “waiver” of the right to subsequent derivative claim construction proceedings, the Panel’s Opinion conflicts with precedent of this Court and the Federal Rules. Further, the U.S. Supreme Court has held that waiver is an *intentional relinquishment or abandonment of a known right*. See *Morgan*, 142 S. Ct. at 1713 (citing *United States v. Olano*, 507 U.S. 725, 733, 113 S.Ct. 1770, 123 L.Ed.2d 508 (1993)); see also *Tedford v. Warner-Lambert Co.*, 327 F. 3d 423, 428 n. 15 (5th Cir. 2003) (citing *In re Al Copeland Enters., Inc.*, 153 F.3d 268, 271 (5th Cir. 1998)).

In this case, at the time of infringement contentions and well before the *Markman* hearing, Appellant explained to Simon, and to Blackhawk as its joint infringer, how it understood the long-standing construction of “unmodified” to be applied to Simon’s—and, by extension, Blackhawk’s⁵—accused products. Specifically, Appellant explained that the “unmodified” claim term was limited to the claimed functions during the numerous exchanges between the parties during the claim construction process. Appellant’s Br., Dkt. No. 48 at 15. Appellant’s infringement contentions further explained that the phrase “for use in the card

⁵ In the Opinion, the Panel noted that “Appellee Blackhawk [was] the entity that supplies and activates some of the accused Simon-branded gift cards.” *Id.* at 5.

system” in the construction does not mean that “all modifications are prohibited.”
Id. at 18.

The Panel relies on *Digital-Vending*⁶ to support its finding that Appellant had waived its right to challenge the construction of “unmodified.” Opinion at 7. In addition to the reasoning explained above, this finding ignores that in *Digital-Vending* it was the opposing party, Phoenix, that “made clear to Digital-Vending on two occasions” what the stipulated construction would mean. *Digital-Vending*, 672 F.3d at 1278. Here, it was Appellant, not Simon or Blackhawk, that made it clear in its infringement contentions how it understood the “unmodified” claim term to be construed and applied. Therefore, under the teachings of *Digital-Vending*, Appellant could not have waived its right to challenge a later dispute of the stipulation of “unmodified.”

III. THE PANEL IGNORED KEY EVIDENCE OF INFRINGEMENT AND MISSTATED APPELLANT’S EXPERT’S FULL OPINION.

The Panel appropriately recognized its *de novo* standard of review of the district court’s summary judgment decision and that all inferences must be drawn in favor of the nonmovant. Opinion at 6-7. It then pointed to its previous *IDT* decision as establishing the requisite standard of proof. As the Panel stated, “Before the *IDT* district court, Appellant relied on expert testimony that *IDT*’s systems did not need

⁶ *Digital-Vending Servs. Int’l, LLC.*, 672 F.3d at 1279.

to be modified to function with the accused cards, but did not opine that the point-of-sale devices were not **actually** ‘reprogrammed, customized or otherwise altered’ as required by the *Datastream* construction.” Opinion at 8-9 (**emphasis** added).

In this case, Appellant provided the precise testimony that this Court noted was missing in *IDT*. After examining the evidence in the case, Appellant’s expert clearly stated that “it is my opinion that the POS Devices utilized in the Simon and Blackhawk systems have not been reprogrammed, customized, or otherwise altered with respect to their software or hardware for use in the card system.” (Appx03222 (Zatkovich Supplemental Report, ¶26)). The *IDT* decision, drawing on *Datastream*, requires that Appellant show what was **actually** done. **Appellant’s evidence does exactly that**, but the Panel mistakenly decided that it does not.

Rather than providing a *de novo* infringement analysis based on the evidence and facts in this case, the Opinion only references two sentences from Appellant’s expert’s Supplemental Report: (1) “that it was ‘not necessary to inspect the actual point of sale devices used in the Simon and Blackhawk systems’ to determine that the accused systems infringed the asserted claims;” (Opinion at 9 (citing Appx03223 (Zatkovich Supplemental Report, ¶29))) and, (2) that “Appellant’s expert ‘concluded that no modification *is required* to the [point-of-sale] Devices for use in the Simon and Blackhawk systems.’” (*Id.* (citing Appx03222 (Zatkovich Supplemental Report, ¶26)) (emphasis added)). These selections do not reflect the full scope of

Zatkovich’s opinion, which is evidentiary-based and clearly goes beyond what is “required” or “necessary” for the accused systems. For example, the full paragraph from which the Panel highlights the “required” language, provides as follows:

In this case, *I have reviewed testimony from “intermediary partners” and “POS suppliers” about the terminals used in the Simon and Blackhawk systems. I have examined technical details of the devices actually used in the Simon and Blackhawk systems.* I also have expert knowledge regarding POS terminals. I have considered the fact that the processing hubs used in the Simon and Blackhawk systems receive card data from transaction processors, which was received from the Retail POS Devices, *that proves the devices were not modified for use in the card system.* This specifically includes the fact that the Retail POS Devices used in the Simon and Blackhawk systems comply and are consistent with ISO Standards 8583 and 7813. Based on my expertise, my review of the testamentary and documentary evidence, and my understanding of the Court’s construction, I have concluded that no modification is required to the POS Devices for use in the Simon and Blackhawk systems. *I have also concluded that the POS Devices utilized in the Simon and Blackhawk systems are the same as terminals that existed in July of 1997* with respect to the ability to read a magnetic stripe and send that information on to the next step without any modifications made to that terminal in that respect. Finally, *it is my opinion that the POS Devices utilized in the Simon and Blackhawk systems have not been reprogrammed, customized, or otherwise altered with respect to their software or hardware for use in the card system.*

Appx03222 (Zatkovich Supplemental Report, ¶26) (emphasis added).⁷

Zatkovich’s statement “that no modification is required” is accurate, and his testimony did not stop there. This Court’s opinion reads as if he did stop there, a clear mistake. Notably, the expert discusses the work he *actually* did: (1) “review[ing] testimony from ‘intermediary partners’ and ‘POS suppliers,’” (2) examin[ing] technical details of the devices *actually used*’ in the accused systems,” and (3) applying his own “expert knowledge regarding POS terminals.” These are the very three evidentiary components noted to be absent by the *IDT* Court. Zatkovich also makes it clear that, after conducting his analysis of the evidence produced by Simon and Blackhawk, it is his opinion “*that the POS Devices utilized in the Simon and Blackhawk systems have not been reprogrammed, customized, or otherwise altered with respect to their software and hardware for use in the card system,*” which is identical to the stipulated definition of “unmodified”:

⁷ The language in *bold and italics* is highlighted for emphasis of what the Panel overlooked. The language in underline is highlighted for emphasis of what the Panel quoted.

Stipulated Definition of “Unmodified”	Zatkovich’s Supplemental Expert Report
<p>“[a] terminal, for making purchases at a retail location, that is of the type in use as of July 10, 2017, and that has not been reprogrammed, customized, or otherwise altered with respect to its software or hardware for use in the card system.”</p> <p>Opinion at 6 (citing J.A. 68).</p>	<p>“I have also concluded that the POS Devices utilized in the Simon and Blackhawk systems are the same as terminals that existed in July of 1997 with respect to the ability to read a magnetic stripe and send that information on to the next step without any modifications made to that terminal in that respect. Finally, it is my opinion that the POS Devices utilized in the Simon and Blackhawk systems have not been reprogrammed, customized, or otherwise altered with respect to their software or hardware for use in the card system.”</p> <p>Appx03222 (Supplemental Report at ¶26).</p>

In sum, by failing to review the totality of the evidence, the Panel misapprehended the law of the Fifth Circuit,⁸ which requires examination of the entire record. *See Douglass*, 79 F.3d at 1430 (*en banc*) (conducting a *de novo* review requires the court to examine the entire record and make an independent assessment under the law). Zatkovich clearly states that the accused systems are **actually** “unmodified.” Appx03222 (Zatkovich Supplemental Report, ¶26). There is nothing deficient about this clearly stated opinion. The Panel’s Opinion erred in choosing to

⁸ This Court reviews summary judgment decisions under regional circuit precedent. *See Unwired Planet, LLC v. Apple Inc.*, 829 F.3d 1353, 1356 (Fed. Cir. 2016). The Fifth Circuit reviews the grant of summary judgment *de novo*. *See Patel v. Tex. Tech Univ.*, 941 F.3d 743, 747 (Fed. Cir. 2019).

focus on a single sentence that contains the word “required.” In so doing, the Panel failed to consider the statements surrounding the sentence it isolated and incorrectly concluded that Appellant’s expert failed to reach an opinion that no modifications were *actually* made. Undone by that mistake, the Panel wrongly found the evidence insufficient under *IDT* and *Datastream*. Rehearing is due for those reasons. Appellant’s evidence is not insufficient.

IV. CONCLUSION

Appellant respectfully submits that the Panel erred by failing to construe “unmodified” or, at a minimum, the derivative phrase “for use in the card system” before ruling on infringement. Moreover, Appellant respectfully submits that the Panel erred by failing to consider the totality of the evidence presented in the light most favorable to it.

Dated: May 6, 2024

Respectfully submitted,

/s/ Jacqueline K. Burt

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Addendum

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

ALEXSAM, INC.,
Plaintiff-Appellant

v.

**SIMON PROPERTY GROUP, L.P., BLACKHAWK
NETWORK, INC.,**
Defendants-Appellees

US BANK NA,
Defendant

2022-1598

Appeal from the United States District Court for the
Eastern District of Texas in No. 2:19-cv-00331-RWS-RDP,
Judge Robert Schroeder, III.

Decided: April 1, 2024

STEVEN RITCHESON, Insight, PLC, Marina del Rey, CA,
argued for plaintiff-appellant. Also represented by
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Before PROST, TARANTO, and HUGHES, *Circuit Judges*.

HUGHES, *Circuit Judge*.

AlexSam, Inc. appeals the U.S. District Court for the Eastern District of Texas’s grant of Simon Property Group, L.P.’s and Blackhawk Network, Inc.’s non-infringement summary judgment motions. AlexSam contends that the district court erred in its application of the stipulated claim construction of “unmodified” and that genuine issues of material fact exist. For the reasons that follow, we affirm.

I

Appellant AlexSam owns U.S. Patent No. 6,000,608, which discloses a “multifunction card system.” ’608 patent Abstract. The system includes a multifunction card that “can serve a number of functions, thus allowing the consumer to have one card which may act as their card for financial transactions, long-distance telephone calls, loyalty information, and medical information.” *Id.* at 3:3–6. These cards do not require special programming to be used: they can be activated, reloaded, or used at existing, rather than specialized, point-of-sale retail devices. *Id.* at 4:14–20.

Independent claim 34 provides:

A system comprising:

- a. at least one electronic gift certificate card having an electronic gift certificate card unique identification number encoded on it, said electronic gift certificate card unique identification number comprising a bank identification number approved by the American Banking Association for use in a banking network;
- b. a transaction processor receiving electronic gift card activation data from an *unmodified existing standard retail point-of-sale device*, said electronic gift certificate card activation data including said unique identification number and an electronic gift certificate card activation amount;
- c. a processing hub receiving directly or indirectly said activation data from said transaction processor; and
- d. said processing hub activating an account corresponding to the electronic gift certificate card unique identification number with a balance corresponding to the electronic gift certificate activation amount.

Id. at 16:15–33 (emphasis added). Independent claim 60 recites “[a] method of activating a prepaid card” by “swiping the card through an *unmodified existing standard point-of-sale device*.” *Id.* at 18:58–19:2 (emphasis added).

A

During prosecution of the ’608 patent, the inventor distinguished their invention from the prior art because the patented invention “is specifically intended to be deployed over an existing banking network,” therefore “custom software is not necessary at the activating location *Thus, existing point-of-sale devices known in the art for processing credit card and/or debit card transactions can be utilized without modification.*” J.A. 3469 (emphasis added). The patent examiner allowed the claims once the inventor

inserted the word “unmodified” before “existing standard point-of-sale device.” See J.A. 3486–87. The ’608 patent subsequently issued.

B

There has been much litigation regarding the meaning of “unmodified existing standard [retail] point-of-sale device”¹ as used in the ’608 patent’s claims. AlexSam sued Datastream Card Services Ltd. for infringement of the ’608 patent in 2003. *Alexsam, Inc. v. Datastream Card Servs. Ltd.*, No. 2:03-cv-337 (E.D. Tex. Sept. 26, 2003), ECF No. 1. There, the district court issued a claim construction order, construing “unmodified existing standard [retail] point-of-sale device” to mean “a terminal for making purchases at a retail location of the type in use as of July 10, 1997 that has not been reprogrammed, customized, or otherwise altered with respect to its software or hardware for use in the card system” (hereinafter, the *Datastream* construction). *Alexsam, Inc.*, No. 2:03-cv-337 (E.D. Tex. June 10, 2005), ECF No. 199 at 9. The district court reasoned that, based on the prosecution history, the “examiner required the inclusion” of “unmodified” “to clarify that the systems claimed in the ’608 patent did not require any hardware and/or software modifications to the existing standard retail POS devices.” *Id.*

In subsequent litigation involving the ’608 patent, AlexSam has stipulated to the *Datastream* construction of “unmodified existing standard [retail] point-of-sale device.” See, e.g., *Alexsam, Inc. v. IDT Corp.*, 715 F.3d 1336, 1339

¹ Independent claim 34 includes the bracketed term “retail,” whereas independent claim 60 does not. The parties do not argue that the exclusion of “retail” meaningfully changes the scope of claim 60 relative to claim 34. For simplicity, we refer to both claim limitations as “unmodified existing standard [retail] point-of-sale device.”

(Fed. Cir. 2013) (*IDT*); *Alexsam, Inc. v. Gap, Inc.*, 621 F. App'x 983, 986 (Fed. Cir. 2015) (*Gap*). In both cases, the construction of “unmodified existing standard [retail] point-of-sale device” was an important aspect of the disputes. In *IDT*, we reversed a district court’s judgment of infringement because AlexSam did not provide sufficient evidence that “no modifications were actually made to the [accused systems’] software in order to allow them to activate [the accused’s] cards.” 715 F.3d at 1342, 1348. And in *Gap*, we reversed a district court’s denial of judgment as a matter of law because AlexSam did not show prior conception of an “unmodified” point-of-sale device. 621 F. App'x at 994–95.

C

Appellee Simon sells self-branded gift cards, including a Visa Gift Card, a 5% Back Visa Gift Card, and an American Express Gift Card. AlexSam initially sued only Simon, alleging that its gift cards infringed independent claims 34 and 60 and various dependent claims of the '608 patent. AlexSam later amended its complaint to include infringement claims against Appellee Blackhawk, the entity that supplies and activates some of the accused Simon-branded gift cards.

During claim construction, AlexSam, Simon, and Blackhawk agreed that the *Datastream* construction of “unmodified existing standard [retail] point-of-sale device” should be applied. J.A. 29, 67–68. Under the *Datastream* construction, “unmodified existing standard retail point-of-sale device” means “[a] terminal, for making purchases at a retail location, that is of the type in use as of July 10, 1997, and that has not been reprogrammed, customized, or

otherwise altered with respect to its software or hardware for use in the card system.” J.A. 68.^{2,3}

Simon and Blackhawk separately moved for summary judgment of non-infringement, arguing that AlexSam did not proffer sufficient evidence that the accused systems’ point-of-sale devices were actually “unmodified” and, in any event, that the accused point-of-sale devices are modified (and not “unmodified” as required by the claims). J.A. 74. The magistrate judge issued a report and recommendation (R&R) recommending that the district court grant the non-infringement motions and dismiss AlexSam’s infringement claims with prejudice. J.A. 69–83. The district court adopted the magistrate judge’s R&R over AlexSam’s objections and granted Simon’s and Blackhawk’s motions for summary judgment. J.A. 1–6.

AlexSam timely appealed, and we have jurisdiction under 28 U.S.C. § 1295(a)(1).

II

We review a district court’s summary judgment decision under applicable regional circuit precedent. *Unwired Planet, LLC v. Apple Inc.*, 829 F.3d 1353, 1356 (Fed. Cir. 2016). The Fifth Circuit reviews the grant of summary judgment de novo. *Patel v. Tex. Tech Univ.*, 941 F.3d 743, 747 (5th Cir. 2019). “Summary judgment is appropriate when, drawing all justifiable inferences in the nonmovant’s favor, ‘the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to

² The stipulated construction of “unmodified existing standard point-of-sale device,” as used in claim 60, omits the “at a retail location” language. J.A. 67.

³ No party argues that the added commas in the stipulated version of the *Datastream* construction applied here impacts the disputed “unmodified existing standard [retail] point-of-sale device” claim limitations. *See* J.A. 77 n.7.

judgment as a matter of law.” *Unwired Planet*, 829 F.3d at 1356 (quoting Fed. R. Civ. P. 56(a) and citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986)).

III

On appeal, AlexSam challenges the stipulated and long-applied construction of “unmodified existing standard [retail] point-of-sale device,” and argues that under the correct construction of “unmodified” or the correct application of the stipulated construction, genuine issues of material fact exist. We disagree.

To the extent that AlexSam attempts to challenge the stipulated construction of “unmodified existing standard [retail] point-of-sale device,” we conclude that this argument is waived. *See Digital-Vending Servs. Int’l, LLC v. Univ. of Phoenix, Inc.*, 672 F.3d 1270, 1278 (Fed. Cir. 2012) (“By stipulating to the construction that the district court adopted, Digital-Vending waived its right to challenge this construction on appeal.”).

AlexSam next contends that the district court erred in applying the stipulated construction such that *any* modification made to a point-of-sale device would take that device outside the scope of the claims. As AlexSam understands the *Datastream* construction, the key language is “for use in the card system.” Appellant’s Br. 42. In AlexSam’s view, “unmodified” excludes modifications “directed to the specific functions required of the device in the Asserted Claims,” such as reading a card’s identification number or having the device communicate data over a banking network, and that are “not otherwise required” because they are “required for any use, not just ‘for use in the card system.’” *Id.*

We agree with AlexSam that a point-of-sale device can be altered in certain respects while still being “unmodified” for purposes of infringement. However, the *Datastream* construction, as it has long been applied, specifies what an

“unmodified . . . [retail] point-of-sale device” is: a point-of-sale device that has not been “reprogrammed, customized, or otherwise altered with respect to its software or hardware for use in the card system.” The magistrate judge faithfully applied this construction in the R&R, explaining that “modifications to the software or hardware that impact how the POS device would generally be used *in the card system* fall outside of the claim scope.” J.A. 80 (emphasis added); J.A. 5. To the extent AlexSam even advances a new or different understanding of the “unmodified” claim term, we are unpersuaded by AlexSam’s attempt to broaden the scope of “unmodified existing standard [retail] point-of-sale device” after stipulating to the *Datastream* construction after cases like *Gap* and *IDT*.

In sum, we conclude that the district court did not err in its application of the *Datastream* construction.

IV

We next consider whether the district court erred in its grant of Simon’s and Blackhawk’s motions for summary judgment of non-infringement. AlexSam argues that it offered sufficient evidence of Simon’s and Blackhawk’s infringement to proceed to trial. We are not persuaded.

The district court concluded there was no genuine dispute of material fact about whether the accused point-of-sale devices were “unmodified” because AlexSam’s evidence was “substantially the same as that presented in *IDT*.” J.A. 4. In *IDT*, we explained that to establish infringement, AlexSam had to show that the accused systems’ point-of-sale devices “ha[d] not been reprogrammed, customized, or otherwise altered with respect to [their] software . . . for use in the card system.” 715 F.3d at 1341 (emphasis omitted). Before the *IDT* district court, AlexSam relied on expert testimony that *IDT*’s systems did not need to be modified to function with the accused cards, but did not opine that the point-of-sale devices were not actually “reprogrammed, customized, or otherwise altered” as

required by the *Datastream* construction. 715 F.3d at 1341–42. AlexSam’s other expert similarly “testified that no modifications were ‘necessary’ to allow a standard [point-of-sale] terminal to read an IDT card.” *Id.* at 1342. Ultimately, we reversed the district court’s denial of IDT’s motion for judgment as a matter of law of non-infringement because AlexSam failed to present sufficient evidence that IDT’s accused systems had not been “reprogrammed, customized, or otherwise altered with respect to [their] software . . . for use in the card system.” *Id.*

Here, AlexSam’s expert testified that it was “not necessary to inspect the actual [point-of-sale] devices used in the Simon and Blackhawk systems” to determine that the accused systems infringed the asserted claims. J.A. 3223 (Zatkovich Supplemental Report ¶ 29). Once more, AlexSam’s expert “concluded that no modification *is required* to the [point-of-sale] Devices for use in the Simon and Blackhawk systems.” J.A. 3222 (Zatkovich Supplemental Report ¶ 26) (emphasis added). This testimony remains insufficient under *IDT*. We agree with the district court that AlexSam’s evidence falls short of creating a genuine issue of material fact.

We conclude that the district court did not err in granting Simon’s and Blackhawk’s motions for summary judgment of non-infringement.

V

The district court correctly applied the stipulated *Datastream* claim construction and AlexSam did not provide sufficient evidence to establish a genuine dispute of material fact over whether the accused devices were “unmodified.” We have considered AlexSam’s additional arguments and find them unpersuasive. We affirm.

AFFIRMED

United States Court of Appeals for the Federal Circuit

ALEXSAM, INC.,
Plaintiff-Appellant

v.

SIMON PROPERTY GROUP, L.P., BLACKHAWK
NETWORK, INC.,
Defendants-Appellees

US BANK NA,
Defendant

2022-1598

Appeal from the United States District Court for the Eastern
District of Texas in No. 2:19-cv-00331-RWS-RSP, Judge Robert
Schroeder, III.

JUDGMENT

THIS CAUSE having been considered, it is

ORDERED AND ADJUDGED:

AFFIRMED

FOR THE COURT

April 1, 2024
Date



Jarrett B. Perlow
Clerk of Court

CERTIFICATE OF SERVICE

I hereby certify that on this date, on behalf of Plaintiff-Appellant ALEXSAM, INC., I caused to be filed with the Clerk of the United States Court of Appeals for the Federal Circuit *via* the Court's CM/ECF system, which caused it to be served on all counsel of record, a copy of the CORRECTED PETITION FOR REHEARING OR REHEARING EN BANC OF PLAINTIFF-APPELLANT ALEXSAM, INC.

Dated: May 6, 2024

Respectfully submitted,

/s/ Jacqueline K. Burt

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CERTIFICATE OF COMPLIANCE

Pursuant to Rules 32(g) and 28.1(e)(3) of the Federal Rules of Appellate Procedure (“Fed. R. App. P.”) and Rules 32(b)(3) and 28.1(c) of the Federal Circuit Rules (“Fed. Cir. R.”), AlexSam certifies:

1. This document complies with the type-volume limitation because it contains 3,470 words, excluding parts of the brief exempted by Fed. R. App. P. 32(f) and Fed. Cir. R. 32(b)(2).
2. This document complies with the typeface requirements of because it has been prepared in a proportionally spaced typeface using Microsoft® Word for Microsoft 365 MSO in Times New Roman 14 point font.
3. This document complies with the limitations set forth in Fed. Cir. R. 28(d) because it contains no words (including numbers) marked as confidential.

Dated: May 6, 2024

Respectfully submitted,

/s/ Jacqueline K. Burt

Jacqueline K. Burt

Attorney for Plaintiff-Appellant, AlexSam, Inc.