EXHIBIT E

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA

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CLERK US DISTRICT COURT
ALEXANDRIA, VIRGINIA

IPXL Holdings, LLC,

Plaintiff,

v.

Amazon.com, Inc.,

Defendant.

Case No. CV-04-70 (LMB)

MEMORANDUM IN SUPPORT OF DEFENDANT AMAZON.COM, INC.'S MOTION FOR SUMMARY JUDGMENT OF NONINFRINGEMENT AND INVALIDITY

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In symmetry with its prohibited attempt to stretch the claims of the '055 patent beyond their clear meaning, as detailed in Amazon's claim construction brief, IPXL attempts to apply claims covering only financial transactions that can be performed on an electronic fund transfer system ("EFT") to a feature for ordering books and other products using the Internet. Amazon is not an EFT system; it does not execute financial transactions or perform any other activity on an EFT system. Amazon is an Internet retailer—consumers go to Amazon.com to order books and other goods using the Internet. One way consumers can order goods is to use Amazon's 1-Click® feature (the ***only*** aspect of Amazon that IPXL accuses of infringement). The 1-Click® Feature does not execute financial transactions on an EFT system—Amazon contracts with third party financial institutions to process and settle the payments for the goods that Amazon customers have ordered. This Court should grant summary judgment that the 1-Click® Feature does not literally infringe the asserted claims of the '055 patent.[1] *See Laitram Corp. v. Rexnord, Inc.*, 939 F.2d 1533, 1535 (Fed. Cir. 1991) ("To establish infringement, every limitation set forth in a patent claim must be found in an accused product or process exactly or by a substantial equivalent.").

With respect to the invalidity of the '055 patent, this Court's task is simple; IPXL's expert disputes the presence of ***only*** the "single screen" limitation in the Coutts prior art patent– if Amazon shows the Court the presence of a "single screen" in Coutts, every one of the asserted claims falls. If Amazon shows the "single screen" limitation in Tarbox and Kelly, claims 1 and 9 are invalid in view of those prior art patents. Finally, Claim 25 is statutorily invalid.

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1 IPXL has not accused Amazon's system of infringement under the doctrine of equivalents. *See* May 28, 2004 Supplemental Answers to Amazon.com, Inc.'s First Set of Interrogatories to Plaintiff IPXL Holdings, LLC at 7, attached as Exhibit 4; Felten Infringement Report at 4, attached as Ex. 3; June 16, 2004 Deposition of Edward W. Felten at 174:8-176:11, attached as Ex. 5, and is precluded from doing so now. Therefore, Amazon need only show that there is no literal infringement for summary judgment to be granted.

UNDISPUTED FACTS

I. THE ASSERTED CLAIMS OF THE '055 PATENT

1. The '055 patent is titled "Electronic Fund Transfer or Transaction System" *See* Ex. 1, '055 patent.

2. The patent has 1 independent claim and 31 claims that are dependent from Claim 1. *See* Ex. 1, '055 patent.

3. IPXL asserts that Amazon infringes independent Claim 1 and dependent claims 2, 9, 15, and 25.[2] *See* Ex. 2; Ex. 3.

4. Claim 1, the independent claim, refers to "a system for processing financial transactions," which the patent specification makes plain "relates generally to electronic transaction network systems and more particularly to electronic fund transfer systems such as automated teller machines." *See* Ex. 1, '055 patent at 1:11-14.

5. The system of Claim 1 is designed to execute "a variety of activities that are or may be performed using an EFT ["electronic fund transfer"] system." *See* Ex. 1, '055 patent, Abstract, 5:38-39.

II. AMAZON.COM AND AMAZON'S 1-CLICK® FEATURE

This section describes Amazon's retail 1-Click® feature, the only aspect of Amazon's systems that is accused in the expert report on infringement proffered by IPXL's expert, Dr. Edward Felten (the "1-Click® Feature"). *See* Felten Infringement Report at 13-22, attached as Exhibit 3.

A. Amazon's 1-Click® Feature Is Part Of A System For Placing Orders For Books And Other Goods On The Internet.

6. Amazon's 1-Click® Feature is part of a system for placing orders for books and other goods on the Internet. Like any traditional catalogue-order company, Amazon only seeks payment for ordered goods if the order is fulfilled, and goods are sent to the customer. Declaration of Douglas Heimburger ("Heimburger Decl."), ¶¶ 2-3, attached as Ex. 13.

7. Using 1-Click®, an Amazon user can order an item once she has found the item on Amazon's website, and has enabled the 1-Click® Feature. *See* Ex. 9.

8. To begin the ordering process, a user must be on the Amazon.com website, which can be reached via the Internet by typing in the URL "www.amazon.com," *See* Ex. 7.

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2 The claim language for each asserted claim is set out in the attached Exhibit 6.

9. A user's personal computer communicates with Amazon's servers through the Internet. Information is transferred back and forth between the user's computer and Amazon's servers using the HTTP protocol. HTTP is a "stateless," or connectionless protocol that breaks messages down into a number of packets that are routed through the Internet by a process called packet-switching, which allows packets to be transmitted along different paths and arrive at various times—not necessarily in the same order as they were sent. *See* Declaration of Gene Pope ("Pope Decl."), ¶¶ 11-12, attached as Ex. 21.

10. Unless the item appears on the "Welcome" page for that user, the user must normally navigate through web pages to find the item. For example, the user may enter search terms into the keyword search box and click "Go!" to be taken to a search results page. *See* Ex. C to June 2, 2004 Expert Report of Donal O'Mahony, Ph.D., Regarding the Noninfringement By Amazon of United States Patent No. 6,149,055 ("O'Mahony Report"), attached as Ex. 8.

11. The user can then select one of the results from the search results page by clicking a link for that item. Alternatively, the user can use links on the "Welcome" page to browse lists of items. All of these actions will take the user to new web pages. When a user finds interesting item, she can click a link for that item, and be taken to the product detail page for that item. *See* Ex. D to O'Mahony Report, attached as Ex. 8; *see also* Ex. 9.

12. This product detail page contains more information about the item, including an estimate of how long it will take for the item to be available for shipment. If the user wants to order the item, she can place the order by either pushing the "1-Click®" button on this web page, or by selecting the "Add to Cart" option, which will add the order to the user's virtual "shopping cart" and allow the user to either continue browsing for items on the website, to leave the website entirely, or to proceed to checkout. Pushing the 1-Click® button to order a retail item from Amazon's inventory merely creates an order (or modifies an existing order by adding an item to it). In addition, after clicking the 1-Click® button, the user is taken to a new page. *See* Ex. K to O'Mahony Report, attached as Ex. 8; *see also* Ex. 9.

13. After the user orders with 1-Click® the order is not immediately acted upon, however. Instead, it is put in a holding state for at least 90 minutes. During the 90 minute holding period the user may add to, modify, or cancel the order freely. For example, the user can review or edit her 1-Click® orders, change address, ship method, payment, item quantities, add gift-wrap, or apply a gift certificate or promotional code to her order—all of which will change the amount the user will owe if the order is fulfilled. *See* Ex. K to O'Mahony Report, attached as Ex. 8; Ex. 12.

14. If the user makes any changes to the order, then the 90-minute holding period starts anew. An order can be in a holding state for an unlimited amount of time, and no financial transaction will occur. A user can also cancel each item selected using the 1-Click® button and end up with nothing in her order. If the user does this, then no payment is ever made or processed. *See* April 27, 2004 Deposition of Jennifer E. Loflin, at 236:4-18, attached as Ex. 10.

15. Additionally, if a user orders an item using 1-Click®, and within 90 minutes of that order, attempts to order that same item using 1-Click®, the item is only ordered once. The user's clicking on the 1-Click® button multiple times will be effectively ignored. *See* October 12, 2001 Deposition of Peri Hartman at 93:8-16, attached as Ex. 11.

16. Even after the 90-minute window has expired, up until the point that the order enters the "shipping soon" status, the order can still be modified, combined with other confirmed orders, or cancelled. *See* Ex. 12. Thus, in the case of out of stock items or pre-ordered items, for example, a user may actually have weeks or months to add to, cancel, or modify a 1-Click® order.

17. It is only after the order is finalized and shipped that Amazon seeks payment for the goods. *See* Heimburger Decl., ¶ 2, attached as Ex. 13.

18. Amazon does not seek payment until goods are about to be shipped because until shipping, the amount(s) to be charged to the customer is (are) not certain. Further, because Amazon seeks payment only when an item is about to be shipped, and because the items making up an order may ship separately from one another, Amazon may end up seeking numerous separate payments associated with a single order. *Id.*

19. Thus, there is no direct or constant correlation between the number of times an Amazon user pushes the 1-Click® button and the number of payments, if any, that Amazon will eventually seek. *Id.*

20. In his expert report, Dr. Felten ordered two separate items during his visit to Amazon.com, both of which he counted as separate "financial transactions." Yet his credit card bill reflects only a single transfer of funds from his bank to Amazon's bank. Felten Infringement Report at 15, 19, attached as Ex. 3; Felten 008, attached as Ex. 28.

21. Because Amazon is a retailer and not a bank, it does not itself process and settle the payments for the goods it has shipped. *See* Heimburger Decl. ¶ 2, attached as Ex. 13.

22. Instead, Amazon collects the credit card/debit card information and related order information that it receives and sends it in batches to third-party payment processors acting as acquiring banks, and those payment processors present the information to and settle the payment with the credit card/debit card associations. The payment processors thereafter remit the funds, less any applicable fees, to one of Amazon's depository banks. Heimburger Decl. ¶ 5, attached as Ex. 13.

23. Apart from sending the appropriate information to its designated payment processors, Amazon is not involved in the payment processing in any way, and would not, in fact, be able to be involved since it is not an acquiring bank. *Id.*

24. The "recommendations" displayed after a user clicks the 1-Click® button are not based on any stored data for that user. Instead, part of the HTTP request that is sent when a user clicks the 1-Click® button tells the system to look up and display a list of similar items. The list is based on the most popular items among other customers who also ordered the referent item.

B. ATM Technology in the mid-1990's

25. In the 1996 timeframe, branch ATMs were typically connected to a host central controller through the use of (usually proprietary) communication lines such as telephone lines. In each case, the ATMs were connected so that information being transmitted between the ATM and central controller flowed through a single, defined path.

C. The Gatto '055 Patent

26. The application that issued as the '055 patent was filed on June 26, 1996 and is a continuation in part application of an application filed on April 13, 1995. The '055 patent issued on November 21, 2000. Ex. 1.

27. Other than uncorroborated inventor testimony, there is no evidence of record that supports an invention date of the inventions claimed in Claim 1 prior to the filing date of the '055 patent application. *See* Ex. 29, May 18, 2004 IPXL's Second Supp. Resp. to Amazon's 1st Set of Interrog. at 3; Ex. 14, April 28 Gatto Tr. at 8:25-10:19.

28. Amazon first became aware of the '055 patent in March 2002, after receiving a letter from James Gatto. After becoming aware of the '055 patent, Amazon obtained and relied upon opinion of counsel. Ex. 23, April 21 Amazon's Resp. 1st Set Interrog. at 1-2.

D. The Prior Art Patents

29. The application that issued as the Tarbox patent was filed on December 16, 1994 and issued on January 6, 1998. *See* Ex. 15, U.S. Patent No. 5,705,798.

30. Tarbox was cited in an Information Disclosure Statement ("IDS") filed by the applicant, Mr. James Gatto, on May 4, 2000, more than three months ***after*** the PTO mailed a Notice of Allowability of the '055 patent application. *See* Ex. 16, IPXL 00116-00118.

31. Tarbox was cited to Mr. Gatto in a European Search Report for a related application dated February 22, 1999, more than a year ***prior*** to being disclosed to the PTO on May 4, 2000. *See* Ex. 17, IPXL 00119-00121.

32. The application that issued as the Coutts patent was filed on November 15, 1993 and issued on February 14, 1995. *See* Ex. 18, U.S. Patent No. 5,389,773.

33. Coutts was cited in an IDS filed on November 22, 1996. *See* Ex. 19, IPXL 00078-00082.

34. The Kelly patent issued on May 15, 1984. *See* Ex. 20, U.S. Patent No. 4,449,186.

LEGAL STANDARDS

A. Summary Judgment

Summary judgment is appropriate where "there is no genuine issue as to any material fact" and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c); *see also Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986); *Phillips v. AWH Corp.*, 363 F.3d 1207, 1211 (Fed. Cir. 2004). This Court must view the evidence in the light most favorable to IPXL, which must do more than merely raise some doubt as to the existence of a fact for that fact to be in genuine dispute; it must present evidence sufficient to require submission of the fact to the jury. *Avia Group Int'l, Inc. v. L.A. Gear California, Inc.*, 853 F.2d 1557, 1560 (Fed. Cir. 1988) (*citing Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249-50 (1986)).

B. Noninfringement

To prove infringement, IPXL must prove that each and every limitation of the asserted claims is found in the accused product. *Allen Eng'g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, 1345-46, 1357 (Fed. Cir. 2002) (reversing finding of infringement; court failed to compare each claim limitation to the corresponding element of the accused products); *Desper Prods., Inc. v. QSound Labs, Inc.*, 157 F.3d 1325, 1337-38 (Fed. Cir. 1998) (affirming summary judgment of noninfringement affirmed claim element missing from accused devices). Literal infringement, which is all that IPXL has alleged, requires that the accused device contain each limitation of the claim exactly; any deviation precludes a finding of literal infringement. *See TechSearch, L.L.C. v. Intel Corp.*, 286 F.3d 1360, 1371 (Fed. Cir. 2002).

C. Invalidity

Anticipation is found where each and every element of a claim is found, either expressly or inherently, in a single prior art reference. *See Dayco Prods. Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1368 (Fed. Cir. 2003) ("the dispositive question regarding anticipation [i]s whether ***one skilled in the art*** would reasonably understand or infer from the [prior art reference's] teaching that every claim element was disclosed in that single reference"). A patent

is presumed valid, and Amazon must prove invalidity by clear and convincing evidence. *See University of Rochester v. G.D. Searle & Co., Inc.*, 358 F.3d 916, 920 (Fed. Cir. 2004) The clear and convincing standard does not shift depending on whether a piece of prior art was cited during prosecution of a patent at issue. *See Abbott Labs. v. Syntron Bioresearch Inc.*, 334 F.3d 1343, 1357 (Fed. Cir. 2003) ("presumption of validity remains the same whether or not the art relied upon at trial was before the examiner"). Where a party shows by clear and convincing evidence that the asserted claims are invalid as anticipated in view of particular prior art references, the fact that those prior art references was disclosed to the PTO does not prevent a finding of invalidity. *See e.g., Udin v. J.Kaufman Iron Works, Inc.*, 342 F. Supp. 1090, 1100-01 (S.D.N.Y. 1972)

III. ARGUMENT

No reasonable jury could find that Amazon's 1-Click® Feature, a feature for placing orders for goods over the Internet, contains each and every element of the asserted claims of the '055 patent, which relate to the electronic execution of financial transactions. Specifically Amazon's 1-Click® Feature:

- is not an "electronic financial transaction system";
- does not execute "financial transactions"'
- allows no selection of "transaction types"'
- does not present a "plurality of transaction parameters"'
- does not contain "a terminal device selectively connectable to the central controller through the communications network"'
- does not contain "means for storing user-defined transaction information, the transaction information comprising at least one of user-defined transactions and user-defined transaction parameters"'
- does not "display on a single screen stored transaction information"'
- does not "enabl[e] a user to use the displayed transaction information to execute a financial transaction or to enter selections to specify one or more transaction parameters"'
- does not "predict[] transaction information that a user of the terminal will desire based on stored data for that user"; and

- does not contain "means for identifying a user prior to enabling the user to execute a transaction."

Amazon's 1-Click® Feature is missing virtually ***every*** limitation of the claims of the '055 patent; this Court must grant summary judgment if it finds even a ***single*** limitation missing. The asserted claims are also invalid in view of Coutts, Tarbox, and Kelly, and Claim 25 is statutorily invalid.

IV. AMAZON'S 1-CLICK® FEATURE DOES NOT LITERALLY MEET THE LIMITATIONS OF CLAIM 1 OF THE '055 PATENT.

Amazon's 1-Click® Feature fails to meet each and every limitation of Claim 1, applying either Amazon's or IPXL's proposed constructions of this claim.

A. Amazon's 1-Click Feature Is Not "An Electronic Financial Transaction System For Executing Financial Transactions."

1. Amazon's 1-Click® Feature is Not an "Electronic Financial Transaction System."

Amazon's 1-Click® Feature is not an "electronic financial transaction system," nor is it part of any such system. The '055 patent explicitly defines the term "transaction" as "intended to broadly describe a wide variety of activities that are or may be performed using an EFT[3] system." Ex. 1, '055 patent, 5:37-39. Thus, since the term "transaction" as used in the patent means one of the activities that can be performed using an "EFT ("electronic fund transfer") System," the "electronic financial transaction system" of Claim 1 must be such an EFT (electronic funds transfer) system.

There is no genuine dispute of material fact that Amazon's 1-Click® Feature is not either by itself, or in conjunction with any other Amazon system, an EFT system. The meaning of the

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[3] The '055 patent explicitly defines "EFT" to mean "electronic fund transfer." Ex. 1, '055 patent, Abstract.

term EFT system is well-known (and defined by federal law), as explained in Amazon's claim construction brief. The Electronic Fund Transfer Act, 15 U.S.C. 1693a, defines EFT as follows:

> **(6)** the term "electronic fund transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, or computer or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated teller machine transactions, direct deposits or withdrawals of funds, and transfers initiated by telephone.

Amazon's 1-Click® Feature is not such an EFT system. Amazon's 1-Click® Feature is a feature for placing orders for goods. Amazon's 1-Click® Feature does not provide for the "transfer of funds . . . which is initiated through an electronic terminal . . . or computer . . . so as to order, instruct, or authorize a financial institution to debit or credit an account." In fact, Amazon is even further removed from EFT systems than are "brick and mortar" retail stores, which may well have point-of-sale ("POS") terminals in the store that customers can use to pay for purchases. Amazon has nothing like that, but instead passes on payment requests to its third-party payment processors, similar to a mail order house. Heimburger Decl. ¶¶ 2, 4, attached as Ex. 13.

Further, unlike EFT systems, which immediately execute EFTs according to a user's instructions, as set forth in its Conditions of Use, no matter what order a customer places using 1-Click®, Amazon may not accept the user's order; it often refuses to accept orders where there is a suspicion of credit card fraud, or a history of fraudulent transactions by the customer placing the order. *See* Loflin Deposition at 77:23-78:12, attached as Ex. 10. Moreover, even if Amazon wants to accept an order, there are times (*e.g.*, when an item is out of stock and cannot be obtained) when Amazon simply cannot fulfill the order, in which case Amazon never requests payment for that order. Thus, a 1-Click® order does not obligate Amazon to request that the

customer's credit card be charged for an order; Amazon never makes such a request if it either will not or cannot fulfill the order.

This is a far cry from the obligations that attach to financial institutions and financial services companies executing EFTs under the EFT Act. In Amazon's case, customers use 1-Click® to place orders that Amazon can choose to fulfill or not with no legal consequence to Amazon. In the case of an EFT system, if a customer uses the EFT system to instruct a financial institution to transfer funds, the fund transfer is executed—the EFT has no choice, and may be held liable under 15 U.S.C. § 1693h if it does not promptly effect the instructed fund transfer.

2. Amazon's 1-Click® Feature Is Not a System for "Executing Financial Transactions."

Amazon's 1-Click® feature is used only to order goods, not for "executing financial transactions." The differences between 1-Click® orders and EFT executions are manifest. Using 1-Click®, an Amazon customer can order an item. No fund transfer, or financial transaction, is executed by clicking the 1-Click®, however. Instead, pushing the 1-Click® button creates a new order or modifies an existing order for products, ***which is put in a holding state for at least 90 minutes***. *See supra* II.A., ¶ 13-14. During that 90-minute holding period the customer may add to, modify, or cancel the order; each change starts the 90-minute holding period starts anew. Further, if a user orders the same item using 1-Click® within that 90-minute holding period, the item is only ordered once. That is, the user's clicking on the 1-Click® button multiple times will be effectively ignored. Additionally, the order can continue to be changed or cancelled up until the point that the order enters the "shipping soon" status. *See supra* II.A., ¶ 15-16.

Once the order is finalized and the goods making up the order are shipped, Amazon's system is done processing the order. Then and only then do fund transfers occur. In an entirely

separate transaction, Amazon sends credit card information and amounts to be charged in batches to one of its several third-party payment processors, who actually execute financial transactions to charge customers' cards. *See supra* II.A., ¶ 21-23. Moreover, because Amazon only seeks payment once the item is shipped, and because the items making up an order may ship separately from one another, there may end up being numerous charges associated with a single order. *See supra* II.A., ¶ 18. Thus, there is no direct or constant correlation between the number of times a consumer uses 1-Click® and the number of financial transactions, if any, that eventually will be carried out. Heimburger Decl. ¶ 5, attached as Ex. 13.

For the same reasons, the 1-Click® Feature does not infringe even this Court adopts IPXL's definition. IPXL defines this claim term as "any financial transaction performed electronically" and gives a list of examples of financial transactions. Each of the examples given by IPXL are for electronic fund transfers, none relate to placing orders. Even the example that IPXL relies on extensively—***paying*** for the purchase of goods or services—proves Amazon's point. It could not be more clear that selecting or ordering goods as part of a purchase is separate and apart from paying for the purchase of the goods. 1-Click® is used to select the goods for purchase. Paying for the purchase of the goods is handled by a third party if and when Amazon fills the order and ships the goods, which may happen days, if not weeks, after the order is placed, or never at all.

In sum, Amazon's 1-Click® Feature is not a system for executing financial transactions, nor does it allow users to execute financial transactions. Amazon does not meet this claim limitation and this Court should grant summary judgment of noninfringement.

B. Amazon's 1-Click® Feature Does Not Meet the Limitation "The Transactions Being Characterized By a Transaction Type and a Plurality of Transaction Parameters."

1. There Are No Types of Transaction.

1-Click® ordering does not allow the execution of different ***types*** of financial transactions. Under both Amazon's and IPXL's constructions, not only does 1-Click® ordering not have a plurality of transaction types, but the one function performed—placing orders—is not and does not involve a transaction type.[4]

Under Amazon's definition, a "transaction type" is "an account balance inquiry or kind or type of asset transfer that is selected as part of a financial transaction." IPXL's definition specifies that a "transaction type" can be "any type of financial transaction," and as discussed above, IPXL's definition of "financial transaction" is a series of examples, each of which example involves the transfer of funds (or balance inquiry). Obviously the mere clicking on the 1-Click® button to place an order does not involve a balance inquiry or funds transfer, as has been explained above, but instead simply places conditional order (since it may be freely cancelled or modified in at least the next 90 minutes). *See infra* II.A., ¶ 13-14. Under either construction there are no "transaction types."

2. There Is No "Plurality of Transaction Parameters."

If this Court adopts Amazon's construction of "transaction parameters," Amazon's 1-Click® Feature does not meet this limitation for additional reasons. Amazon's construction limits a "transaction parameter" to "information necessary to define a given financial transaction." "Financial transactions" are activities performed by an electronic fund transfer system, including fund transfers or balance inquiries. Thus, the only transaction parameter associated with an order placed as a result of clicking Amazon's 1-Click® button is the credit card information that will be used if the order is fulfilled; there is no "plurality" of transaction parameters from which to select. Other types of customer information such as product choice,

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4 *See* Ex. 31.

shipping address, and speed of shipping are not associated with a fund transfer and are not ***transaction*** parameters. Amazon does not meet this claim limitation and this Court should independently grant summary judgment of noninfringement.

C. Amazon's 1-Click® Feature Does Not Meet the Limitation "A Terminal Device Selectively Connectable to the Central Controller Through The Communications Network."

If this Court adopts Amazon's construction,[5] Amazon's 1-Click® Feature does not meet this limitation. Amazon's definition requires a single defined, dedicated, path is maintained for the duration of the transmission. This is not the case with the Internet, which is a connectionless system without such a single defined, dedicated, path of communication. *See* Declaration of Gene Pope, ¶¶ 11-12, attached as Ex. 21.

The Internet is a public medium created by the combined systems of many public and private entities. *See generally Reno v. ACLU,* 521 U.S. 844, 849-854 (1997) (description of the Internet). Unlike an ATM network, in which data flows only through a private, single-path, network data transmitted via the Internet travels along diverse and changing paths unknown to the user and owned by many different entities. *See* Lichstein Decl., ¶¶ 2-4, attached as Ex. 30; Pope Decl. ¶¶ 11-13, attached as Ex. 21. Customers placing orders on Amazon's website clearly do not have a single defined, dedicated, path to Amazon's central controller that is maintained for the duration of the transmission. Rather, HTTP protocol is a "stateless," or connectionless, protocol system; the path changes from one second to the next, with packet-switched data transmitted back and forth along numerous different routes, resulting in the data sometimes arriving at the destination computer out of order. *See id.* In addition, both the PC and the host server communicating via the Internet are "intelligent" when it comes to addressing where the

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5 *See* Ex. 31.

packet-switched data they are sending should go. *See* O'Mahony Report at 12, attached as Ex. 8. This is completely different from the world of ATM systems at the time of the '055 patent invention. In ATM systems, only the central controller or terminal controller selects which terminal to connect with the central controller in order to communicate information. *See* Lichstein Decl. ¶ 2-31, attached at Ex. 30. The terminals have no independent ability to determine when they communicate, nor do they exercise control over where their data is sent—it all passes through a single defined, dedicated, path to the Central Controller. *Id.* at ¶ 2-5. Because of the way the Internet functions, Amazon's system does not infringe, and this Court should grant summary judgment.

D. Amazon's 1-Click® Feature Does Not Meet The Limitation "Means For Storing User-defined Transaction Information, the Transaction Information Comprising At Least One of User-defined Transactions and User-defined Transaction Parameters."

1. There is no "Means For Storing User-defined Transaction Information, the Transaction Information Comprising At Least One of User-defined Transactions and User-defined Transaction-Parameters."

If this Court adopts Amazon's definition of "means for storing user-defined transactions," the 1-Click® Feature does not infringe.[6] First, as set out in Amazon's claim construction brief at 17-20, under Amazon's construction the only means for storing user defined transaction information that is covered by the claims is a user card. Because no user card is used to order with 1-Click®, this limitation cannot be infringed under Amazon's construction.

Second, Amazon further defines this claim limitation as requiring the system to store at least one user-defined transaction (which is comprised of both a user-defined transaction type

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6 *See* Ex 31.

and a plurality of user-defined transaction parameters), ***and*** at least one additional user-defined transaction parameter.

As explained earlier, Amazon does not store transaction types—and certainly does not store *user defined* transaction types. The only function accused by IPXL in Amazon's system is the ordering of products using the 1-Click® Feature, *see* Ex. 3 at 13-22, which involves no transaction type.

Even if one were to view the ordering of products with 1-Click® to be a "transaction type," there would still be ***only a single*** transaction type. Because a customer ordering with 1-Click® is simply placing orders for products, Amazon's system doesn't have a way to store different "types" of transactions—there are no other types.

Thus, Amazon does not meet this claim limitation and this Court should grant summary judgment.

E. Amazon's 1-Click® Feature Does Not Meet The Limitation "Display on a Single Screen Stored Transaction Information."

Amazon's 1-Click® Feature does not meet the "single screen" limitation under either proposed construction.[7] There is no infringement if one applies IPXL's construction because a user who ultimately orders using 1-Click must navigate through one or more web pages in order to find and select the item that she would like to order. *See supra,* II.A., ¶ 7-10. Indeed, according to IPXL's constructions, because IPXL suggests that the name of an item is a "transaction parameter," then in order to reach the product detail page, where the user may choose to order the product using the 1-Click® feature, the user must "first endur[e] a series of transaction entry screens," which does not meet the claim limitation as construed by IPXL. Amazon's 1-Click® Feature therefore fails to meet the "single screen" limitation and does not

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[7] *See* Ex 31.

infringe this claim. This Court should grant summary judgment of noninfringement on this ground.

Applying Amazon's proposed construction this limitation is not met because Amazon's system does not display stored "transaction information." As explained supra section IV.B.1. Amazon's system does not store—and therefore cannot display—a transaction type. In addition, under Amazon's definition of "transaction parameters," Amazon's system does not display user-defined parameters associated with any financial transaction, as explained supra section IV.B.2. Amazon does not meet this claim limitation and this Court should grant summary judgment.

F. Amazon's 1-Click® Feature Does Not Meet The Limitation "Enabling a User to Use the Displayed Transaction Information to Execute a Financial Transaction or to Enter Selections to Specify One or More Transaction Parameters"

Under both parties' definitions, this claim limitation requires display of transaction information sufficient to allow the user to choose between executing a user-defined financial transaction or specifying one or more transaction parameters.[8] Because of this requirement, Amazon's 1-Click® Feature does not infringe this limitation.

First, there is no display of transaction information that allows the user to execute a user-defined financial transaction. As explained above, Amazon's 1-Click® Feature does not display on a single screen transaction information, nor does it display parameters related to a financial transaction.

In addition, Amazon's 1-Click® Feature does not "execute" a financial transaction under either Amazon's or IPXL's constructions of that term. Amazon defines "execute" as "carry out fully" or "put completely into effect." IPXL defines "execute" as "to cause to carry out or perform the transaction 'without the need for further inputs or selections by the user.'"

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[8] *See* Ex. 31.

Amazon's 1-Click® Feature is part of a system for placing orders for goods on the Internet. By clicking the 1-Click® button, a user submits an order which may or may not result in a financial transaction somewhere down the line. The user does not (and cannot) complete a financial transaction by instructing the EFT system to commence a transfer of funds (or balance query). Nor does (or can) the user cause to carry out or perform the transaction without the need for further inputs or selections by the user. As explained above, many things can happen before a financial transaction takes place, if it takes place at all.

Further, to execute a financial transaction under either Amazon's or IPXL's definition, the dollar amount of the financial transaction must be known and set. Because a user can add new 1-Click® orders within 90 minutes of the latest modification to the order, there is no way to know what the final amount that will be charged to the credit card will be until the order is fulfilled. And, of course, the order might never be fulfilled if, for instance, Amazon chooses not to fulfill it or if the product ordered is not available. Additionally, changing the shipping method, changing item quantities, adding gift wrap, or applying a gift certificate or a promotional code to the order all will also change the amount to be charged to the credit card if the order is fulfilled.

If this Court adopts Amazon's construction, there is no display of transaction information that allows the user to specify one or more transaction parameters. As explained in detail above, Amazon's 1-Click® feature does not display on a single screen transaction information, nor does it display parameters related to a financial transaction on such a single screen. Hence, there is no way for a user to use such displayed transaction information to specify one or more transaction parameters. Using 1-Click® ordering, a user cannot specify any financial transaction parameters at all. For example, a user cannot directly select the credit card to be used from the "ship to"

dropdown menu. Instead, a user may only select an address from the dropdown menu to which the product is to be shipped.

For all of these reasons Amazon's 1-Click® Feature does not meet this limitation, and this Court should grant summary judgment.

V. AMAZON'S 1-CLICK® FEATURE DOES NOT LITERALLY MEET THE LIMITATIONS OF CLAIM 2 OF THE '055 PATENT.

Claim 2 is dependent on Claim 1. Accordingly, it is not infringed if all of the limitations of Claim 1 are not met. Because 1-Click® does not meet all the limitations of Claim 1, Claim 2 is not infringed. In addition, Amazon's 1-Click® Feature does not meet Claim 2's added limitation—"predicts transaction information that a user of the terminal will desire based on stored data for that user."

A. Amazon's 1-Click® Feature Does Not Meet the Limitation "Predicts Transaction Information That a User of the Terminal Will Desire Based on Stored Data for that User."

IPXL's expert, Dr. Felten, offers only one example of infringement of this Claim: "1-Click® Thank You pages, as illustrated in Appendices 15 and 16, . . . offer the user 1-Click® Ordering of items based on stored information about what the user has ordered previously." *See* Ex. 3, Felten Report at 20, Appendices 15, 16. Amazon's 1-Click® Feature does not meet this limitation under either Amazon's or IPXL's construction.

First, under Amazon's and IPXL's construction,[9] Amazon's 1-Click® Feature does not foretell transaction information to display to a user based upon data stored by that user for repeated use in future transactions. As discussed above, Amazon's 1-Click® Feature stores only one kind of financial transaction parameter -- credit card information. Amazon's system does not predict which credit card information to use with which 1-Click® purchase. Instead, this has

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[9] *See* Ex. 31.

been set as a default for each shipping address and no prediction related is needed or done. Ex. 26, Felten Tr. at 522:11-20 (defaults not predictions under IPXL's definition).

Second, even under IPXL's broader definition, Amazon's "recommendations" are not predictions "based at least in part on stored data associated with that user." The "recommendations" shown in Appendices 15 and 16 to Dr. Felten's report are not based on stored under data. Instead, the clicking of the 1-Click® button, while simultaneously constructing an order and storing it in a holding state, acts like clicking on an "Explore Similar Items" link and returns a list of most similar items among other customers who have 1-Clicked the same item, such as the lists shown in Appendices 15 and 16 to Dr. Felten's report. This process involves no use or reference of stored data for the user who has just clicked the 1-Click® button. *See* Pope Decl., ¶ 5, attached as Ex. 21.

Finally, for any 1-Click® orders made from the similar items lists shown in Dr. Felten's Report, the user not only cannot "enter selections to specify one or more transaction parameters," but the drop-down menu that allows a user to select from a plurality of shipping addresses on a product detail page is not present either. Thus, even under IPXL's strained claim construction in which IPXL tries to make the ability to select from a plurality of shipping addresses relevant, there is no ability to choose from such shipping addresses in ordering from among similar items lists such as the ones shown in Dr. Felten's Report. To the extent that gift wrap constitutes a parameter, it is a parameter of the order and not of a financial transaction. Moreover, clicking the "Add gift-wrap/note" box does not actually select the gift wrap parameter associated with the order. Instead, once a user clicks the "Add gift-wrap/note" box, the user is directed to a new page. It is on this new page that the user is able to enter a gift message and/or select gift wrap. Thus, Amazon's 1-Click® Feature cannot infringe Claim 2.

VI. AMAZON'S 1-CLICK® FEATURE DOES NOT LITERALLY MEET THE LIMITATIONS OF CLAIM 9 OF THE '055 PATENT

Claim 9 is dependent on Claim 1. Accordingly, it is not infringed since all of the limitations of Claim 1 are not present. Amazon's 1-Click® Feature meet Claim 9's added limitation "means for identifying a user prior to enabling the user to execute a transaction."

A. Amazon's 1-Click® Feature Does Not Meet The Limitation "Means for Identifying a User Prior to Enabling the User to Execute a Transaction."

This element is not infringed under either Amazon's or IPXL's definitions because Amazon's 1-Click® Feature does not have means for identifying the user prior to enabling the user to execute a transaction. Instead, Amazon merely infers who the customer placing the 1-Click® order is by identifying the browser the customer is currently using. Amazon identifies the browser by placing a unique browser ID in a cookie file on the user's computer. Thereafter, each time the browser visits the Amazon site, it is identified to Amazon. The unique browser ID can be associated with a plurality of unique customer IDs (because a number of people may use the same browser to order with Amazon). When a 1-Click® order is received, Amazon's system looks up the unique browser ID and infers that the customer placing the order is the one who most recently logged on to the system. Amazon knows that this inference may be completely wrong, but accepts that so as to speed the ordering process and avoid sign-on pages for 1-Click® ordering. *See* May 25, 2004 Deposition of N. Peri Hartman at 1:10-191:6, attached as Ex. 22.

Not only does the Amazon system not have means for identifying a user prior to enabling the user to place a 1-Click® order, but the structure that Amazon uses to identify the ***browser*** is a cookie and neither it, nor its equivalent is disclosed in the '055 patent. Because Amazon's 1-Click® Feature lacks both the means and the structure of this limitation, Amazon's 1-Click® Feature cannot infringe Claim 9.

VII. AMAZON'S 1-CLICK® FEATURE DOES NOT LITERALLY MEET THE LIMITATIONS OF CLAIM 15 OF THE '055 PATENT.

Claim 15 is dependent on Claims 1 and 9. In addition to the above reasons why Amazon's 1-Click® Feature does not infringe claim 15 for the additional reason that it does not predict transaction information the user will desire, as explained above in the discussion of Claim 2.

VIII. AMAZON'S 1-CLICK® FEATURE DOES NOT LITERALLY MEET THE LIMITATIONS OF CLAIM 25 OF THE '055 PATENT.

Claim 25 is dependent on Claims 1 and 2. Because all of the limitations of claims 1 and 2 are not met, Claim 25 cannot be infringed.

IX. DUE TO THE MANNER IN WHICH 1-CLICK® ORDERING OCCURS, AMAZON CANNOT INFRINGE THE '055 PATENT.

A. Amazon Does Not Directly Infringe the '055 Patent For Additional Reasons.

Infringement of a patent under 35 U.S.C. § 271(a) "cannot be interpreted to cover acts other than an actual making, using or selling of the patented invention." *Lang v. Pacific Marine and Supply Co., Ltd.*, 895 F.2d 761, 765 (Fed. Cir. 1990). Where, as here, a party does not make, use, offer to sell or sell a system comprising of each of the elements of an asserted claim, it cannot be held liable as a direct infringer under §271(a). *See Rotec Industries., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1252 n. 2 (Fed. Cir. 2000) ("one may not be held liable under § 271(a) for 'making' or 'selling' less than a complete invention").

Amazon does not make, use, offer to sell or sell any system that comprises all the elements of Claim 1. *First*, Amazon does not install or set up the personal computers used by its customers, or the memory, displays, or input devices associated with these computers. *See* Ex. 21, Pope Dec. ¶ 5. Rather, these components are introduced into the accused system by Amazon's customers at various times. Amazon therefore does not "make" the entire accused

system. *Second*, Amazon does not use or operate its customer's computers, and in particular, Amazon does not interact with or use the input devices used by its customers in any way. *See* Ex. 21, Pope Dec. ¶ 6. For this reason, Amazon cannot be liable for "using" all of the claimed elements of the accused system. *Third*, Amazon does not sell or offer to sell a system that contains each of the required elements. Rather, Amazon only allows customers to order goods through its website. *See* Ex. 21 Pope Dec. ¶ 9. Thus, summary judgment of no direct infringement should be granted.

B. Amazon Cannot Be Liable For Indirect Infringement.

Liability for inducement requires proof "that defendant's 'actions induced infringing acts and that [they] knew or should have known [their] actions would induce actual infringement.'" *See e.g. Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363 (Fed. Cir. 2003); *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990). The Federal Circuit has specifically held that "'knowledge of the acts alleged to constitute infringement' is not enough," *Warner*, 316 F.3d at 1363, and rejected "a less stringent test for inducement liability, requiring that the officer be aware only of his activities, not necessarily aware that his activities amounted to infringement," *Ferguson Bearegard/Logic Controls v. Mega Sys.*, 350 F.3d 1327, 1342 (Fed. Cir. 2003)[10]. This Court likewise requires "an inducer's actual intent to cause the acts which 'he

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[10] The holding in *Hewlett-Packard v. Bausch & Lomb*, 909 F.2d 1464, 1469 (Fed. Cir. 1990), requiring "proof of actual intent to cause the acts which constitute the infringement," does not exclude the need for knowledge of actual infringement, and is consistent with the *Manville* line of cases . Liability for inducement requires that a defendant ***both*** "knew or should have known [their] actions would induce actual infringement," and had "intent to cause the acts which constitute the infringement." *See Warner*, 316 F.3d at 1363. While ***knowledge*** of actual infringement is required, the higher level of ***intent*** is needed only for the underlying acts resulting in infringement. *See Moba, B.V. v. Diamond Automation*, 325 F.3d 1306, 1318 (Fed. Cir. 2003) ("the only intent required of FPS is the intent to cause the acts that constitute infringement"). This Court also requires both elements -- "an inducer's actual ***intent to cause the acts*** which 'he ***knew or should have known would induce actual infringements.***'" *Black & Decker*, 953 F. Supp. at 138 (emphasis added).

knew or should have known would induce actual infringements.'" *Black & Decker Inc. v. Catalina Lighting*, 953 F.Supp. 134, 138, (E.D. Va. 1997).

Amazon did not have knowledge of any alleged infringement prior to March 2002, when it first was made aware of the '055 Patent. *See* Ex. 23, Amazon's April 21 Interrogatory Responses, at 2. Thus, Amazon cannot be held liable for inducing infringement before March 2002. *See Manville*, 917 F.2d at 553 (defendant cannot be liable for inducement before it knew of the patent). After becoming aware of the '055 Patent, Amazon obtained and relied upon the opinion of its counsel that the '055 Patent was invalid and not infringed. *See* Ex. 23, Amazon's April 21 Interrogatory Responses, at 1-2. *See Manville*, 917 F.2d at 553 (reliance upon opinion of counsel negates knowledge of infringement). Moreover, IPXL has not alleged, or offered evidence, that Amazon had knowledge of infringement. Thus, Amazon should be granted summary judgment of no indirect infringement.

X. THE ASSERTED CLAIMS ARE INVALID.

Regardless of the claim construction this Court adopts, no genuine issue of material fact exists that all of the asserted claims of the '055 patent are invalid, and this Court should therefore grant summary judgment of invalidity.

A. The Prior Art Patents

1. The Coutts patent is invalidating prior art.

The Coutts patent, "Self-service system having transaction predictive capability and method of using," describes an ATM system that predicts "which service or services provided by the system the user is likely to request." *See* Ex. 18 at Abstract. Coutts discloses that the predictions are based upon "a stored record in the system, representing previous transactions by that user." *See Id.* Coutts also discloses a "special display for a particular user, the display being designed to simplify the decisions and selections required to be made by that user" to reduce the

number of decisions and selections a user must make to complete a transaction. *See Id.* at Abstract; 1:21-33.

The Coutts patent is prior art under 35 U.S.C. §102 (a), (b) and (e). The Coutts patent issued on February 14, 1995, prior to the earliest invention date of the invention claimed in the '055 patent, June 26, 1996. There is no evidence of record that raises a genuine issue of material fact that the invention claimed in Claim 1 was invented prior to the filing date of the '055 patent application.[11] Therefore, Coutts is prior art under 35 U.S.C. §102(a) because it issued before the invention of the '055 patent. Because Coutts issued more than one year before the June 26, 1996 filing date of the '055 patent, it is also prior art under § 102(b).[12] Coutts is also prior art under 35 U.S.C. §102(e) because the Coutts application was filed prior to the invention date of the '055 patent and issued to another.

2. The Tarbox patent is invalidating prior art.

The Tarbox patent, entitled, "System and method for processing a customized financial transaction card" teaches a system and method for conducting financial transactions using a financial card that stores pre-selected transaction instructions and a transaction terminal, such as

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[11] The only evidence IPXL could possibly rely upon to establish an earlier date is the uncorroborated testimony of its inventor. Ex. 14, April 28 Gatto Tr. at 8:25-10:19. As a matter of law, the uncorroborated testimony of an inventor is insufficient to establish an invention date. *See Price v. Symsek*, 988 F.2d 1187, 1194 (Fed. Cir. 1993) (recognizing that it is well-established that a party claiming his own prior inventorship must proffer evidence corroborating his testimony); *Singh v. Brake*, 222 F.3d 1362, 1367 (Fed Cir. 2000) ("This rule addresses the concern that a party claiming inventorship might be tempted to describe his actions in an unjustifiably self-serving manner in order to obtain a patent or to maintain an existing patent."). Accordingly, no reasonable jury could find an invention date earlier than that of the filing date of the '055 patent.

[12] In fact, even if given the benefit of the priority date of its parent application's filing date (April 13, 1995), Coutts would still be prior art under 102(a) because Coutts was filed approximately two months prior to that priority date.

an ATM, to run pre-selected and pre-stored financial transactions (such as withdrawals and bill payments) when the financial card is placed in the terminal. *See* Ex. 15 at Abstract; 1:11-29.

The application that issued as the '055 patent was filed on June 26, 1996 and is a continuation-in-part application of an application filed on April 13, 1995. *Id.* As discussed above, IPXL cannot prove an invention date earlier than that of the filing date of the '055 patent, June 23, 1996. Because the application leading to the Tarbox patent was filed approximately 19 months prior to the filing date of the '055 patent and issued as a patent, Tarbox is prior art under 35 U.S.C. §102(e).

3. The Kelly patent is invalidating prior art.

The Kelly patent entitled, "Touch Panel Passenger Self-Ticketing System" issued on May 15, 1984. *See* Ex. 20. Kelly describes a system for vending airline tickets to credit card purchasers based upon stored reservation data for each purchaser. *See* Ex. 20 at Abstract. For the same reasons discussed above, Kelly is prior art to the '055 patent under §102(a), (b) and (e).

B. The Single Screen Limitation

Claim 1 contains the following limitation, which the parties have referred to as the "single screen" limitation:

> **Claim 1: "Single Screen" Limitation: the processor causing the display to display on a single screen stored transaction information; the input mechanism enabling a user to use the displayed transaction information to execute a financial transaction or to enter selections to specify one or more transaction parameters.**

Under Amazon's proposed construction, the single screen limitation requires that a system display stored user-defined transaction information comprising a user-defined transaction type and a plurality of user-defined transaction parameters with additional user-defined transaction parameters on a single screen from which a user is given both options of executing a transaction and specifying parameters.

IPXL's proposed construction requires that a system display on a single screen user-defined transaction information comprised of ***any*** stored information related to a transaction that was not preceded by any transaction entry screen(s) from which a user may either execute a transaction, specify parameter(s), or both. In other words, under IPXL's proposed construction, the system of Claim 1 may allow a user to only execute a transaction or only specify parameters, or both and still satisfy this limitation. IPXL's construction reads out any system that contains screen preceding the single screen irrespective of whether the preceding screen is navigational, i.e., allowing a user to enter a selection that leads to a single screen that displays the claimed stored transaction information.

C. The Prior Art Patents Each Contain the Single Screen Limitation of Claim 1.

Under either Amazon's or IPXL's proposed constructions, Coutts and Tarbox each contain the single screen limitation of Claim 1. Under IPXL's proposed construction, Kelly contains the single screen limitation.

1. Coutts Teaches the "Single Screen" Limitation Under Either Amazon's or IPXL's Proposed Constructions.

Coutts teaches the display of user-defined transaction information on a single screen that enables a user to execute the transaction or enter selections to specify parameters as required under Amazon's construction, which necessarily satisfies IPXL's broader construction. *See* Ex. 24, Expert Report of Henry Lichstein at 28-29. Coutts discloses that a user initiates a transaction by inserting an identification card into a card reader of the ATM. Ex. 18 at Abstract; 3:62-65. Upon insertion of the card, an authorization process is started and the user is prompted to enter a user specific PIN. *Id.* at 3:65-68. The Coutts system begins the prediction process at that time. *Id.* at 4:1-6; Fig. 3. After the system makes a prediction, "the predictive system 38 determines what is the most appropriate menu interface for the user and causes this menu to be displayed on

the display screen 18." *Id.* at 4:15-18; Fig. 3. After the authorization process is complete (after the user enters her PIN), an interactive process 50 commences which allows users to interact with the display through input means 16. *Id.* at 4:44-49; Fig. 3. A user may then execute a transaction predicted by the system from the same screen: "If this particular service is already one of the options displayed on the screen 18 at the commencement of the interaction process 50, the user simply actuates one or more of the keys of the input means 16, as indicated on the screen 18." *Id.* at 4:49-53. Coutts further discloses that the simplified menu screen that is displayed to a user on the display 18 following the initiation of a transaction (i.e., inserting a identification card) and prediction process could, for example, "consist[] of only four questions, such as: 'Do you require $20?', 'Do you require $30?', 'Do you require a mini-statement?', 'Do you require some other transaction?'" *Id.* at 3:40-50.

There is no genuine dispute that Coutts meets the single screen limitation as defined by either Amazon or IPXL. The sum total of IPXL's position regarding Coutts is an expert opinion contained in six paragraphs spanning two pages. *See* Ex. 25, Expert Rebuttal Report of Edward W. Felten at 16-17, ¶¶ 58-63. Although Dr. Felten does not contest that Coutts' the screen displaying the "simplified menu" identified by Amazon's expert displays the required transaction information on a single screen, he nevertheless states that the "simplified menu" displayed by the Coutts system cannot be ***the*** single screen of Claim 1 because the screen is displayed "only after the user has initiated a transaction." *See Id.* at ¶ 62. Dr. Felten concludes that there is a transaction entry screen associated with initiating a transaction. *See* Ex. 26, June 17, 2004 Felten Tr. at 487:7-491:20. Dr. Felten's conclusion is incorrect and unsupported by the Coutts patent.

Coutts plainly teaches "a transaction is initiated by a user inserting his identification card (block 40) into the slot (not shown) forming part of the card reader 20 of the ATM 10 being used

by the user. Ex. 18 at 3:62-65; Abstract. Coutts does require a user to enter ***any*** transaction information on screens that appear before the simplified menu screen in order to initiate a transaction. Contrary to Dr. Felten's assertion, there is no screen associated with a user initiating a transaction requires entry of transaction information, and Dr. Felten's erroneous statement cannot create a genuine issue of fact.

Dr. Felten's statement that the simplified menu screen of Coutts is "at most [] the last screen in a series of multiple screens through which the user is led (on a 'lead-through display') in order to initiate a transaction" is also wrong. Ex. 25, Felten Rebuttal at ¶ 62. Dr. Felten does not, because he cannot, provide any citations to the Coutts patents that supports his mistaken perception. In fact, the Coutts patent states otherwise: transactions may be initiated by merely inserting an identification card. Ex. 18 at 3:62-65. Unsupported assertions that Coutts does not contain the single screen limitation of Claim 1 cannot create a genuine issue of material fact. *See Avia Group,* 853 F.2d at 1560.

Moreover, under either parties' construction, the system of Coutts clearly allows users to not only execute a financial transaction displayed on the simplified menu single screen (which Dr. Felten does not dispute), it also allows users to specify parameters from that same screen.[13] That is, after the system predicts a transaction that a user is likely to desire such as a cash withdrawal, the system also predicts, "in order of probability, the most likely amounts expected to be requested." *See* Ex. 18 at 4:24-27. Therefore, when a user is presented with a single screen displaying a specialized menu with the predicted transaction type (e.g., withdrawal), the user is also presented with several different amounts that have been predicted (e.g., $20, $30). A user

[13] Even if Coutts did not allow users to specify parameters from the same screen but only to execute transactions, it still satisfies the single screen limitation; IPXL's constructions do not require the ability to do both.

may then use the input mechanism to select and execute a specific transaction by selecting "Do you require $20?" (that is, withdrawal type of transaction for $20), or use the input mechanism to specify a different amount by selecting "Do you require $30?" (that is, a withdrawal type of transaction in the amount of $30 instead for $20). Therefore, a user is given the option of specifying a parameter ($30 rather than $20) for a particular transaction (withdrawal) and also executing a transaction from one screen. Ex. 24, Lichstein Report at 28-29. Dr. Felten's focus on the "Do you require some other transaction" option and the additional screens required to effectuate that transaction, Ex. 26, Felten Tr. at 479:24-481:24, is irrelevant as the limitations are met without resort to that feature.[14] Thus, under either parties' constructions, Coutts satisfies the single screen limitation.

2. Tarbox Teaches the "Single Screen" Limitation Under Either Amazon's or IPXL's Proposed Constructions.

Tarbox teaches an ATM system that enables users to pre-define and pre-select financial transactions such as cash withdrawals and bill payments and store them on a personal financial card for future use. *See* Ex. 15 at Abstract; 3:7-18. Tarbox teaches that a user inserts the financial card of the invention into an ATM, the system reads the instructions stored on the card, determines what (pre-selected) transactions are available to the user and displays only those transaction options to the user. *See* Ex. 15 at Abstract; 2:56-63. The user may then select one of the financial transaction options displayed to execute the selected transaction. *See Id.* at Abstract; 3:25-30. The system disclosed in Tarbox satisfies the single screen limitation under either parties' construction.

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[14] Just as in an infringement analysis where an accused system containing all the claimed limitations cannot escape infringement by adding extra limitations, a prior art reference that contains each and every required limitation of a claim cannot be discarded because it contains additional features. *See Beckson Marine, Inc. v. NFM, Inc.*, 292 F.3d 718 (Fed. Cir. 2002) ("'that which will [literally] infringe, if later, will anticipate, if earlier'").

Dr. Felten opines that Tarbox does not meet the single screen limitation for two reasons: 1) a user cannot specify a transaction parameter on the single screen depicted in Fig. 5 of the Tarbox patent; and 2) the screen depicted in Fig. 5 is "merely the last in [] sequence" of multiple screens necessary to execute a transaction. *See* Ex. 25, Felten Rebuttal at ¶¶ 64-70. As detailed below, Dr. Felten's opinion that Tarbox does not meet the single screen limitation is based on a misconception of Tarbox and can not raise a genuine dispute of material fact.

Fig. 5 of Tarbox clearly discloses the single screen claimed in Claim 1 of the '055 patent. *See* Ex. 24, Lichstein Report at 24-25. There is no dispute that the single screen disclosed in Tarbox Fig. 5 contains the transaction information required by Claim 1 under either parties' constructions. Ex. 25, Felten Rebuttal at ¶ 64-70; Ex. 26, Felten Tr. at 499:23-500:10; Ex. 24, Lichstein Report at 24-25.

First, Tarbox unmistakably discloses that Fig. 5 is the single screen claimed by the '055 patent and does not require preceding screens that require transaction entry by a user. Tarbox teaches that the transactions displayed to the user on Fig. 5 are the result of reading the instructions stored on the card and ***not*** by any user transaction entry:

- when a card is inserted into the terminal, the "instructions ***from the card*** are read by the terminal which indicate the options available to the user. These options are displayed to the user who selects one of the financial transactions to be performed." Ex. 15 at 6:1-4 (emphasis added).
- "the terminal—after ***determining from the instruction on the card*** what functions, i.e., financial transactions, are available to the card user—displays those options." Ex. 15 at Abstract (emphasis added).

Second, Fig. 5 is described as "a customized display screen 503 using the present invention" which "shows the text blocks identifying the available functions that are personalized to the card user." This screen also contains a "welcome message" 501 supporting the fact that Fig. 5 is in reality the first screen displayed to the user. *See* Ex. 15 at 6:17-18; Fig. 5.

Third, Figures 6A-6D further demonstrate that the screen depicted in Fig. 5 is the first and only screen necessary to execute a user's pre-selected transaction. Fig. 6A depicts the instructions and flow of those instructions that is the core program of Tarbox. *Id.* at 8:14-20. The instructions depicted in Fig. 6A enables the system to "retrieve customer related data store in card 400, display the available optional transaction functions to the customer, accept the customer's selection of a desired function, and finally execute the proper subroutine containing further instructions corresponding to the customer's selection." *See Id.* at 8:8:14-20. Stepping through the instructions, it is clear that the custom screen that displays only those transaction options available to a specific user (that is exemplified in Fig. 5) satisfies the single screen limitation as defined by both parties.

Instruction 601 retrieves information off a user's identification card. *Id.* at 8:20-24. Instruction 603 specifies that a screen with a predefined message welcoming the customer along with "his transaction options," including the titles of the functions that are available to the user is displayed. *Id.* at 8:25-34. Once the screen with personalized transaction options, exemplified by Fig. 5, is displayed to the user, instruction 605 enables users to select a transaction by using a input mechanism, in this case, function keys. *Id.* at 8:42-44. Only one screen containing a user's available transaction options is displayed; there is no support for the proposition that multiple transaction entry screens precede this screen.

Tarbox also discloses customized "Quick Cash" and "Pay Mortgage Bill" as specific transactions that can be defined and stored in a user's identification card. Fig. 6B depicts the sub-routine instructions for a customized "Quick Cash" transaction. *Id.* at 8:56-9:15. Fig. 6C depicts the sub-routine instructions for a bill payment function, in this case, "Pay Mortgage Bill" function. *Id.* at 9:16-35. Neither Fig. 6B or 6C indicate that a separate, additional screen is

displayed or necessary to execute financial transactions. Instruction 605 indicates that when a user selects an transaction option displayed on the first customized screen, instruction 607 "then executes the interpreted instructions . . . . For example, if the customer pressed the top button ... the subroutine corresponding to that function would be executed." *Id.* at 8:42-50. None of the instructions of 6B and 6C involve presenting a new display screen. Importantly, and in contrast with the "Quick Cash" and "Pay Mortgage Bill" subroutines, the instructions depicted in Fig. 6D for the subroutine "Withdraw Other Amount," instructs that an additional display screen be presented to the user. *Id.* at Fig. 6D; 9:40-43. Moreover, Fig. 6A clearly indicates when a screen is displayed. *Id.* at Fig. 6A. Tarbox clearly indicates when a screen is displayed. There are no such indications that separate additional screens are displayed before the customized menu screen (e.g., Fig. 5). Therefore, Dr. Felten's opinion that the customized screen exemplified in Fig. 5 is not a single screen because it is "merely the last in a sequence" is erroneous and cannot raise a genuine issue of material fact.

With regard to Dr. Felten's only other basis for his opinion that Tarbox does not meet the single screen limitation, it should be noted that Dr. Felten does not dispute that a financial transaction such as a customized Quick Cash or Pay Mortgage transaction can be executed from a single screen. *See* Ex. 25, Felten Rebuttal at ¶¶ 64-70; Ex. 26, Felten Tr. at 499:23-500:10. And indeed, he cannot.[15] *Id.* at 8:47-51. He does opine, however, that a user could not enter selections to specify a parameter without resort to multiple screens. Ex. 25, Felten Rebuttal at ¶ 68. Dr. Felten is again mistaken. Tarbox teaches that a user may pre-select and pre-store a variety of financial transactions on a financial card for future use. *See* Ex. 15 at Abstract; 8:52-

[15] As discussed above, because IPXL's construction does not require that a system enable both execution and specification of a parameter, Tarbox satisfies the single screen limitation as construed by IPXL.

55; Fig. 6F; 10:19-22. Tarbox therefore allows users to pre-select multiple types of transactions such as multiple "Quick Cash" transactions that only vary in dollar amounts. For example, "Quick Cash $20," "Quick Cash $40" and "Quick Cash $60" (as is offered in many ATMs) can be pre-defined and displayed as available transaction options on a customized screen (following the same program depicted in Figs. 6A and 6B). From this single screen, a user can specify an amount (a parameter) from that one screen. Therefore, Tarbox describes a system that can enable users to both execute and specify parameters from a single screen. Dr. Felten's unsupported statements to the contrary cannot properly preclude summary judgment.

3. Kelly Teaches the "Single Screen" Limitation Under IPXL's Proposed Constructions.

Kelly teaches the single screen limitation under IPXL's proposed construction. Kelly describes a system that uses interactive kiosks to allow users to buy airline tickets using credit card information and reservation data previously stored in the system. *See* Ex. 20 at Abstract; 2:45-52. A user inserts her credit card into the credit card reader of a kiosk of the system described by Kelly. *Id.* at Fig. 4 (Ready Display). Once the system reads the credit card information, the kiosk displays a screen that asks for a user's reservation number. *Id.* at Fig. 4 (top screen). If a user inputs a reservation number, the system recalls the reservation and "will ask for confirmation by the passenger as indicated on the screen 64 in Fig. 5." *Id.* at 104:53-56. From that single screen 64, a user may execute the transaction by selecting "YES" to confirm the reservation; by confirming the reservation, the user instructs the system that her credit card should be charged for the transaction. *Id.* at 104:63-105:1. If a user does not know her reservation number, the user is led through multiple screens asking for data at each screen, as depicted by the series of screens on the right hand side of Figs. 4 and 5. As clearly depicted in Figs. 4 and 5, however, these screens are not necessary or used when a user enters her

reservation number and the confirmation single screen is immediately displayed. *Id.* at Fig. 4-5 ("Call up Itinerary from R"; screen 64).

Dr. Felten's opinion that Kelly does not meet the single screen limitation is based on the multiple screens depicted in Figs. 4-6. Ex. 25, Felten Rebuttal at ¶ 107. Dr. Felten, however, completely ignores the fact that single screen 64 is presented immediately after the user enters her reservation number and without entering transaction data on any other preceding screens. *See* Ex. 20 at Figs. 4-5. Dr. Felten instead focuses his attention solely on the screens that are displayed by the system ***if*** the user ***does not*** enter her reservation number and the screen after the transaction is completed (Fig. 6). *See Id.* This does nothing to rebut the fact that Kelly discloses a system in which user-defined transaction information is displayed on a single screen from which a user can execute the transaction.

Because IPXL's proposed construction of this limitation only requires that a system enable a user to use the input mechanism to execute the displayed financial transaction, ***or*** to use the input mechanism to enter selections to specify one or more transaction parameters, ***or both***, Kelly meets this limitation because it allows a user to execute a transaction from a single screen that displays user-defined transaction information.

D. There is No Genuine Issue of Fact Regarding The Remaining Limitations of Claim 1.

IPXL cannot raise any genuine issue of material fact that the prior art references do not contain all of the remaining elements of Claim 1, under either Amazon's or IPXL's construction, or both. The Federal Rules of Civil Procedure's Rule 26 mandate that all opinions and underlying basis that an expert expects to testify to must be disclosed in an expert report. Fed. R. Civ. P. 26(a)(2)(B). Dr. Felten did not include any basis for his opinion that the prior art patents did not anticipate Claim 1 other than his opinion that each of the prior art patents did not disclose

the single screen limitation. Ex. 25, Felten Report at 7-32. Despite attempting to retroactively inject opinions that Dr. Felten did not include into his report related to heretofore unchallenged limitations, Dr. Felten was finally forced to admit (after being compelled by the Duty Magistrate Judge) that he has no opinions other than those described in his report. *See* Ex. 26, Felten Tr. 491:4-495:11; 499:23-500:4; 516:21-517:1.

Accordingly, and as detailed in Amazon's pending Motion to Limit IPXL's Infringement and Validity Position, Dr. Felten should be precluded from offering any testimony or opinions other than those expressed in his expert report. Because IPXL has not disclosed an invalidity position with regard to Coutts, Tarbox, and Kelly for the remaining limitations of Claim 1, IPXL is unable to now raise a genuine issue of material fact with regard to anticipation by those references in response to this motion for summary judgment. As such, IPXL cannot proffer anything other than mere assertions of a factual dispute[16] that are unsupported by evidence or attorney argument, which cannot defeat a motion for summary judgment.

E. Coutts Contains The Additional Limitations of Claim 2.

Claim 2 of the '055 patent depends on Claim 1, and additionally requires that the system of Claim 1 predict transaction information based upon stored data for that user. Coutts teaches a system and method for predicting transaction information based on stored data for that user under both Amazon's and IPXL's constructions. IPXL's expert Dr. Felten's report contains no opinion as to Coutts related to Claim 2. Moreover, Dr. Felten admits that he has no opinion regarding the non-anticipation of Claim 2 by Coutts other than his opinion that the single screen limitation of Claim 1 is not met. *See* Ex. 26, Felten Tr. at 518:1-16. As discussed above, there is

[16] To the extent IPXL attempts to elicit this information from a lay witness, it would be impermissible under Fed. R. Evid. 701 which preclude the use of lay witnesses to "backdoor" opinion testimony that is based on scientific, technical or other specialized knowledge within the scope of Fed. R. Evid. 702.

no genuine issue of fact that the Coutts reference discloses the single screen limitation under both Amazon's and IPXL's proposed constructions by clear and convincing evidence.

F. The Additional Limitations of Claim 9 are Contained in Each of the Prior Art Patents.

Claim 9 depends on Claim 1 and additionally requires a means for identifying a user prior to allowing the user to execute a transaction. Each of the prior art patents disclose the means for identifying a user before allowing that user to execute transactions. *See* Ex. 24, Lichstein Report at 25, 29; Ex. 27, Mauro Supp. Report at 22-23. IPXL cannot point to any evidence sufficient to raise a genuine issue of fact regarding this limitation. Dr. Felten's report is silent as to the whether the prior art patents disclose the additional limitations of Claim 9, and he admits that he has no opinions other than those disclosed in his report. *See* Ex. 26, Felten Tr. 538:13-20.

G. Coutts Contains The Additional Limitations of Claim 15.

Claim 15 depends from Claim 9, which is dependent on Claim 1. Claim 15 requires that the system of Claim 1 and 9 also predict transaction information for a user based upon stored data for that user. As discussed above, Dr. Felten does not contest the fact that Coutts teaches a system and method for predicting transaction information based on stored data for that user under both Amazon's and IPXL's constructions or that Coutts teaches the identification of a user before allowing that user to execute transactions. *See* Ex. 26, Felten Tr. at .538:10-20.

H. Coutts Contains The Additional Limitations of Claim 25.

Claim 25 depends from Claim 2, which in turn depends on Claim 1. Claim 25 requires that the system of Claim 1 and 2 predict transaction information and that a user uses the input means to change the predicted transaction information or accept the displayed transaction information. As discussed above, Dr. Felten does not contest the fact that Coutts teaches a system and method for predicting transaction information based on stored data for that user

under both Amazon's and IPXL's constructions or that Coutts teaches allowing a user to change or accept the displayed predicted transaction information.

I. Claim 25 of the '055 Patent is Also Invalid under 35 U.S.C. § 112, ¶ 2 and § 101 as a Matter of Law.

Claim 25 of the '055 patent impermissibly includes two distinct statutory classes—a product and a process—in a single claim. This renders Claim 25 invalid for two reasons: 1) Claim 25 is indefinite under 35 U.S.C. §112 ¶ 2 because it is ambiguous with regard to whether a product or process is being claimed, and 2) Claim 25 fails to satisfy the requirement of 35 U.S.C. §101 that only a single distinct statutory class be claimed.

Determination of claim invalidity for indefiniteness is "a legal conclusion that is drawn from the court's performance of its duty as the construer of claims." *Exxon Research and Eng'g Co. v. United States*, 265 F.3d 1371, 1376 (Fed. Cir. 2001) ("indefiniteness is a question of law"). Consequently, claim indefiniteness is appropriate for disposition on a summary judgment motion. *See id.*

1. Claim 25 is Indefinite Under 35 U.S.C. §112 ¶ 2.

Section 112 ¶ 2 "requires a claim to particularly point out and distinctly claim the subject matter" of the invention. *See Ex parte Lyell*, No. 89-0461, 1990 WL 354583, at *5 (Bd. Pat. App. & Inter. Apr. 9, 1990). However, "combining two separate statutory classes of invention in a single claim ... is not sufficiently precise to provide competitors with an accurate determination of the 'metes and bounds' of protection involved." *See Id.* at *3. Accordingly, an invention "which purports to be both an apparatus and a process in a single claim, is ambiguous and properly rejected" as indefinite. *See Id.* at *6.

Here, Claim 25 includes both a system and a method of using the system. First, it claims "[t]he ***system*** of Claim 2 wherein the predicted transaction information comprises both a

transaction type and transaction parameters associated with that transaction type ..." This refers to the structure of a system used in connection with an electronic fund transfer system. However, the second part of the claim: ". . . and the user ***uses the input means to either change*** the predicted transaction information ***or accept*** the displayed transaction type and transaction parameters" (emphasis added) claims a method for using the structure described in the first part of the claim. This is the same defect that rendered the claim at issue invalid in *Ex Parte Harmanoglu*, No. 2002-2136, 2004 WL 77344, at *3 (Bd. Pat. App. & Int. 2004). *See Id.* (finding a claim indefinite because of an ambiguity whether it "is directed to the article of manufacture recited in the first paragraph of the claim or to the process of using such article of manufacture recited in the second paragraph of the claim").

2. Claim 25 is Also Invalid Under 35 U.S.C. §101.

This same flaw renders Claim 25 invalid under § 101. "[I]nventions may be patentable only if they fall within one of the statutory classes of subject matter specified in 35 U.S.C. §101. *See Ex parte Lyell*, 1990 WL 354583, at *4. Accordingly, claims "cannot be both method and apparatus," and "[i]t must be clear from its wording that it is drawn to one or the other of these mutually exclusive statutory classes of invention." *See Id.*; *see also Ex parte Forsyth*, 151 U.S.P.Q. 55, 56 (Bd. Pat. App. & Int. 1966) (a claim cannot be both method and apparatus," but rather, "must be clear by its wording that it is drawn to one or the other of these two mutually exclusive statutory classes of invention").

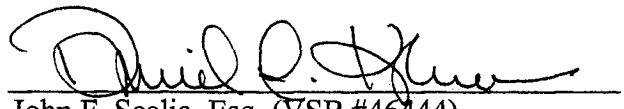
As discussed earlier, Claim 25 is directed to both a system and a method for using the system. Therefore, Claim 25 is invalid under 35 U.S.C. §101. *See Ex parte Lyell*, 1990 WL 354583, at 4-5.

CONCLUSION

For the reasons stated above, Amazon respectfully requests that the Court grant summary judgment in favor of Amazon that its 1-Click® Feature does not infringe claims 1, 2, 9, 15, and 25 of the '055 patent, and that Claims 1, 2, 9, 15, and 25 of the '055 patent are invalid.

Date: June 23, 2004

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Defendant Amazon.com, Inc.'s Memorandum in Support of Defendant Amazon.com, Inc.'s Motion for Summary Judgment of Non-Infringement and Invalidity, and supporting declarations and exhibits, were delivered this 23rd day of June 2004, as follows:

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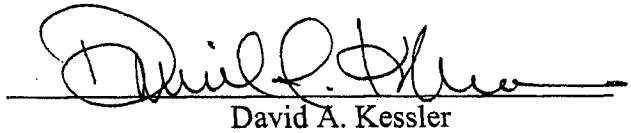

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