

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE**

PETER SPROGIS, an individual

Plaintiff,

vs.

GOOGLE, INC., a Delaware corporation

Defendant.

Civil Action No. 1:12-cv-01351-SLR

**DEMAND FOR JURY TRIAL**

**SECOND AMENDED COMPLAINT FOR PATENT INFRINGEMENT**

Plaintiff Peter Sprogis (“Plaintiff” or “Sprogis”), files this complaint against Google, Inc. (“Defendant” or “Google”), with the consent of JVL, alleging as follows:

**THE PARTIES**

1. Plaintiff Peter Sprogis, an individual, is a citizen of Canada. Plaintiff resides at 4673 Woodburn Road, West Vancouver, British Columbia, V7S 2W7, Canada.

2. Defendant Google, on information and belief, is a corporation organized under the laws of the State of Delaware, and has a principal place of business at 1600 Amphitheatre Parkway, Mountain View, CA. Defendant may be served with process by serving registered agent, Corporation Service Company d/b/a CSC-Lawyers Incorporating Service at 2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833.

**JURISDICTION & VENUE**

3. This is an action for infringement of a United States patent. Accordingly, this action arises under the patent laws of the United States of America, 35 U.S.C. § 1 *et seq.*, and jurisdiction is properly based on 35 U.S.C. § 271 and 28 U.S.C. § 1338(a).

4. Venue is proper in this district under 28 U.S.C. §§ 1391(b-c) and 1400(b). Google is a Delaware limited liability company, and thus resides in this district. Upon

information and belief, Google has provided and continues to provide the accused system and/or service for use by individuals and businesses in the State of Delaware.

### **PATENT INFRINGEMENT COUNT**

5. On November 20, 2007, United States Patent No. 7,298,271 (“the ‘271 patent”) entitled “Method and Apparatus for Providing Awards Using Transponders” was duly and legally issued. Plaintiff Peter Sprogis is the inventor and holds the right to sue for past, present and future damages. A copy of the ‘271 patent is attached as Exhibit A. The ‘271 patent is directed to a method and system for providing awards to participants utilizing electronic data storage elements, such as radio frequency identification (“RFID”) tags.

6. Pursuant to 35 U.S.C. § 282, the ‘271 patent is presumed valid.

7. Prior to the date of the filing of this litigation, Google was aware of the existence of the ‘271 patent. Counsel for Sprogis presented the ‘271 patent to Google’s intellectual property counsel, Terri McHenry, in late 2011 and again on more than one occasion in 2012, before the date this suit was filed.

8. Additionally, Google became aware of the patent again shortly after October 23, 2012, when Plaintiff filed the original complaint in this action.

9. The Defendant’s Google Wallet system enables smartphone users to make payments and redeem customer loyalty rewards by transmitting information from a near field communications (NFC) chip in a smartphone to an NFC reader at a merchant’s register. To use Google Wallet, a user must first associate a payment card with a Google Wallet account. The payment card is a credit or debit card, usually one which rewards credit or debit card transactions with airline miles, cash back, rewards points, and the like. In some cases, the user is issued a virtual payment card which is compatible with Google Wallet NFC readers. In all cases, the

credentials of a compatible credit, debit, or other payment card is encrypted and transmitted to a smartphone that runs the Google Wallet smartphone app. The encrypted information is stored in the “Secure Element” section of the smartphone. During a transaction, the smartphone user initiates the Google Wallet app and allows a nearby NFC reader to read the encrypted payment information stored in the smartphone. After the NFC reader transmits the payment information to the payment server and a transaction is completed, the smartphone user receives an appropriate reward, such as airline miles, cash back, rewards points, and the like.

10. The Defendant’s Google Wallet system enables smartphone users to redeem discounts and offers by transmitting information from Google Offers from a near field communications (NFC) chip in smartphone to an NFC reader at a merchant’s register. To redeem discounts and offers, a Google Wallet user must first associate his/her account with a Google Offers account. Google Offers then sends discounts and other offers to the user’s Google smartphone, which runs the Google Wallet smartphone app. The discounts and offers are stored in the Android smartphone on an NFC-readable microchip. In order to redeem a discount or offer, the smartphone user initiates the Google Wallet app and allows an in-store NFC reader to read the discount or offer information stored in the smartphone.

11. Google uses marketing, including advertising and websites, to encourage customers and merchants to engage in the Google Wallet activities described above. Google provides customers with extensive directions and instructions on how to: acquire an NFC enabled Google Android device with a secure element chip running the most recent Google Android operating system, including devices available directly from Google; associate credit cards, including those from its “Google partners” such as Citigroup and MasterCard Worldwide, with their Google Wallet; and use Google Wallet to perform transactions with participating

merchants and receive awards, coupons and other incentives when they complete the transactions, using the methods described above. Google's website, at [www.google.com/wallet/business/in-store/nfc.html](http://www.google.com/wallet/business/in-store/nfc.html), even facilitates merchants who wish to "set up in-store NFC readers." Several examples are discussed below.

12. For example, Google promotes this aspect of its Google Wallet through the website [www.google.com/wallet/how-it-works/in-store](http://www.google.com/wallet/how-it-works/in-store) html, which tells customers they can: "Tap your phone to an NFC terminal at checkout and use any credit or debit card you want with your Google Wallet app. Your phone sends payment info to the terminal. Google Offers from participating merchants are redeemed automatically. Tap your phone to pay at hundreds of thousands of NFC-enabled merchants across the country." Google explained this at a demonstration as follows: "Tilenius [a Google executive] also demonstrated additional types of wallet offers, tapping her Nexus S on a smart poster for clothing chain American Eagle. The tap yields a 20% discount on jeans, which she moves into the wallet and taps to redeem at the same time she pays for the jeans. She also showed a Subway sandwich chain loyalty card in the Google Wallet."

13. For example, Google sponsored an event at American Eagle Outfitters in Time Square to promote Google Wallet and show consumers how the system will provide them with awards when they make purchases with their Google Wallet. Google has posted a promotional video of the event on the internet. This Google Wallet promotion showed and told customers that when they present their Google wallet to the store, the store's NFC reader reads information about the customer stored on his NFC enabled telephone. The customer then obtains discounts and other awards when he completes the transaction with his Google Wallet. The Google commerce blog promotes the event as follows: "For the rest of October, if you visit this store,

you can borrow a phone with the **Google Wallet app** and go on a "tapping spree," a concept promotion that allows you to pay and redeem offers with a tap of your phone. Look for surprise offers throughout the store as you fill your shopping cart, and when it's time to checkout, simply enable the offer you like the most and tap the phone on the terminal to pay. You'll not only receive the discount from your selected offer, but you'll also receive an additional \$10 towards your purchase in the form of an American Eagle Outfitters gift card."

14. For example, Google provides the following promotional information about Google Wallet on the internet: "Because Google Wallet is a mobile app, it will do more than a regular wallet ever could. You'll be able to store your credit cards, offers, loyalty cards and gift cards, but without the bulk. When you tap to pay, your phone will also automatically redeem offers and earn loyalty points for you. Someday, even things like boarding passes, tickets, ID and keys could be stored in Google Wallet."

15. Google also uses its website and an on-line video to promote its "reward upon payment with NFC enabled Google Wallet" when making purchases at certain Google Wallet partners: "Today, our partners American Eagle Outfitters, The Container Store, Foot Locker, Guess, Jamba Juice, Macy's, OfficeMax and Toys"R"Us are rolling out an even better Google Wallet experience. For the first time ever in the U.S., at [these select stores](#), you can not only pay but also redeem coupons and/or earn rewards points—all with a single tap of your phone. This is what we call the Google Wallet SingleTap experience." Google Wallet's website advertises the name of Google Wallet SingleTap partners.

16. The activities described herein, where a customer associates his Google Wallet with award programs and credit cards, uses his Google Wallet to make a payment at a NFC terminal and, as a part of the transaction, receives loyalty points, discounts for current and/or

future purchases and other incentives, are acts which Google specifically intends its customers to perform, notwithstanding the fact that Google is aware or should have known that the above described transactions constitute infringement of the '271 patent.

17. Google uses its promotional materials, instructions and directions to encourage and induce merchants to accept payments using the Google Wallet, to obtain necessary NFC-enabled equipment from its partner, FirstData, to participate in the loyalty programs connected to use of the Google Wallet, and to provide customers with loyalty and other rewards, as described above.

18. For example, Google's website has a section specifically designed for promoting and encouraging merchants to participate in the Google Wallet payment system so the merchant and its customers can engage in the Google payment and award systems described above. The website, [www.google.com/wallet/merchants.html](http://www.google.com/wallet/merchants.html), encourages merchants to join Google Wallet because: "By storing loyalty cards on their phones, Google Wallet provides your customers with a convenient way to carry them. Partner with Google to boost participation in your existing loyalty programs, or build new, targeted, and effective loyalty initiatives. *(available to select merchants)*." Google Wallet's website also facilitates merchants' hardware needs for implementing Google Wallet. Google does this notwithstanding the fact that using Google Wallet to perform the transactions described above constitutes infringement of the '271 patent.

19. Google has performed, encouraged and induced the activities of Google partners, merchants and customers described in the preceding paragraphs after the date Google was aware of the '271 patent and after the date Google was aware, knew or should have known that the activities it was promoting, inducing and encouraging would constitute infringement of the '271 patent

20. Google also has its participants use their NFC-enabled smartphones to read information from NFC tags and use the information to contact an award processing center which provides the customer with coupons and awards.

21. The above Google Wallet feature, in which the customer uses his Google Wallet to read information from a NFC tag on a “smart poster,” uses the information from the smart poster for the Google Wallet to contact an award processing center, and then obtains an award from the processing center, constitutes infringement of the ‘271 patent.

22. Google promotes, encourages and instructs its customers to use the infringing smart poster feature through marketing programs on the internet, including, for example, through Google’s “Tapping Spree” and its video and blog describing the “Tapping Spree” event Google sponsored at the American Eagle Outfitters store at Times Square. The Google Wallet Tapping Spree event and the video instructs and encourages customers to tap their NFC enabled Google Wallets against NFC storage elements or “smart tags” in order to obtain discounts and other incentives from the store, which the customers redeem when they make their purchase. At the Tapping Spree, Google even provided NFC enabled devices to participants. Google provides these instructions and encouragements, notwithstanding the fact that JVL was aware of the ‘271 patent has been aware that or should have known that using the Google Wallet with the smart poster system described above constitutes infringement of the ‘271 patent. Google explained this type of feature at a demonstration as follows: “Tilenius [a Google executive] also demonstrated additional types of wallet offers, tapping her Nexus S on a smart poster for clothing chain American Eagle. The tap yields a 20% discount on jeans, which she moves into the wallet and taps to redeem at the same time she pays for the jeans. She also showed a Subway sandwich chain loyalty card in the Google Wallet.”

23. Google, utilizes a method and system for providing awards to participants that infringes at least claims 1, 2, 3, 8, 9, 11, 13, 14, 18, 19, 20, 21, 22, 23, 24, 25, 26, 28, 29, 33, 35, 37, 38, 39, 42, 43, 44, and 45 of the '271 patent by utilizing the features described in Paragraphs 9-22 on at least its Google Wallet smartphone app and/or service. By making, operating, using and/or selling such an app and/or service, Google has infringed and continues to infringe, at least those claims, either literally or under the doctrine of equivalents.

24. Although Google was aware of the '271 patent since at least early 2011, it knowingly and intentionally encourages and facilitates consumers, merchants and others described above to obtain and use Google Wallets and use their NFC capabilities to obtain awards, loyalty points, discounts and other incentives and perform the other acts described above using methods of which Google was aware or should have been aware would constitute infringement of the '271 patent. These actions by Google constitute an inducement to infringe the '271 patent.

25. Accordingly, Google's acts of infringement of the '271 patent, as alleged above, have injured Plaintiff and, thus, Plaintiff is entitled to recover damages adequate to compensate it for Google's acts of infringement, which in no event can be less than a reasonable royalty.

#### **DEMAND FOR JURY TRIAL**

26. Plaintiff hereby demands a jury trial on all claims and issues.

#### **PRAYER FOR RELIEF**

Wherefore, Plaintiff prays for entry of judgment:

A. that Google has infringed one or more claims of the '271 patent, including but not limited to 1, 2, 3, 8, 9, 11, 13, 14, 18, 19, 20, 21, 22, 23, 24, 25, 26, 28, 29, 33, 35, 37, 38, 39, 42,



43, 44, and 45, of the '271 patent;

B. that Google accounts for and pays to Plaintiff all damages caused by the infringement of the '271 patent, which by statute can be no less than a reasonable royalty;

C. that Plaintiff be granted pre-judgment and post-judgment interest on the damages caused to them by reason of Google's infringement of the '271 patent;

D. that Plaintiff be granted such other and further relief as the Court may deem just and proper under the current circumstances.

DATED: April 25, 2013

/s/ Kenneth L. Dorsney

Richard K. Herrmann (#405)

Kenneth L. Dorsney (#3726)

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