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ONDOT SYSTEMS, INC.

8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10

11 ONDOT SYSTEMS, INC.,
a Delaware corporation)
12)
Plaintiff,)
13)
v.)
14)
MANTISSA CORPORATION,
15 a Alabama corporation)
16 Defendant.)
17)

CASE NO.: 3:18-cv-00207-RS
**FIRST AMENDED COMPLAINT
FOR DECLARATORY JUDGMENT
AND UNFAIR BUSINESS
PRACTICES IN VIOLATION OF
CAL. BUS. & PROF. §§ 17200, ET
AL.**
JURY TRIAL DEMANDED

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1 Ondot System, Inc. (“Ondot”) hereby alleges for its first amended complaint against
2 Mantissa Corporation (“Mantissa”), on personal knowledge as to its own activities and on
3 information and belief as to the activities of others, as follows:

4 **NATURE OF THIS ACTION**

5 1. This is an action for declaratory judgment of noninfringement and invalidity of a
6 United States patent pursuant to the Declaratory Judgment Act, 28 U.S.C. §§ 2201-2202, and the
7 United States Patent Law, 35 U.S.C. § 100 *et seq.*, Unfair Business Practices in Violation of
8 California Business & Professions §§ 17200, and for such other relief as the Court deems just
9 and proper.

10 **THE PARTIES**

11 2. Ondot is a privately held Delaware corporation, with its principal place of
12 business at 2680 North 1st Street, San Jose, California 95134, in this judicial district.

13 3. On information and belief, Mantissa is a privately held Alabama Corporation
14 which represents to the public that it has a principal place of business at 1012 Edenton St.,
15 Birmingham, Alabama 35242. Mantissa appears to have recently moved its business operations
16 to Florida in an apparent (and unsuccessful) attempt to avoid being served in this action.

17 **INTRADISTRICT ASSIGNMENT**

18 4. Pursuant to Civil Local Rule 3-2(c), this is an Intellectual Property Action to be
19 assigned on a district-wide basis.

20 **BACKGROUND**

21 5. On April 27, 2005, Gary and Sharon Dennis filed a patent application
22 11/115,239. That patent application eventually issued as U.S. Patent No. 7,779,456 (“the ‘456
23 patent”) and is entitled “System and Method For Enhanced Protection and Control Over the Use
24 of Identity.” The ‘456 patent states that it issued on August 17, 2010.

25 6. On July 26, 2010, Gary and Sharon Dennis filed a continuation to the ‘456 patent,
26 which issued on January 8, 2013 as U.S. Patent No. 8,353,027 (“the ‘027 patent”).

1 17. By no later than March 2006, Mantissa executed one or more a software license
2 agreement with GoldenGate in connection with iDovos, which embodies the inventions of the
3 Dennis patents, including the '658 patent, which issued subsequently.

4 18. On information and belief, Mantissa offered to visit and/or visited GoldenGate in
5 connection with its integration with iDovos and the inventions of the Dennis patents.

6 19. On information and belief, Mantissa executed this agreement knowing that
7 GoldenGate was headquartered in this District and knowing that, in doing so, it was submitting
8 to personal jurisdiction in this District for disputes arising from iDovos. At the time, Mantissa
9 believed that iDovos embodied the inventions of the Dennis patents.

10 20. On information and belief, Mantissa engaged in discussions with numerous
11 venture capital firms located in this District for purposes of funding development, marketing and
12 licensing of iDovos, including the underlying inventions of the Dennis patents.

13 21. On information and belief, after iDovos was developed, Mantissa began targeting
14 residents and corporations of California with demands to license iDovos and the inventions of
15 the Dennis patents.

16 22. On May 8, 2006, Mantissa sent John Coghlan, then CEO of Visa USA, a letter
17 offering to license iDovos to Visa. The letter was addressed to Visa USA in San Francisco.
18 Such a software license would have included an express or implied license to the inventions of
19 the Dennis patents.

20 23. On September 25-26, 2006, Gary Dennis, in his capacity as CEO and owner of
21 Mantissa, attended the American Banker's Identity Theft and Fraud Symposium in San
22 Francisco.

23 24. On information and belief, Gary Dennis attended the American Banker's Identity
24 Theft and Fraud Symposium in San Francisco to market and offer to sell iDovos to bank
25 attendees. On information and belief, any sale or license to iDovos would be accompanied with
26 an express or implied license to practice the inventions of the Dennis patents, including the '658
27 patent.

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1 25. On information and belief, discussions at this symposium pertained to what was,
2 and was not, well-understood, routine and conventional to a skilled artisan in the field of the '658
3 patent.

4 26. On information and belief, Gary Dennis discussed the alleged inventions of the
5 Dennis patents (including the '658 patent) at the American Banker's Identity Theft and Fraud
6 Symposium in San Francisco, either verbally or in materials provided to other attendees.

7 27. On information and belief, prospective licensees of Mantissa, such as Bank of
8 America, JP Morgan Chase and Washington Mutual were in attendance. Mantissa still, to this
9 day, endeavors to license the inventions of the Dennis patents to these banks.

10 28. On information and belief, Mantissa sent a letter to Steve Jobs (who at the time
11 lived in this District) seeking to license the inventions of Dennis patents and the iDovos product.

12 29. On information and belief, Mantissa partnered with numerous privately held start-
13 up companies (headquartered in this District) to develop technology involving iDovos and the
14 inventions of Dennis patents.

15 30. On October 28, 2015, Mr. Dennis' outside counsel, Ken Godlewski wrote a letter
16 to Rachna Ahlawat of Ondot System, Inc. The letter was addressed to Ondot's headquarters in
17 this District. Mantissa's letter accused Ondot of infringing the inventions of the Dennis patents
18 and sought to open a dialogue regarding Ondot taking a license.

19 31. In response, Ondot asked Mantissa for additional information, including claim
20 charts for the allegedly infringed Dennis patents. Mantissa terminated discussions and abruptly
21 sued Ondot, along with one of its customers, in District Court for the Southern District of Texas
22 for alleged infringement of the '456 and '027 patents. Mantissa alleged that Ondot's "card
23 control" technology infringed these patents.

24 32. In the midst of the lawsuit, Mr. Dennis met, in person, with Todd Leshner of Ondot
25 to explore potential settlement and licensing of the Dennis patents. The discussion involved
26 discussions of licensing the inventions of the Dennis patents. Mr. Leshner routinely works out of
27 Ondot's headquarters in this District. Following the in-person meeting, Mr. Dennis and Mr.
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1 Leshner exchanged correspondence regarding Mantissa's demand that Ondot license the Dennis
2 patents.

3 33. On April 14, 2016, the District Court for the Southern District of Texas held a
4 hearing on Ondot's patent eligibility challenge as to the '027 and '456 patents. During the
5 hearing, Mantissa's counsel, Ken Godlewski, alleged in open court that Mantissa planned to sue
6 Ondot for infringement of the '658 patent upon its issuance from the U.S. Patent & Trademark
7 Office:

8 *And we [Mantissa] have a continuation. And when I come back in two or three*
9 *months and appear before you and ask for leave to amend to include that new*
10 *patent, I don't want to be disingenuous with the Court but that patent is the*
11 *same. It's a continuation, same specification, different claims. It's undergoing*
12 *the supposedly strident, excuse me, requirements that the PTO has set forth to*
13 *address Alice.*

14 *See Mantissa Corp. v. Ondot System, Inc. et al.*, Case No. 4:15-cv-01133 (S.D. of Texas,
15 April 14, 2016) Hearing, Tr. at 20:4-11. Ondot was not surprised by Mr. Godlewski's allegation
16 that Ondot infringed the soon to be issued '658 patent; Mantissa had, all along, requested that
17 Ondot enter a license for the entire Dennis patent family. However, after that court granted
18 Ondot's motion to dismiss for patent-ineligibility, albeit with leave to amend at that juncture,
19 Mantissa's plans for continued direct pursuit of Ondot were put on hold.

20 34. In May 2017, Mantissa retained the Young Basile Hanlon & MacFarlane P.C. law
21 firm. That firm has at least two patent litigation attorneys in its office in Palo Alto, CA.
22 Mantissa voluntarily retained this California law firm as it continued its efforts to license the
23 inventions of the Dennis patents to Ondot, and others. Mantissa also did so in order to execute a
24 new strategy of aggressively going after Ondot's customers, so as to pressure Ondot into entering
25 into an unfavorable patent license.

26 35. On August 10, 2017, the District Court for the Southern District of Texas granted
27 summary judgment of invalidity finding that all asserted claims of the '456 and '027 patents
28 were ineligible for patent protection under 35 U.S.C. § 101. Mantissa has appealed the case to
the Court of Appeals for the Federal Circuit.

1 36. In November 2017, Mantissa began sending letters to banks purportedly using
2 Ondot's card control technology. On information and belief, Mantissa initially concealed its
3 letter writing campaign from Ondot in order to pressure banks into entering unfavorable license
4 agreements to the detriment of Ondot. The letters state, in part:

5 *We are contacting the [Ondot Bank Customer] to introduce Mantissa's products*
6 *for identity protection. Mantissa's main product is iDovos...which is protected*
7 *by [the Dennis patents] and many foreign counterparts thereof. This unique*
8 *system lets identity owners set conditions for use of their identity asserts*
 separate from the application systems representing the asserts. The
 configurations include on/off, category and geographic scope. Mantissa would
 welcome the opportunity to implement this system at the Bank.

9 37. Mantissa letters go on to allege that each Ondot Bank Customer infringes at least
10 claim 1 of the '658 patent.

11 38. Through its legal counsel, Mantissa contacted Ondot's legal counsel on multiple
12 occasions during November and December 2017. Mantissa repeatedly asserted that Ondot's card
13 control product infringed the Dennis patents, including the '658 patent. Mantissa's counsel
14 repeated stated that Ondot must obtain a license to the Dennis patents in order to continue selling
15 card control products. However, Mantissa's counsel was clear that Mantissa was not going to
16 sue Ondot directly, but instead would target those banks which used Ondot's technology.

17 39. On December 20, 2017, Mantissa filed four patent infringement lawsuits against
18 Ondot Bank Customers in District Court for the Northern District of Illinois. These Ondot Bank
19 Customers include Great American Bancorp, Inc., First Federal Savings Bank of Champaign-
20 Urbana, First Financial Corporation, First Financial Bank, N.A., Old Second Bancorp, Inc., Old
21 Second National Bank, and Polish & Slavic Federal Credit Union.

22 40. Mantissa's complaints allege that these Ondot Bank Customers infringe the '658
23 patent based on use of Ondot's card control technology, which is re-banded under various
24 marketing names. Due to various indemnification arrangements, Ondot is obligated to pay legal
25 fees and costs arising from these patent infringement complaints as well as certain damages.
26 Those cases are pending.

27 41. On January 4, 2018, during a telephone call, Mantissa's legal counsel reiterated
28 that Ondot's Bank Customers infringed the '658 patent based on use of Ondot's card control

1 technology. Mantissa’s counsel further stated that it would use the lawsuits against Ondot Bank
2 Customers to “pressure” Ondot into licensing the Dennis patents, including the ’658 patent.

3 42. On January 5, 2018, Mantissa’s legal counsel again reiterated that Ondot required
4 a license to the Dennis patents, including the ’658 patent and that a licensing proposal was
5 forthcoming. Again, Mantissa indicated that it would not be filing a lawsuit against Ondot
6 directly but, instead, would aggressively litigate against those banks which used Ondot’s
7 technology in order to apply “litigation pressures” to Ondot.

8 43. On January 9, 2018, Mantissa’s legal counsel sent Ondot’s outside counsel a
9 “Settlement Proposal.” With respect to the ’658 patent, Mantissa proposed that Ondot pay a
10 lump sum payment plus a running royalty for each “U.S. account-owner-controlled debit card or
11 credit card account where the control provides at least geographic control of the account.” If
12 accepted, Mantissa’s settlement proposal for the ’658 patent would resolve the lawsuits filed
13 against Ondot Bank Customers, as well as others using Ondot’s card control technology. In
14 other words, Mantissa reiterated its accusation that Ondot directly and/or indirectly infringed the
15 ’658 patent and further emphasized that, in Mantissa’s view, Ondot must license the ’658 patent.

16 44. For the above reasons, Mantissa has engaged in actionable conduct in this
17 District, including continuous and systematic attempts to license the Dennis patents either alone
18 or in combination with the embodying iDovos software to residents of California, including
19 Ondot and others. This District therefore has personal jurisdiction over Mantissa. Exercising
20 jurisdiction over Mantissa in this case is consistent with the United States Constitution and laws.

21 **SUBJECT MATTER JURISDICTION AND VENUE**

22 45. This Court has exclusive subject matter jurisdiction pursuant to 28 U.S.C. § 1331,
23 1338(a), 2201, and 2202, and the Patent Laws of the United States, 35 U.S.C. § 1 et seq.
24 Additionally, this Court has supplemental jurisdiction over the state law claims pursuant to
25 28 U.S.C. § 1367.

26 46. On March 28, 2018, Ondot offered to dismiss this lawsuit if Mantissa would grant
27 a covenant not to sue as to Ondot for alleged infringement of card control technology as to the
28 ’658 patent. Mantissa has declined to grant a covenant not to sue.

1 47. Ondot and its products do not infringe and have not infringed, either directly or
2 indirectly, any claim of the '658 patent, and thus Ondot does not require a license to the '658
3 patent. In view of Mantissa's express allegations of infringement against Ondot including
4 allegations against Ondot's Bank Customers, a substantial controversy exists between the parties
5 which is of sufficient immediacy and reality to warrant declaratory relief.

6 48. The '658 patent is invalid. Neither Ondot nor its customers (including Ondot's
7 Bank Customers) require a license to the '658 patent. Since Ondot is contractually required to
8 indemnify Ondot's Bank Customers, and others accused of infringing the '658 patent, a
9 substantial controversy exists between the parties which is of sufficient immediacy and reality to
10 warrant declaratory relief. Further, Mantissa has directly accused Ondot of infringing the invalid
11 '658 patent. Indeed, the pending lawsuits against the Ondot Bank Customers expose Ondot to
12 liability, and the threat of potential litigation by Mantissa negatively impacts Ondot's ability to
13 secure additional customers, regardless of whether or not those customers have been accused
14 directly.

15 49. Venue is proper in this judicial district under 28 U.S.C. § 1391.

16 **FIRST CAUSE OF ACTION**

17 **(Declaratory Judgement of Noninfringement of U.S. Patent No. 9,361,658)**

18 50. Ondot repeats and realleges each and every allegation set forth in the above
19 paragraphs and incorporates them by reference herein.

20 51. The accused Ondot products, including without limitation Ondot's card control
21 technology, have not infringed and do not infringe, directly or indirectly, any claim of the '658
22 patent, either literally or under the doctrine of equivalents. Accordingly, Ondot has a right to
23 continue providing products and services without interference from the '658 patent.

24 52. Accordingly, an actual, valid, and justiciable controversy has arisen and exists
25 between Ondot and Mantissa. Ondot desires a prompt and definitive judicial determination and
26 declaration that its products do not infringe any claim of the '658 patent. Such a determination
27 and declaration are necessary and appropriate at this time in order that the parties may ascertain
28 their respective rights and duties.

1 **SECOND CAUSE OF ACTION**

2 **(Declaratory Judgement of Invalidity of U.S. Patent No. 9,361,658)**

3 53. Ondot repeats and realleges each and every allegation set forth in the above
4 paragraphs and incorporates them by reference herein.

5 54. Ondot alleges that the '658 patent is invalid because it fails to satisfy one or more
6 conditions and requirements for patentability as set forth, inter alia, in 35 U.S.C. § 101, 102, 103,
7 and/or 112.

8 55. For example, "Kavanagh" is an International Publication made on January 9,
9 2003. It carries the number WO 03/001866 and is entitled "TRANSACTION PROCESSING."
10 It includes 29 pages of written description, 20 figures, and 37 claims. The Kavanagh reference
11 anticipates and/or renders the claims of the '658 patent obvious either alone or in combination
12 with other prior art references.

13 56. By way of additional example, "Fung" was filed by Daniel Y. Fung and Stephen
14 C. Evans on February 26, 2004. It was published on November 18, 2004 as U.S. Patent
15 Publication No. 2004/0230536. The Fung reference anticipates and/or renders the claims of the
16 '658 patent obvious either alone or in combination with other prior art references.

17 57. Further, "Heffez" is a U.S. patent publication made on October 28, 2008, but
18 claims priority to an application filed on April 26, 2005. The Heffez reference when combined
19 with other references (e.g., Kavanagh and/or Fung) and/or knowledge of a person of ordinary
20 skill in the art renders the claims of the '658 patent obvious.

21 58. Additionally, the '658 patent recites an abstract idea, but fails to claim any
22 inventive concept to transform abstract idea into something patentable. Indeed, Mantissa
23 recently alleged that the '658 patent claims the idea of: "*protecting and controlling use of an*
24 *entity's financial account over a computer network.*" Such a broad assertion is clearly an
25 abstract idea and the claims lack anything remotely technical.

26 59. Accordingly, a valid and justiciable controversy has arisen and exists between
27 Ondot and Mantissa. Ondot desires a judicial determination and declaration of the respective
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1 rights of the duties of the parties herein. Such a determination and declaration is necessary and
2 appropriate at this time in order that the parties may ascertain their respective rights and duties.

3 **THIRD CAUSE OF ACTION**

4 **(Declaratory Judgement of Unfair Business Competition)**

5 60. Ondot repeats and realleges each and every allegation set forth in the above
6 paragraphs and incorporates them by reference herein.

7 61. Cal. Bus. & Prof. Code § 17200 defines unfair business competition to include
8 any “unlawful, unfair, or fraudulent” act or practice, as well as any “unfair, deceptive, untrue, or
9 misleading” advertising.

10 62. Mantissa has violated the “unfair” prong of the Unfair Competition Law by
11 representing that it could, in fact, provide iDovos as a suitable replacement to Ondot’s card
12 control technology. In reality, iDovos relied exclusively on third-party software which is
13 unavailable to the Ondot Bank Customers. Additionally, iDovos has never been deployed in a
14 banking environment. iDovos also lacks a mobile application, which is essential to its suitability
15 as a replacement.

16 63. Put differently, Mantissa’s letters to Ondot Bank Customers left the false
17 impression that iDovos was a suitable replacement when, in fact, it was not. Ondot Bank
18 Customers, in turn, were misled into believing there to be additional competition in the market,
19 which negatively impacted Ondot’s long-term ability to maintain and/or raise pricing of its
20 products. Such false and misleading representations harmed Ondot reputation. Further, Ondot
21 has been harmed by having to field customer inquiries and concerns generated by Mantissa’s
22 false letters. Additionally, Mantissa has repeatedly falsely asserted that it has a physical office
23 located at 1012 Edenton Street, Birmingham, Alabama. In truth, Mantissa appears to have
24 covertly moved its business operations to Florida, without any notice to prospective customers.

25 64. Mantissa further violated the “unfair” prong of the Unfair Competition Law by
26 offering to license the Dennis patents without disclosing that both the ’456 and ’027 patent had
27 been found invalid. Ondot Bank Customers were left with the false impression that the Dennis
28 patents were valid when, in fact, at least the ’456 and ’027 patents were found invalid.

1 65. Mantissa further violated the “unfair” prong of the Unfair Competition Law by
2 offering to license the Dennis patents by suggesting that it owned or had exclusive licensing
3 rights to valid and enforceable foreign counterparts. On information and belief, Mantissa had no
4 such rights to valid and enforceable foreign counterparts to the Dennis patents.

5 66. The gravity of the harm to Ondot resulting from these unfair acts and practices
6 outweighs any conceivable reasons, justifications and/or other motives of Mantissa for engaging
7 in such deceptive acts and practices. By committing the above-alleged acts and practices alleged
8 above, Mantissa has engaged, and continues to engage in unfair business practices within the
9 meaning of Cal. Bus. & Prof. Code § 17200. Indeed, Mantissa purposefully directed its activities
10 against Ondot’s operation and business in California knowing that such unfair business practices
11 would cause harm to Ondot in California.

12 67. In addition to effectuating a violation of Cal. Bus. & Prof. Code § 17200,
13 Mantissa’s infringement letters are also in violation Illinois’ Unfair or Deceptive Business
14 Practices Code Section 815 ILCS 505/2SSS. The code states in relevant part that, a party who
15 sends a communication that states that the intended recipient is infringing or has infringed a
16 patent and bears liability is in violation of the code if:

17 (b) (4) The content of the communication fails to include information necessary to
18 inform an intended recipient or any affiliated person about the patent assertion by
19 failing to include:

20 (C)the factual allegations concerning the specific areas in which the
21 intended recipient's or affiliated person's products, services, or technology
22 infringed the patent or are covered by the claims in the patent.

23 68. Mantissa violated Section (b)(4)(C) of this code by failing to identify how each
24 bank recipient’s specific technology infringes on the Dennis patents, let alone their failure to
25 mention that two of these patents were recently found invalid. In other words, Mantissa is in
26 violation of the code because they led Ondot’s customers to believe that their current technology
27 infringes and suggested a license as the necessary legal recourse, without explaining how exactly
28 the bank’s technology infringes in the first instance. Mantissa’s failure to do so only provides
further momentum toward Ondot’s Unfair Business Practice claim under Cal. Bus. & Prof. Code
§ 17200, as behavior expressly prohibited under the analogous state code section in another state
is certainly unsupported here.

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DEMAND FOR JURY TRIAL

Pursuant to Federal Rule of Civil Procedure 38 and Civil Local Rule 3-6(a), Ondot hereby demands a jury trial of all issues triable by a jury.

Dated: April 2, 2018

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

By: /s/ Ryan R. Smith
Ryan R. Smith

Attorneys for Plaintiff
ONDOT SYSTEMS, INC.