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**UNITED STATES DISTRICT COURT**  
**FOR THE NORTHERN DISTRICT OF CALIFORNIA**

ALEXSAM, INC., a Texas corporation,

Plaintiff,

vs.

WAGeworks, INC.,

Defendant.

Case No. 3:19-cv-04538-EMC

**FIRST AMENDED  
COMPLAINT FOR PATENT  
INFRINGEMENT  
AND DEMAND FOR A JURY TRIAL**

Plaintiff AlexSam, Inc. (hereinafter, "Plaintiff" or "AlexSam"), by and through its undersigned counsel, files this First Amended Complaint for Patent Infringement against Defendant WageWorks Inc. (hereinafter, "WageWorks" or "Defendant") as follows:

**NATURE OF THE ACTION**

1. This is a patent infringement action related to Claims 32 and 33 of Plaintiff's United States Patent Nos. 6,000,608, entitled "*Multifunction Card System*" (hereinafter, the "'608 Patent" or the "Patent-in-Suit"), which was duly and legally issued by the United States Patent and Trademark Office (hereinafter, the "USPTO") after full and fair examinations, a copy of which is attached hereto as **Exhibit A**. Specifically, AlexSam alleges that Defendant provides to its customers a medical card, such as a card to access a Flexible Spending Account ("FSA"), Health Savings Account ("HSA"), and/or a Health Reimbursement Account ("HRA") for use in a multifunction card system.

**PARTIES**

2. AlexSam is a corporation organized and existing under the laws of the State of

1 Texas. Plaintiff maintains its principal place of business in Palm Beach County, Florida. AlexSam  
 2 owns the rights to the '608 Patent, having been assigned all right, title and interest in the '608  
 3 Patent by the sole inventor, Mr. Robert Dorf. AlexSam possesses all rights thereto, including the  
 4 exclusive right to sue for infringement and recover past damages.

5 3. Upon information and belief, WageWorks is a corporation duly organized and  
 6 existing under the laws of the State of Delaware.

7 4. Upon information and belief, WageWorks has its principal place of business  
 8 located at 1100 Park Place 4<sup>th</sup> FL, San Mateo, California 94403.

9 5. Upon information and belief, WageWorks may be served through its registered  
 10 agent, National Registered Agents, Inc.

### 11 **JURISDICTION AND VENUE**

12 6. This action arises under the Patent Laws of the United States, 35 U.S.C. § 1 *et seq.*,  
 13 including 35 U.S.C. §§ 271, 281, 283, 284, and 285.

14 7. This Court has subject matter jurisdiction over this case for patent infringement  
 15 under 28 U.S.C. §§ 1331 and 1338(a).

16 8. The Court has personal jurisdiction over Defendant because: Defendant has  
 17 minimum contacts within the State of California and in the Northern District of California;  
 18 Defendant has purposefully availed itself of the privileges of conducting business in the State of  
 19 California and in the Northern District of California; Defendant has sought protection and benefit  
 20 from the laws of the State of California; Defendant's headquarters is located in California, and  
 21 therefore, Defendant regularly conducts business within the State of California, and within the  
 22 Northern District of California, and Plaintiff's causes of action arise directly from Defendant's  
 23 business contacts and other activities in the State of California and in the District of California.

24 9. More specifically, Defendant, directly and/or through intermediaries, ship,  
 25 distribute, make, use, import, offer for sale, sell, and/or advertise its products in the United States,  
 26 the State of California and the Northern District of California. Based upon public information,  
 27 Defendant has committed patent infringement in the State of California and in the Northern District  
 28 of California. Defendant solicits customers in the State of California and in the Northern District

1 of California. Defendant has many paying customers who are residents of the State of California  
 2 and in the District of California and who use Defendant's products in the State of California and  
 3 in the Northern District of California.

4 10. Venue is proper in the Northern District of California pursuant to 28 U.S.C. §  
 5 1400(b) because WageWorks resides in this district, has a regular and established place of business  
 6 in this district and, upon information and belief, has committed acts of infringement in this district.

7 11. Venue is proper in the Northern District of California pursuant to 28 U.S.C. §  
 8 1391(b) because WageWorks is subject to the personal jurisdiction of this Court because it has a  
 9 regular and established place of business in this district.

10 12. Thus, jurisdiction and venue are proper because at least some of the underlying  
 11 events giving rise to this lawsuit occurred within the State of California and the Northern District  
 12 of California.

### 13 **FACTUAL ALLEGATIONS**

#### 14 **A. The '608 Patent: Background on the Invention**

15 13. The '608 Patent was duly and legally issued by the United States Patent and  
 16 Trademark Office ("USPTO") on December 14, 1999 to its inventor, Robert Dorf. *See* Ex. A.

17 14. The '608 Patent was assigned to AlexSam, Inc.

18 15. The '608 Patent was issued after full and fair examination of application number  
 19 08/891,261 which was filed with the USPTO on July 10, 1997. *See* Ex. A.

20 16. An *ex parte* Reexamination Certificate was issued on July 10, 2012 in which re-  
 21 affirmed a number of the claims of the '608 Patent. *See* Ex. A (*ex parte* Reexamination  
 22 Certificate). Claims 32 and 33 of the '608 Patent were not reexamined as part of this  
 23 reexamination.

24 17. The primary purpose of the '608 Patent is to implement a multifunction card  
 25 system, such as one that utilizes a rechargeable pre-paid card, a pre-paid card with a loyalty  
 26 function, or a medical information card that will perform as normal bank card (credit/debit) to  
 27 purchase goods and services. *See* Ex. A, p.1 (Abstract); col. 3:9-64; "Expert Declaration Of Ivan  
 28 Zatkovich Regarding Claims 32 And 33 Of U.S. Patent No. 6,000,608", attached hereto as **Exhibit**

1 B at ¶¶ 33-39.

2 18. Based on the state of technology in 1997, there was a need in the art for a  
3 debit/credit card system capable of performing a plurality of functions, which included a card that  
4 could be accepted by any Point-Of-Sale (“POS”) device, and a processing center that could manage  
5 this multifunction card system. *See* Ex. A, ‘608 Patent, 1:24-35.

6 19. Specifically, in 1997, the banking industry did not use personal computers and  
7 instead used large computers, such as Stratus and/or Tandem computers, which were very  
8 expensive and not capable of performing transactions using multiple types of functions. For  
9 example, at the time, these computers could only process debit or credit transactions, but not both.  
10 *See* Ex. B at ¶¶ 33, 40-44.

11 20. In sum, the specific problem to be solved was that existing technology  
12 infrastructure that supported standard bank cards and POS devices could not support the special  
13 functions of Mr. Dorf’s new multifunction card system. *See* Ex. A at 3:9-11; Ex. B at ¶ 33.

14 21. Mr. Dorf set out to solve the problem by inventing a new multifunction card system  
15 that utilized his special-purpose computer, referred to as the “Processing Hub,” that worked with  
16 the existing banking network and that utilized a bank identification number (BIN) to allow for the  
17 use of multifunction cards. *See* Ex. A at 3:9-11; Ex. B at ¶ 33.

18 22. Mr. Dorf invented and built and deployed a new computer – his Processing Hub –  
19 to avoid the limitations of the conventional systems at the time. *See* Ex. A at 10:65-11:32; Ex. B  
20 at ¶¶ 76-80.

21 23. Since a POS device and banking network did not support the special transactions  
22 of a multifunction card system, solutions were proposed by other inventors, vendors, and  
23 merchants that primarily fell into three categories:

- 24 a. **Pre-Configured/Pre-activated cards:** Cards were configured and shipped as  
25 already activated to retailers and sellers so that specialized card transactions  
26 (e.g. activate card) were not required at the POS device.
- 27 b. **Bypassing the banking network:** By creating a modified POS device, or a  
28 separate activation device at the POS, merchants could implement any

proprietary function at the POS that (such as activate a card) that would bypass the banking network, and be processed directly by the issuing bank, for example.

- c. **Initiating transaction through a non-POS device:** By providing a separate process to activate prepaid cards, such as a special software station for sales agents, or online / dial in services, the cards could be activated without utilizing a standard POS or banking network.

*See* Ex. B at ¶ 40.

24. All three of the foregoing alternative solutions were technically easier to implement than that offered by the '608 Patent. This is because all three of these proposed solutions could be implemented as a standalone self-contained process, without needing to integrate with a banking network for processing specialized multifunction transactions. However, these alternatives were not "consumer friendly" or "merchant friendly". For example,

- a. **Pre-Configured/Pre-activated cards:** were not safe (even with zero balance). They could be stolen and used without requiring activation;
- b. **Bypassing the banking network:** required that merchants install modified POS devices or provide a separate POS device just to perform the specialized transactions such as activating the card; and
- c. **Initiating transaction through a non-POS device:** cards purchased at a retailer could not be activated at a POS device. The customer was required to perform a separate process to activate the card.

*See* Ex. B at ¶¶ 41-42.

25. The '608 Patent provides technological solutions to the "problems associated with prior art card systems." Ex. A, at 3:9-11; Ex. B at ¶¶ 43-44. As is explained in the Specification, these limitations occur in three specific technical areas: (1) existing credit and debit cards could only perform a very limited set of electronic transactions (Ex. A at 1:24-29); (2) the pre-paid aspect of these debit cards created security problems in stores, which required them to be activated electronically after they were purchased (Ex. A at 5:23-27); and (3) there was no centralized

1 processing center to handle the specialized transactions of these multi-function cards (Ex. A at  
2 1:33-35). *See also* Ex. B at ¶¶ 45-68.

3 26. Specifically, the ‘608 Patent provides a technological solution to the existing  
4 challenges by offering a multifunction card system that (1) did not have the security problems of  
5 pre-activated cards, (2) did not require special hardware for the merchant, and (3) provided all the  
6 convenience to consumers of normal bank cards. *See* Ex. A at 3:9-11; Ex. B at ¶ 47.

7 27. An important part of the inventions disclosed and claimed in the ‘608 Patent was  
8 the Processing Hub that: (1) operates as a compatible component of a banking network; (2)  
9 communicates with the retailers to perform the specialized multi-card transactions (such as  
10 activating the card); (3) allows these specialized functions to be performed on an existing  
11 unmodified POS device, and (4) does not interfere with normal debit/credit card functions for  
12 purchasing of goods and services at any merchant POS device. *See* Ex. B at ¶¶ 50-53, 76-80.

13 28. A unique, novel, and inventive concept of the ‘608 Patent is the implementation  
14 and integration of this new Processing Hub within the banking network.

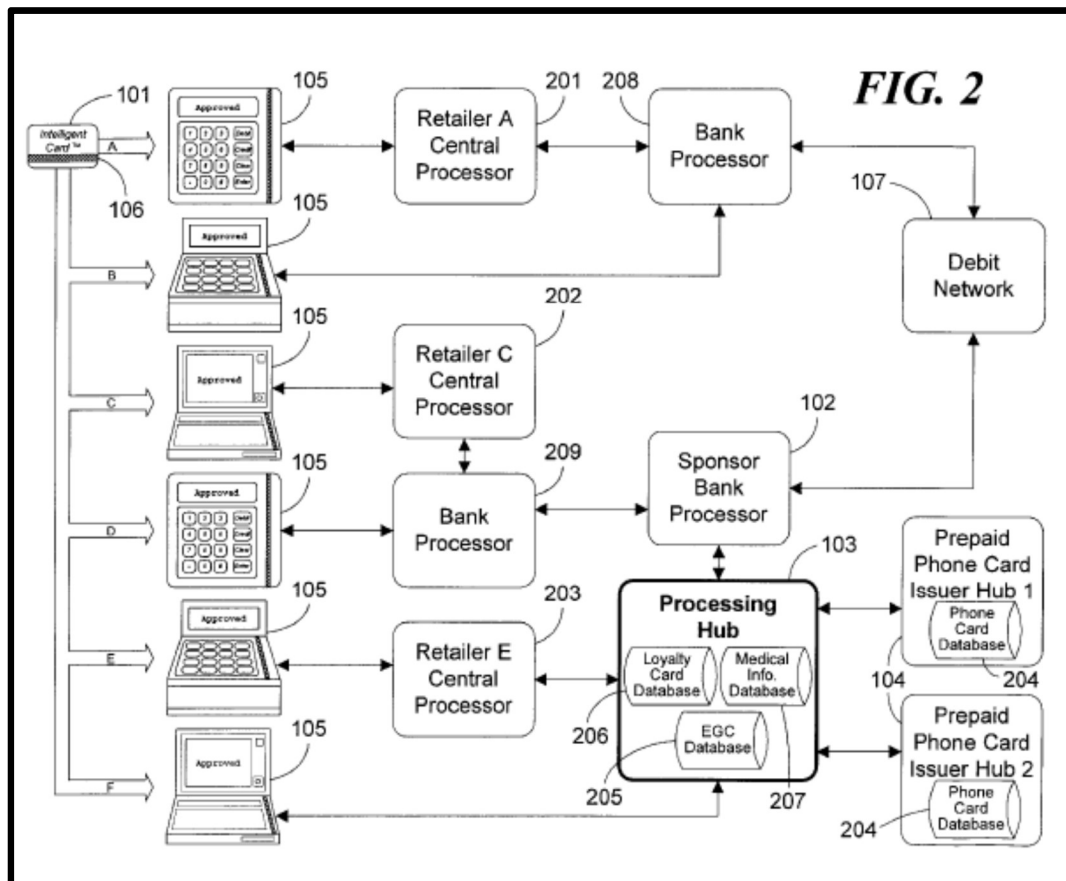
15 29. Specifically, the claimed Processing Hub is “transparent” to the POS device, yet  
16 still intercepts and processes all the specialized transactions necessary to support multifunction  
17 cards, and still allows merchants to keep their same POS devices. *See* Ex. B at ¶¶ 54-57, 81-84.

18 30. As described in the Specification of ‘608 Patent, Mr. Dorf invented a new device  
19 and a new system that did not previously exist, including the Processing Hub and supporting  
20 system. The ‘608 Patent’s Specification describes the Processing Hub as follows: the “processing  
21 hub 103, ... serves as the nerve center of the system 108.” Ex. A at 4:23-24. The Processing Hub  
22 can be connected to “any given POS device 105” which allows a retailer to use “the system 108  
23 ... to remotely activate or add value or loyalty data to a system card.” *Id.* at 5:10-15.

24 31. Mr. Dorf’s solution is more technically difficult to implement than the other  
25 proposed solutions due to the specific components that must be integrated with a banking network  
26 and still maintain regulatory compliance in this highly regulated transaction process. Although  
27 technically more complicated than other proposed solutions, the system disclosed and claimed in  
28 the ‘608 Patent is more viable to merchants, more marketable, and more acceptable to users in the

1 marketplace. *See* Ex. B at ¶¶ 71, 84.

2 32. Importantly, each of the problems and limitations of the prior art systems listed  
 3 above needed to be solved within a complex regulated transactional network. Therefore, any  
 4 solution to these problems would require a reasonably sophisticated technical solution. Mr. Dorf  
 5 provided this solution by inventing new cards, new devices, and a new system. *See* Ex. A at 3:9-  
 6 11. A large portion of this system is illustrated in '608 Patent, Figure 2, as reproduced below:



22 33. Mr. Dorf's new Processing Hub accepted transactions from retailer POS devices  
 23 for the multifunction cards, such as card activation or recharge, and processed and/or transmitted  
 24 those transactions in order to complete (authorize) those transactions or reject them if not valid.  
 25 *See* Ex. B at ¶¶ 50-57.

26 34. Another component of Mr. Dorf's system is the transaction processor. This  
 27 component enabled communications between the retailer POS devices and the Processing Hub.  
 28 The component also provides connectivity to the banking network and therefore must conform to



1 banking network standards and would traditionally be monitored by a bank (e.g. the merchants  
2 acquiring bank) to maintain, and in some cases test, those standards. *See* Ex. B at ¶¶ 62-68.

3 35. The '608 Patent describes a flexible system that could be configured in a number  
4 of different ways. For example, one of the components of the system provided connectivity  
5 between the retailer POS devices and the Processing Hub. *See* Ex. A at 10:65-11:32; Ex. B at ¶ 93.

6 36. The banking network is also a critical aspect of Mr. Dorf's system because the card  
7 transaction to the Processing Hub must also be transmitted to the other banks and financial  
8 institutions that participate in these transactions, including the merchant bank, the issuing bank,  
9 and 3<sup>rd</sup> party transaction agents such as merchant acquirers, and card processors acting on behalf  
10 of the banks. All of these entities must operate and communicate on a banking network including  
11 conforming to all of the standards and regulations controlling the banking network. *See* Ex. A at  
12 4:65-67; Ex. B at ¶¶ 58-60.

13 37. Additionally, the combination of the POS device, transaction processor, and  
14 Processing Hub allows the new multifunction card system to access debit card databases and  
15 medical databases was not generic or conventional in 1997. The combination reflects significantly  
16 more than any abstract idea and was highly inventive. *See* Ex. B at ¶¶ 71-93.

17 38. In short, as is demonstrated above, the claims of the '608 Patent do not recite a  
18 collection of conventional components performing their ordinary functions; they embody  
19 improvements to acknowledged deficiencies in the art at the time of the invention, thereby fully  
20 reflecting something substantially more than an abstract idea and comprising a highly inventive  
21 concept. *See* Ex. B at ¶¶ 71-93

22 39. Moreover, Claims 32 and 33 of the '608 Patent are tied to a particular machine -  
23 the Processing Hub - and a specific machine system – the multifunction card system. *See* Ex. B at  
24 ¶ 70. Again, these specific physical components are tangible and the patented combination is  
25 inventive. *See* Ex. B at ¶¶ 71-93.

26 40. Claims 32 and 33 of the '608 Patent are focused on a system made up of tangible  
27 components to solve the technical problem of, among other things, using a card to make qualified  
28 medical purchases over the banking network using an unmodified POS device. *See* Ex. A at 3:54-



63; Ex. B at ¶ 74.

41. Claims 32 and 33 of the '608 Patent made possible the use of multifunction cards without the need for separate, stand-alone system and equipment thereby solving a technical problem within the medical goods and services industry. *See* Ex. A at 10:7-47; Ex. B at ¶ 47.

42. In particular, Claims 32 and 33 of the '608 Patent include a Processing Hub that was not previously available in the industry. *See* Ex. B at ¶¶ 75, 80.

43. In fact, not until approximately the 2003-2004 timeframe was Mr. Dorf's patented system commercially available in the medical goods and services industry; therefore, his invention pre-dated by many years the FSA and HSA products that are offered today. *See* Ex. B at ¶ 39.

**B. For Years, Mr. Dorf Practiced His Patented Inventions**

44. Shortly after receiving his patents, Mr. Dorf developed a business, Intelligent Card Solutions, Inc. (ICS), which offered a processing platform to process transactions for Michigan National Bank, MCI and had a joint venture with Mr. Ron Lauder of the RSL Company. Mr. Dorf also owned a BIN from MasterCard.

45. At this time, Mr. Dorf's Processing Hub with ICS allowed his company to process different types of card products and transactions, such as phone cards, health cards and gift cards.

46. ICS also worked with UnitedHealthcare and Oxford Health Care in Connecticut to build a program for them to show them exactly how ICS's healthcare card product could save money. This product was ultimately not launched due to financial and competitive pressures.

47. In 1997, when Mr. Dorf applied for his '608 Patent, today's health cards, such as flexible spending accounts (FSAs) and health savings accounts (HSAs), were not yet in existence and were in fact several years away from being introduced or even permitted by IRS rules. *See* Ex. B at ¶ 39.

48. Mr. Dorf was the first person to invent a multifunction card system that would allow the use of a prepaid medical card to process a transaction for an approved medical product/service. *See generally*, Ex. A. Today, FSA and HSA cards are widely offered and accepted.

49. In 2003, after working hard to build his business and footprint in the prepaid market, Mr. Dorf was unable to compete with larger companies. In reaction to widespread of

1 infringement of claims of the ‘608 Patent and after being forced out of the industry, Mr. Dorf  
2 founded AlexSam in 2003 and assigned all rights to enforce the ‘608 Patent to AlexSam.

3 50. Since its inception in 2003, AlexSam has entered into various business and license  
4 agreements to the AlexSam Patents and to Mr. Dorf’s know-how. AlexSam has licensed the  
5 AlexSam Patents to Humana, WEX Health (formerly, Evolution Benefits) and UnitedHealthcare  
6 in the medical card industry.

7 **C. Letters and Notice to WageWorks**

8 51. According to public information, WageWorks owns, operates, advertises, and/or  
9 controls the website <https://www.wageworks.com/> as well as various office locations across the  
10 county, through which WageWorks sells, advertises, offers for sale, uses, or otherwise provides,  
11 including but not limited to, the following products (the “Accused Products”): WageWorks  
12 branded Visa Healthcare Card and (2) the WageWorks take care Flex Benefits Visa Prepaid Card  
13 (hereinafter “HealthCard Card” and “TakeCare Card,” respectively); (3) WageWorks branded  
14 MasterCard HealthCare card and (4) the myFBMC card products using the Visa and/or MasterCard  
15 networks (collectively, “WageWorks Health Cards”).

16 52. Evidence obtained from Defendant’s website and other identified sources regarding  
17 these WageWorks Health Cards is provided in the claim chart provided at **Exhibit C**.

18 53. Based on the information obtained from Defendant’s website, on June 9, 2015,  
19 AlexSam sent WageWorks a letter (hereinafter, the “2015 Notice Letter”), informing them that “at  
20 least the following products require a license under the ‘608 Patent: WageWorks Healthcare Card.”  
21 *See Exhibit D.*

22 54. On July 7, 2015, WageWorks responded by letter. *See Exhibit E.*

23 55. Upon information and belief, no further correspondence between the parties was  
24 sent after these letters were exchanged in June/July 2015.

25 56. Upon information and belief, WageWorks was purchased by HealthEquity, Inc.  
26 (“HealthEquity”) on August 30, 2019.<sup>1</sup> Notably, this occurred after AlexSam had filed suit against  
27

28 <sup>1</sup> <https://www.wageworks.com/about/news/press-releases/august-2019/healthequity-completes-acquisition-of-wageworks/> (last visited: November 6, 2019)

HealthEquity for infringement of the same claims of the '608 Patent to be asserted here.<sup>2</sup>

**COUNT I: INFRINGEMENT OF U.S. PATENT NO. 6,000,608 – WAGeworks**

**HEALTH CARDS USING THE VISA NETWORKS**

57. Plaintiff re-alleges and incorporates by reference each of the paragraphs 1-56 above.

58. Defendant has directly infringed either literally or under the doctrine of equivalents Claims 32 and 33 of the '608 Patent (hereinafter, the "Asserted Claims") because it ships, distributes, makes, uses, imports, offers for sale, sells, and/or advertises the Accused Products in the VISA networks, including but not limited to the WageWorks branded Visa Healthcare Card, the WageWorks take care Flex Benefits Visa Prepaid Card, and the myFBMC Card<sup>sm</sup>. (hereinafter, the "VISA Accused Products").

59. Upon information and belief, the myFBMC Card<sup>sm</sup> Visa® Card is issued by First Horizon bank, a division of First Tennessee Bank National Association.

60. Specifically, Defendant's VISA Accused Products infringe the Asserted Claims by providing a multifunction card system, containing at least one debit/medical services card. *See* Ex. C. In addition, the VISA Accused Products have a BIN approved by the American Banking Association. This BIN allows Defendant to properly route payment transactions within the banking network. *See* Ex. B at ¶¶ 58-61. Defendant's VISA Accused Products are available to individuals participating in a healthcare benefits program located in this district and throughout the United States. *See* Ex. C.

61. Upon information and belief, Defendant is in the business of selling and offering for sale the VISA Accused Products to customers throughout the United States, including within the state of California.. Defendant owns, operates, or leases all equipment in the infringing system, or alternatively exercises direction and control over the operation of all equipment in the infringing system in order to provide the benefit of debit/medical services cards to its customers. *See* Ex. C.

62. Upon information and belief, Defendant employs staff (e.g., an IT department) to

<sup>2</sup> *AlexSam, Inc. v. HealthEquity, Inc.*, D. Utah Case No. 2:19-cv-00445 HCN-CMR (filed June 26, 2019)

1 operate the Processing Hub in order to interface with, install, configure, manage, monitor, test, and  
2 control the debit/medical services cards and other equipment in the infringing multifunction card  
3 system. *See* Ex. C.

4 63. By using the infringing networks, making and configuring the systems, and selling  
5 products generated through the use of the systems, Defendant has directly infringed one or both of  
6 the Asserted Claims by selling and offering to sell its VISA Accused Products. *See* Ex. C. On  
7 information and belief, Defendant installed, tested, configured, and serviced equipment in the  
8 infringing system, thereby making and using the systems disclosed in the Asserted Claims and  
9 infringing those claims under 35 U.S.C. § 271(a).

10 64. Defendant undertook and continues its infringing actions despite an objectively  
11 high likelihood that such activities infringed the Asserted Claims which are presumed valid  
12 pursuant to 35 U.S.C. § 282(a). For example, since at least June 9, 2015, Defendant has been  
13 aware of an objectively high likelihood that its actions constituted and continue to constitute  
14 infringement of the Asserted Claims and that these claims are valid.

15 65. Defendant's use of the infringing networks, the making and configuration of the  
16 systems, and the sale of products generated through the use of the systems constitutes direct  
17 infringement of the Asserted Claims of the '608 Patent. *See* Ex. C.

18 66. On information and belief, Defendant could not reasonably, subjectively believe  
19 that its actions do not constitute infringement of the Asserted Claims. Despite that knowledge and  
20 subjective belief, and the objectively high likelihood that its actions constitute infringement,  
21 Defendant has continued its infringing activities. As such, Defendant has willfully infringed  
22 and/or will continue to willfully infringe the Asserted Claims.

23 67. On information and belief, Defendant has intentionally induced and continues to  
24 induce infringement of the Asserted Claims and has committed contributory infringement in this  
25 district and elsewhere in the United States, by providing the hardware and/or software necessary  
26 for its customers to make or use the infringing multifunction card system.

27 68. On information and belief, despite knowledge of the '608 Patent as early as June  
28 15, 2015 (*see* Ex. D, Ex. E), Defendant continues to encourage, instruct, enable, and otherwise

1 cause its customers to sell the VISA Accused Products in a manner which infringes the Asserted  
2 Claims. Defendant receives revenue from the provision of, sale and use of the VISA Accused  
3 Products. Defendant has specifically intended its customers to use the VISA Accused Products in  
4 its infringing systems in such a way that infringes the Asserted Claims by, at a minimum, providing  
5 and supporting the VISA Accused Products and instructing its customers on how to use them in  
6 an infringing manner, at least through information available on Defendant's website including  
7 information brochures, promotional material, and contact information. *See* Ex. C.

8 69. On information and belief, Defendant knew that its actions, including, but not  
9 limited to any of the aforementioned VISA Accused Products, would induce, have induced, and  
10 will continue to induce infringement by its customers by continuing to sell, support, and instruct  
11 its customers on using the VISA Accused Products. *Id.*

12 70. On information and belief, Defendant contributes to the infringement of one or both  
13 of the Asserted Claims by its customers. Acts by Defendant that contribute to the infringement of  
14 these customers include providing the Processing Hub, which is capable of authorizing, approving,  
15 and declining payments at healthcare providers and pharmacies for eligible services, goods, and  
16 prescriptions. The use of the Processing Hub computers is especially adapted for use in the  
17 infringing systems, and it has no substantial non-infringing uses. On information and belief,  
18 Defendant knew or should know that such activities contribute to its customers' infringement of  
19 the Asserted Claims.

20 71. On information and belief, despite knowledge of the '608 Patent as early its receipt  
21 of the 2015 Notice Letter (*see* Ex. D, Ex. E), Defendant continued to encourage, instruct, enable,  
22 and otherwise cause its customers to sell the VISA Accused Products in a manner which infringes  
23 the Asserted Claims. Defendant receives revenue from the provision of and sale of the VISA  
24 Accused Products. Defendant has specifically intended its retailers and customers to use the VISA  
25 Accused Products in its infringing systems in such a way that infringes the Asserted Claims by, at  
26 a minimum, providing and supporting the VISA Accused Products and instructing its customers  
27 on how to use them in an infringing manner, at least through information available on Defendant's  
28 website including information brochures, promotional material, and contact information.

72. On information and belief, Defendant knew that its actions, including, but not limited to any of the aforementioned VISA Accused Products, would induce, have induced, and will continue to induce infringement by its customers by continuing to sell, support, and instruct its customers on using the VISA Accused Products. *Id.*

73. On information and belief, Defendant contributes to the infringement the Asserted Claims by its customers, providers and/or retailers of the VISA Accused Products. Acts by Defendant that contribute to the infringement of these retailers include providing the POS devices and bank Processing Hub computers which are capable of initiating the activation process. On information and belief, Defendant knew or should know that such activities contribute to its customers', providers' and/or retailers' infringement of the Asserted Claims.

74. As of its receipt of the AlexSam's Notice Letter dated June 16, 2015, WageWorks knew of the '608 Patent and performed acts that it knew, or should have known, induced and/or contributed to the direct infringement of the Asserted Claims by its customers, providers, and/or retailers. *See* Ex. D, Ex. E.

75. Defendant's aforesaid activities have been without authority and/or license from Plaintiff.

76. Plaintiff has complied with the marking requirements of 35 U.S.C. §287(a).

77. Plaintiff is entitled to recover from Defendant the damages sustained by Plaintiff as a result of Defendant's wrongful acts in an amount subject to proof at trial, which, by law, cannot be less than a reasonable royalty, together with interest and costs as fixed by this Court under 35 U.S.C. § 284.

78. Plaintiff is entitled to recover from Defendant enhanced damages sustained by Plaintiff as a result of Defendant's willful infringement due to Defendant's knowledge of its infringement prior to the filing of this matter, as allowed under 35 U.S.C. § 284.

## **COUNT II: INFRINGEMENT OF U.S. PATENT NO. 6,000,608 – WAGEWORKS**

### **HEALTH CARDS USING THE MASTERCARD NETWORKS**

79. Plaintiff re-alleges and incorporates by reference each of the paragraphs 1-56 above.

1           80. Defendant has directly infringed either literally or under the doctrine of equivalents  
2 the Asserted Claims of the '608 Patent because it ships, distributes, makes, uses, imports, offers  
3 for sale, sells, and/or advertises the Accused Products that utilize the MasterCard networks, such  
4 as the WageWorks branded MasterCard HealthCare card and the myFBMC card products using  
5 the MasterCard networks (hereinafter, "MasterCard Accused Products").

6           81. Upon information and belief, Choice Strategies, a division of WageWorks, is a  
7 third-party administrator that offers self-branded HRA, HSA, and FSA cards, known as "Choice  
8 Strategy Cards" that utilize the MasterCard networks.

9           82. Upon information and belief, Fringe Benefits Management Company ("FBMC"),  
10 also known as FBMC Benefits Management, Inc., is a division of WageWorks. FBMC offers  
11 HRA, HSA, and FSA cards, known as the EZ REIMBURSE® Card and the myFBMC Card<sup>sm</sup>.

12           83. Upon information and belief, the EZ REIMBURSE® MasterCard® Card is issued  
13 by METABANK.

14           84. Upon information and belief, the myFBMC Card<sup>sm</sup> also utilizes the MasterCard  
15 networks. *See* Ex. C, Attachment 6 (NY website).

16           85. Specifically, Defendant's MasterCard Accused Products infringe the Asserted  
17 Claims by providing a multifunction card system, containing at least one debit/medical services  
18 card. *See* Ex. C. In addition, the MasterCard Accused Products have a BIN approved by the  
19 American Banking Association. This BIN allows Defendant to properly route payment  
20 transactions within the banking network. *See* Ex. B at ¶¶ 58-61. Defendant's MasterCard Accused  
21 Products are available to individuals participating in a healthcare benefits program located in this  
22 district and throughout the United States. *See* Ex. C.

23           86. Upon information and belief, Defendant is in the business of selling and offering  
24 for sale the MasterCard Accused Products to customers throughout the United States, including  
25 within the state of California. Defendant owns, operates, or leases all equipment in the infringing  
26 system, or alternatively exercises direction and control over the operation of all equipment in the  
27 infringing system in order to provide the benefit of debit/medical services cards to its customers.  
28 *See* Ex. C.



1           87.     Upon information and belief, Defendant employs staff (e.g., an IT department) to  
2     operate the Processing Hub in order to interface with, install, configure, manage, monitor, test, and  
3     control the debit/medical services cards and other equipment in the infringing multifunction card  
4     system. *See* Ex. C.

5           88.     By using the infringing networks, making and configuring the systems, and selling  
6     products generated through the use of the systems, Defendant has directly infringed one or both of  
7     the Asserted Claims. *See* Ex. C. On information and belief, Defendant installed, tested,  
8     configured, and serviced equipment in the infringing system, thereby making and using the  
9     systems disclosed in the Asserted Claims and infringing those claims under 35 U.S.C. § 271(a).

10          89.     Defendant undertook and continues its infringing actions despite an objectively  
11     high likelihood that such activities infringed the Asserted Claims which are presumed valid  
12     pursuant to 35 U.S.C. § 282(a). For example, since at least June 9, 2015, Defendant has been  
13     aware of an objectively high likelihood that its actions constituted and continue to constitute  
14     infringement of the Asserted Claims and that these claims are valid.

15          90.     Defendant's use of the infringing networks, the making and configuration of the  
16     systems, and the sale of products generated through the use of the systems constitutes direct  
17     infringement of the Asserted Claims of the '608 Patent. *See* Ex. C.

18          91.     On information and belief, Defendant could not reasonably, subjectively believe  
19     that its actions do not constitute infringement of the Asserted Claims. Despite that knowledge and  
20     subjective belief, and the objectively high likelihood that its actions constitute infringement,  
21     Defendant has continued its infringing activities. As such, Defendant has willfully infringed  
22     and/or will continue to willfully infringe the Asserted Claims.

23          92.     On information and belief, Defendant has intentionally induced and continues to  
24     induce infringement of the Asserted Claims and has committed contributory infringement in this  
25     district and elsewhere in the United States, by providing the hardware and/or software necessary  
26     for its customers to make or use the infringing multifunction card system.

27          93.     On information and belief, despite knowledge of the '608 Patent as early as June  
28     15, 2015 (*see* Ex. D, Ex. E), Defendant continues to encourage, instruct, enable, and otherwise

1 cause its customers to sell the MasterCard Accused Products in a manner which infringes the  
2 Asserted Claims. Defendant receives revenue from the provision of, sale and use of the  
3 MasterCard Accused Products. Defendant has specifically intended its customers to use the  
4 MasterCard Accused Products in its infringing systems in such a way that infringes the Asserted  
5 Claims by, at a minimum, providing and supporting the MasterCard Accused Products and  
6 instructing its customers on how to use them in an infringing manner, at least through information  
7 available on Defendant's website including information brochures, promotional material, and  
8 contact information. *See* Ex. C.

9 94. On information and belief, Defendant knew that its actions, including, but not  
10 limited to any of the aforementioned MasterCard Accused Products, would induce, have induced,  
11 and will continue to induce infringement by its customers by continuing to sell, support, and  
12 instruct its customers on using the MasterCard Accused Products. *Id.*

13 95. On information and belief, Defendant contributes to the infringement of one or both  
14 of the Asserted Claims by its customers. Acts by Defendant that contribute to the infringement of  
15 these customers include providing the Processing Hub, which is capable of authorizing, approving,  
16 and declining payments at healthcare providers and pharmacies for eligible services, goods, and  
17 prescriptions. The use of the Processing Hub computers is especially adapted for use in the  
18 infringing systems, and it has no substantial non-infringing uses. On information and belief,  
19 Defendant knew or should know that such activities contribute to its customers' infringement of  
20 the Asserted Claims.

21 96. On information and belief, despite knowledge of the '608 Patent as early its receipt  
22 of the 2015 Notice Letter (*see* Ex. D, Ex. E), Defendant continued to encourage, instruct, enable,  
23 and otherwise cause its customers to sell the MasterCard Accused Products in a manner which  
24 infringes the Asserted Claims. Defendant receives revenue from the provision of and sale of the  
25 MasterCard Accused Products. Defendant has specifically intended its retailers and customers to  
26 use the MasterCard Accused Products in its infringing systems in such a way that infringes the  
27 Asserted Claims by, at a minimum, providing and supporting the MasterCard Accused Products  
28 and instructing its customers on how to use them in an infringing manner, at least through

1 information available on Defendant's website including information brochures, promotional  
2 material, and contact information.

3 97. On information and belief, Defendant knew that its actions, including, but not  
4 limited to any of the aforementioned MasterCard Accused Products, would induce, have induced,  
5 and will continue to induce infringement by its customers by continuing to sell, support, and  
6 instruct its customers on using the MasterCard Accused Products. *Id.*

7 98. On information and belief, Defendant contributes to the infringement the Asserted  
8 Claims by its customers, providers and/or retailers of the MasterCard Accused Products. Acts by  
9 Defendant that contribute to the infringement of these retailers include providing the POS devices  
10 and bank Processing Hub computers which are capable of initiating the activation process. On  
11 information and belief, Defendant knew or should know that such activities contribute to its  
12 customers', providers', and retailers' infringement of the Asserted Claims.

13 99. As of its receipt of the AlexSam's Notice Letter dated June 16, 2015, WageWorks  
14 knew of the '608 Patent and performed acts that it knew, or should have known, induced and/or  
15 contributed to the direct infringement of the Asserted Claims by its customers, providers, and/or  
16 retailers. *See* Ex. D, Ex. E.

17 100. Defendant's aforesaid activities have been without authority and/or license from  
18 Plaintiff.

19 101. Plaintiff has complied with the marking requirements of 35 U.S.C. §287(a).

20 102. Plaintiff is entitled to recover from Defendant the damages sustained by Plaintiff as  
21 a result of Defendant's wrongful acts in an amount subject to proof at trial, which, by law, cannot  
22 be less than a reasonable royalty, together with interest and costs as fixed by this Court under 35  
23 U.S.C. § 284.

24 103. Plaintiff is entitled to recover from Defendant enhanced damages sustained by  
25 Plaintiff as a result of Defendant's willful infringement due to Defendant's knowledge of its  
26 infringement prior to the filing of this matter, as allowed under 35 U.S.C. § 284.

### 27 **JURY DEMAND**

28 104. Plaintiff demands a trial by jury on all issues.

**PRAYER FOR RELIEF**

105. Plaintiff respectfully requests the following relief:

- A. An adjudication that the Asserted Claims have been infringed, either literally and/or under the doctrine of equivalents, by the Defendant;
- B. An adjudication that Defendant has induced infringement of the Asserted Claims;
- C. An adjudication that Defendant has contributed to the infringement of the Asserted Claims;
- D. An adjudication that Defendant's infringement of the Asserted Claims has been willful;
- E. An award of damages to be paid by Defendant adequate to compensate Plaintiff for Defendant's past infringement, including interest, costs, and disbursements as justified under 35 U.S.C. § 284 and, if necessary to adequately compensate Plaintiff for Defendant's infringement, an accounting of all infringing sales including, but not limited to, those sales not presented at trial;
- F. That this Court declare this to be an exceptional case and award Plaintiff its reasonable attorneys' fees and costs in accordance with 35 U.S.C. § 285; and,
- G. Any further relief that this Court deems just and proper.

1 Dated: November 6, 2019

Respectfully submitted,

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**LIST OF EXHIBITS**

- A. United States Patent No. 6,000,608
- B. Expert Declaration Of Ivan Zatkovich Regarding Claims 32 And 33 Of U.S. Patent No. 6,000,608
- C. Infringement Analysis
- D. Notice Letter dated June 9, 2015
- E. July 7, 2015 Letter Responding to Notice Letter dated June 9, 2015