

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

CONSOLIDATED TRANSACTION
PROCESSING LLC,

Plaintiff,

v.

COSTCO WHOLESALE
CORPORATION,

Defendant.

Civil Action No. _____

JURY TRIAL DEMANDED

COMPLAINT FOR PATENT INFRINGEMENT

Plaintiff Consolidated Transaction Processing LLC (“CTP” or “Plaintiff”), for its Complaint against Defendant Costco Wholesale Corporation, (referred to herein as “Costco” or “Defendant”), alleges the following:

NATURE OF THE ACTION

1. This is an action for patent infringement arising under the Patent Laws of the United States, 35 U.S.C. § 1 *et seq.*

THE PARTIES

2. Plaintiff is a limited liability company organized under the laws of the State of Nevada with a place of business at 356 Greenwood Court, Villanova, Pennsylvania 19085.

3. Upon information and belief, Costco is a corporation organized and existing under the laws of Washington with a place of business at 999 Lake Drive, Issaquah, WA 98027, and can be served through its registered agent, The Corporation Trust Company at Corporation Trust Center 1209 Orange Street, Wilmington DE 19801. Upon information and belief, Costco sells, offers to sell, and/or uses products and services throughout the United States, including in this

judicial district, and introduces infringing products and services into the stream of commerce knowing that they would be sold and/or used in this judicial district and elsewhere in the United States.

4. Costco has a regular and established place of business in this judicial district, including at least one warehouse location. For example, Costco operates a warehouse in this district, including at 900 Center Boulevard, Newark, DE 19702-3221. On information and belief, Costco employs individuals within this judicial district responsible for the distribution of its products including those accused of infringement below.

JURISDICTION AND VENUE

5. This is an action for patent infringement arising under the Patent Laws of the United States, Title 35 of the United States Code.

6. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1331 and 1338(a).

7. Venue is proper in this judicial district under 28 U.S.C. § 1400(b). On information and belief, Defendant has committed acts of infringement in this district and has a regular and established place of business within this district, including, without limitation, at 900 Center Boulevard, Newark, DE 19702-3221.

8. On information and belief, Defendant is subject to this Court's general and specific personal jurisdiction because it has sufficient minimum contacts within the State of Delaware and this District, pursuant to due process and/or the Delaware Long Arm Statute because Defendant purposefully availed itself of the privileges of conducting business in the State of Delaware and in this District, because Defendant regularly conducts and solicits business within the State of Delaware and within this District, and because Plaintiff's causes of action arise directly from each of Defendant's business contacts and other activities in the State of Delaware and this District.

BACKGROUND

The Inventions

9. Robert S. Alvin is the inventor of U.S. Patent Nos. 8,712,846 (“the ’846 patent”) and 8,396,743 (“the ’743 patent”), together the “patents in suit.”

10. A true and correct copy of the ’846 patent is attached as Exhibit A.

11. A true and correct copy of the ’743 patent is attached as Exhibit B.

12. The patents in suit resulted from the pioneering efforts of Mr. Alvin (hereinafter “the Inventor”) in the area of electronic transaction processing over a communications network. These efforts resulted in the development of methods and apparatuses for internet transactions based on user-specific information and sending targeted product offerings based on personal information in the late 1990s. At the time of these pioneering efforts, most commercially available electronic commerce (e-commerce) technology used the Internet and web pages as an advertising medium to replace catalog or infomercial type advertising. Moreover, such e-commerce businesses operated by maintaining their own inventory in warehouses, leading to higher costs. (*See* ’846 patent at 2:63-3:2; 3:8-14.)

13. For example, the Inventor developed methods and systems to offer targeted products over a communications network. This is achieved by receiving product data for a plurality of products from a plurality of distributors for the products, receiving customer data from a plurality of customers, comprising personal information about the customers, and using the data to generate at least one user-specific product offering from the plurality of products. The user-specific product offerings are then conveyed to customers using automated messages. (*See* ’846 patent at 3:44-52.)

Advantage Over the Prior Art

14. The patented inventions disclosed in the patents in suit provide many advantages over the prior art and improved the operations of business transactions conducted over the Internet. (*See* '846 patent at 1:18-20.)

15. One advantage of the patented inventions is that they enable dynamically generating a catalog of products and building a product database comprising products from multiple distributors. The product information is transmitted automatically and continually updated throughout the day, or even in real time, as product information becomes available from the distributors. (*See* '846 patent at 5:22-50.)

16. Another advantage of the patented inventions is that the product information is used to generate multiple catalogs from a single system and dynamically display user-specific interfaces. For instance, a student may be shown a catalog of products appropriate for students with academic pricing, while a business person may be shown a catalog of products appropriate for business and with available corporate discounts. (*See* '846 patent at 5:61-6:16.) Further, pricing for each product may be generated dynamically by an intelligent rule-based algorithm, (such as an artificial intelligence program), factoring in the distributor's price, any specials, and cost or profit margins. (*Id.* at 6:17-29.)

17. A further advantage of the patented inventions is that they enable the use of stored customer information to be used for generating customized portfolios based on purchase patterns of individuals to provide targeted advertising, purchase incentives, specialized promotions, or competitive pricing. (*See* '846 patent at 5:7-20.)

18. Because of these significant advantages that can be achieved through the use of the patented invention, CTP believes that the patents in suit present significant commercial value

for companies like Costco. Indeed, business transactions over the Internet are more commonplace than ever, and with the number of merchants selling products online, it is crucial that businesses distinguish themselves by the extent of automation and user-specific customization they provide during the online shopping experience. These advantages are taught by the inventions of the patents in suit.

Technological Innovation

19. The patented inventions disclosed in the patents in suit resolve technical problems related to Internet transactions based on user-specific information, particularly problems related to the utilization of product data from a plurality of distributors and personal information of customers in generating electronic catalogs of user-specific product offerings. As the patents in suit explain, one of the limitations of the prior art as regards electronic transaction processing technology was that most e-commerce retail businesses still operated by maintaining an inventory in warehouses, as they used the Internet mainly as an advertising medium and to replace catalog or infomercial type advertising. (*See, e.g.*, '846 patent at 2:63-3:14.)

20. The claims of the patents in suit do not merely recite the performance of some well-known business practice from the pre-Internet world along with the requirement to perform it on the Internet. Instead, the claims of the patents in suit recite inventive concepts that are deeply rooted in computerized transaction processing, advertising, and product offering technology, and overcome problems specifically arising out of how to create targeted advertising by dynamically generating electronic catalogs from a plurality of products based on a user's personal information.

21. In addition, the claims of the patents in suit recite inventive concepts that improve the functioning of electronic catalogs and payment authorization systems used for electronic

transaction processing, particularly as they recite the use of a user's personal information to dynamically generate user-specific product offerings, authorize distributors to ship products directly to the user following successful payment processing, and send automated messages to customers containing order information.

22. Moreover, the claims of the patents in suit recite inventive concepts that are not merely routine or conventional use of advertising, product offering, and transaction processing. Instead, the patented inventions disclosed in the patents in suit provide a new and novel solution to specific problems related to automating the process of targeted advertising, targeted product offering, and retail sales transaction processing by dynamically utilizing customer data and product data. The claims of the patents in suit thus specify how customer data and product data are manipulated to yield a desired result.

23. And finally, the patented invention disclosed in the patents in suit does not preempt all the ways that user-specific information may be used to improve internet transactions, nor do the patents in suit preempt any other well-known or prior art technology.

24. Accordingly, the claims in the patents in suit recite a combination of elements sufficient to ensure that the claim in substance and in practice amounts to significantly more than a patent-ineligible abstract idea.

COUNT I – INFRINGEMENT OF U.S. PATENT NO. 8,712,846

25. The allegations set forth in the foregoing paragraphs 1 through 24 are incorporated into this First Claim for Relief.

26. On April 29, 2014, the '846 patent, entitled "Sending Targeted Product Offerings Based on Personal Information" was duly and legally issued by the United States Patent and Trademark Office.

27. CTP is the assignee and owner of the right, title and interest in and to the '846 patent, including the right to assert all causes of action arising under said patents and the right to any remedies for infringement of them.

28. Upon information and belief, Costco has and continues to directly infringe at least claims 1, 3, 4, 9, 11, 12, 16, 18, and 19 of the '846 patent by making, using, providing, and/or causing to be used products, specifically the Costco.com website (the "Accused Instrumentalities"), as set forth in detail in the attached preliminary and exemplary claim charts provided in Exhibit C.

29. The Accused Instrumentalities infringed and continue to infringe claims 1, 3, 4, 9, 11, 12, 16, 18, and 19 of the '846 patent during the pendency of the '846 patent.

30. Costco was made aware of the '846 patent and its infringement thereof at least as early as the filing of this Complaint.

31. Upon information and belief, since at least the time of receiving this Complaint, Costco has induced and continues to induce others to infringe at least claims 1, 3, 4, 9, 11, 12, 16, 18, and 19 of the '846 patent under 35 U.S.C. § 271(b) by, among other things, and with specific intent or willful blindness, actively aiding and abetting others to infringe, including but not limited to Costco's partners and customers, whose use of the Accused Instrumentalities constitutes direct infringement of at least claims 1, 3, 4, 9, 11, 12, 16, 18, and 19 of the '846 patent.

32. In particular, Costco's actions that aid and abet others such as their partners and customers to infringe include distributing the Accused Instrumentalities and providing materials and/or services related to the Accused Instrumentalities. On information and belief, Costco has engaged in such actions with specific intent to cause infringement or with willful blindness to the

resulting infringement because Costco has had actual knowledge of the '846 patent and that its acts were inducing infringement of the '846 patent since at least the time of receiving this Complaint.

33. Upon information and belief, Costco is liable as a contributory infringer of the '846 patent under 35 U.S.C. § 271(c) by offering to sell, selling and importing into the United States Internet business transaction technology to be especially made or adapted for use in an infringement of the '846 patent. The Accused Instrumentalities are material components for use in practicing the '846 patent and are specifically made and are not a staple article of commerce suitable for substantial non-infringing use.

34. On information and belief, Costco's infringement has been and continues to be willful.

35. CTP has been harmed by Costco's infringing activities.

COUNT II – INFRINGEMENT OF U.S. PATENT NO. 8,396,743

36. The allegations set forth in the foregoing paragraphs 1 through 35 are incorporated into this Second Claim for Relief.

37. On March 12, 2013, the '743 patent, entitled "Sending Targeted Product Offerings Based on Personal Information" was duly and legally issued by the United States Patent and Trademark Office.

38. CTP is the assignee and owner of the right, title and interest in and to the '743 patent, including the right to assert all causes of action arising under said patents and the right to any remedies for infringement of them.

39. Upon information and belief, Costco has and continues to directly infringe at least claims 1, 4, 8, 11, 15, and 18 of the '743 patent by making, using, providing, and/or causing to

be used products, specifically the Costco.com website (the “Accused Instrumentalities”), as set forth in detail in the attached preliminary and exemplary claim charts provided in Exhibit D.

40. The Accused Instrumentalities infringed and continue to infringe claims 1, 4, 8, 11, 15, and 18 of the ’743 patent during the pendency of the ’743 patent.

41. Costco was made aware of the ’743 patent and its infringement thereof at least as early as the filing of this Complaint.

42. Upon information and belief, since at least the time of receiving this Complaint, Costco has induced and continues to induce others to infringe at least claims 1, 4, 8, 11, 15, and 18 of the ’743 patent under 35 U.S.C. § 271(b) by, among other things, and with specific intent or willful blindness, actively aiding and abetting others to infringe, including but not limited to Costco’s partners and customers, whose use of the Accused Instrumentalities constitutes direct infringement of at least claims 1, 4, 8, 11, 15, and 18 of the ’743 patent.

43. In particular, Costco’s actions that aid and abet others such as their partners and customers to infringe include distributing the Accused Instrumentalities and providing materials and/or services related to the Accused Instrumentalities. On information and belief, Costco has engaged in such actions with specific intent to cause infringement or with willful blindness to the resulting infringement because Costco has had actual knowledge of the ’743 patent and that its acts were inducing infringement of the ’743 patent since at least the time of receiving this Complaint.

44. Upon information and belief, Costco is liable as a contributory infringer of the ’743 patent under 35 U.S.C. § 271(c) by offering to sell, selling and importing into the United States Internet business transaction technology to be especially made or adapted for use in an infringement of the ’743 patent. The Accused Instrumentalities are material components for use

in practicing the '743 patent and are specifically made and are not a staple article of commerce suitable for substantial non-infringing use.

45. On information and belief, Costco's infringement has been and continues to be willful.

46. CTP has been harmed by Costco's infringing activities.

JURY DEMAND

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, CTP demands a trial by jury on all issues triable as such.

PRAYER FOR RELIEF

WHEREFORE, CTP demands judgment for itself and against Costco as follows:

- A. An adjudication that Costco has infringed the '846 and '743 patents;
- B. An award of damages to be paid by Costco adequate to compensate CTP for Costco's past infringement of the patents in suit, and any continuing or future infringement through the date such judgment is entered, including interest, costs, expenses and an accounting of all infringing acts including, but not limited to, those acts not presented at trial;
- C. A declaration that this case is exceptional under 35 U.S.C. § 285, and an award of CTP's reasonable attorneys' fees; and
- D. An award to CTP of such further relief at law or in equity as the Court deems just and proper.

Dated: October 9, 2019

DEVLIN LAW FIRM LLC

/s/ Timothy Devlin

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