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TELEMAC CORPORATION

10
11 UNITED STATES DISTRICT COURT
12 FOR THE NORTHERN DISTRICT OF CALIFORNIA
13

14 TELEMAC CORPORATION, a Delaware
corporation,
15 Plaintiff,
16 v.
17 TELEDIGITAL, INC., a Delaware Corporation;
TELE DIGITAL DEVELOPMENT, INC. a
18 Minnesota Corporation and DOES 1 through 20,
inclusive
19 Defendants.
20

Civil Action No.: C04 4696 SI
COMPLAINT FOR PATENT INFRINGEMENT
[JURY TRIAL DEMANDED]

21 Plaintiff TELEMAC CORPORATION (“Telemac”) complains of Defendants
22 TELEDIGITAL, INC. (“Teledigital”) and TELE DIGITAL DEVELOPMENT, INC. (“TDD”) as
23 follows:
24

25 **NATURE OF THE CASE**

26 1. This is a civil action arising out of the patent laws of the United States.
27 Telemac is the California-based inventor of handset-based software and related technologies for
28 billing wireless phone services on a “prepaid”, “credit limit” and certain other bases, and has

1 received numerous U.S. and international patents in recognition of its pioneering work in this
2 field.

3 2. Defendants, related companies based in Minnesota, sell wireless phones
4 that include specialized software, as well as other software, permitting billing on a prepaid and
5 postpaid "credit limit" basis. In so doing, Defendants have continuously infringed Telemac's
6 patents pertaining to prepaid and postpaid wireless billing technologies in willful disregard of
7 those patents.

8 3. Telemac asks this Court to enjoin Defendants' continuing violation of
9 Telemac's patents and to impose upon Defendants damages for their infringement of Telemac's
10 intellectual property.

11
12 **THE PARTIES**

13 4. Plaintiff Telemac, formerly known as Telemac Cellular Corporation, is a
14 corporation duly organized and existing under the laws of the State of Delaware. While Telemac
15 was formerly located in this judicial district at Danville, California, Telemac now has its
16 principal place of business at 6701 Center Drive West, Suite 700, Los Angeles, California 90045.

17 5. On information and belief, Defendant Teledigital is a Delaware
18 corporation with its principal place of business at 1325 East 79th Street, Suite 6, Bloomington,
19 Minnesota. Teledigital is a technology company that sells products and services for the wireless
20 communications industry and does infringing business in this judicial district. In a sworn
21 declaration, Teledigital's Vice President of Engineering has admitted that Teledigital phones
22 "were used in the Napa Valley area" of this judicial district.

23 6. On information and belief, Defendant TDD is a subsidiary of Teledigital
24 and a Minnesota corporation with its principal place of business at 1325 East 79th Street, Suite 6,
25 Bloomington, Minnesota. TDD is a technology company that sells products and services for the
26 wireless communications industry and does infringing business in this judicial district. In a
27 sworn declaration, TDD's Vice President of Engineering has admitted that Teledigital phones
28 "were used in the Napa Valley area" of this judicial district.

1 7. Telemac is ignorant of the true names and capacities of those individual
2 and entity Defendants sued fictitiously as DOES 1 through 20, inclusive, and is informed and
3 believes that these Defendants are legally responsible in some manner or capacity for the
4 damages complained of. Upon ascertaining the name or names of these Defendants, Telemac
5 will amend this Complaint to reflect their true names and capacities.

6 8. Telemac is informed and believes that each of the named Defendants and
7 fictitiously named Defendants was the agent, principal, employee, alter ego, controlling person
8 or co-conspirator of each of the remaining Defendants, and in doing the acts herein alleged, was
9 acting within the scope of this agency, conspiracy, or relationship and with the permission and
10 consent of the other remaining Defendants, and each and every Defendant ratified and confirmed
11 the acts of each and every other Defendant (all Defendants collectively are referred to herein as
12 the "Defendants").

13 **JURISDICTION AND VENUE**

14 9. This is a civil action arising out of the patent laws of the United States.
15 This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1338 [Patent Jurisdiction].

16 10. Plaintiff is informed and believes that Defendants, through one or more
17 distributors, sell and distribute infringing cell phones that are capable of being used and have
18 been used in this judicial district. In a sworn declaration, Defendants' Vice President of
19 Engineering has admitted that Teledigital phones "were used in the Napa Valley area" of this
20 judicial district. Consequently, personal jurisdiction over Defendants is vested in the United
21 States District Court for the Northern District of California because Defendants are, at a
22 minimum, purposefully shipping and selling, through intermediaries, infringing telephones to
23 customers in California, and that the shipping and selling are ongoing and continuous. See,
24 Beverly Hills Fan Co. v. Royal Sovereign Corp., 21 F.3d 1558, 1563 (Fed.Cir. 1994)

25 11. Plaintiff is informed and believes that venue is proper in the United States
26 District Court for the Northern District of California pursuant to 28 U.S.C. §§ 1391 and 1400(b)
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28

1 because, this is a judicial district where Defendants do business and have committed acts of
2 infringement.

3 4 STATEMENT OF FACTS

5 12. Plaintiff Telemac is an innovator in the field of
6 cellular telephones, particularly, prepaid or “debit” cellular telephones. Traditionally, cellular
7 telephone service in the United States has been offered on a “post-paid” basis under which the
8 user of a cellular telephone receives a bill at the end of each month and then pays for airtime
9 used. Recognizing that a market existed for individuals that are unable to obtain traditional
10 cellular telephone service due to lack of credit, or merely prefer to avoid use of credit with
11 respect to cellular phone services, two basic *prepaid* billing technologies were developed: (a) an
12 older technology that is referred to as “network-centric” or “switch-based”, and (b) a more recent
13 technology that is known as “network-independent,” “network-edge”, or “handset-based.” The
14 majority of subscribers for prepaid cellular service use switch-based services under which most
15 of the hardware and accounting software is installed at the carrier’s “switch”, at substantial cost
16 to the carrier.

17 13. As an alternative to the expensive and cumbersome switch-based prepaid
18 technology, Telemac developed a handset-based prepaid technology in which most of the
19 accounting software is incorporated directly into the cellular or “mobile” telephone, or with
20 respect to certain cellular technologies that utilize a smart card, Telemac’s software may be
21 incorporated into the smart card, which is then inserted into the mobile phone. In operation,
22 Plaintiff Telemac’s handset-based, real-time accounting system internally calculates cellular
23 charges “on the fly” using a billing algorithm that can classify calls (*e.g.*, free calls and paid
24 calls) and internally debit appropriate charges from a representation of prepaid funds stored in
25 the cellular telephone. In the industry and in Telemac’s patents, such cellular telephones, using
26 Telemac’s real time accounting system, are sometimes referred to as “debit telephones”.

27 14. In a similar manner, Telemac’s handset based technology can be used in a
28 “post-paid” “credit limit” wireless program. In this instance, the handset-based real-time

1 accounting system applies the calculated charge to an account stored in the handset that
2 represents available credit.

3 15. As recognition for the innovation of Telemac's "debit telephone"
4 technology, Plaintiff was duly and legally awarded U.S. Patent No. 5,577,100 ("100 patent") on
5 November 19, 1996, and U.S. Patent No. 6,198,915 B1 ("915 patent") on March 6, 2001. Both
6 patents are entitled "Mobile Phone With Internal Accounting" and are based upon the same
7 parent application. As recognition for the innovation of Telemac's "credit limit" technology,
8 Plaintiff was duly and legally awarded U.S. Patent No. 6,650,887 ("887 patent") on November
9 18, 2003. This patent is entitled "Mobile Phone System with Host Processor Coordination And
10 Internal Mobile Phone Accounting Capabilities" and is based on the same patent application as
11 the '100 and '915 patents. Additionally, Plaintiff was duly and legally awarded U.S. Patent No.
12 6,480,710 ("710 patent") on November 12, 2002, and U.S. Patent No. 6,625,439 ("439 patent")
13 on September 23, 2003. Both patents are entitled "System and method for managing prepaid
14 wireless service" and are based upon the same parent application. Telemac is the owner of all
15 right and title to the '100, '915, '710, '439 and '887 patents, including all right to recover for
16 infringement of these patents. A copy of the '100 patent is attached as Exhibit "A" to this
17 Complaint. A copy of the '915 patent is attached as Exhibit "B" to this Complaint. A copy of
18 the '887 patent is attached as Exhibit "C" to this Complaint. A copy of the '710 patent is
19 attached as Exhibit "D" to this Complaint. A copy of the '439 patent is attached as Exhibit "E" to
20 this Complaint.

21 16. Telemac has entered into license agreements to permit the broader
22 commercialization of its handset-based prepaid technology, including license agreements with
23 mobile phone manufacturers, smart card manufacturers, and wireless operators and resellers in
24 the United States and internationally. A mobile phone sold under license from Telemac is herein
25 referred to as a "Telemac-enabled®" mobile phone. Today, more than 10 million Telemac-
26 enabled® telephones have been sold worldwide under license from Telemac. Telemac receives
27 royalty payments from certain handset manufacturers that are licensed to incorporate Telemac's
28 technologies in handsets they manufacture, and from wireless operators that are licensed to

1 provide prepaid or other cellular services to customers using Telemac's technologies and mobile
2 phones manufactured by licensed handset manufacturers.

3 17. Telemac repeatedly advised Defendants regarding Telemac's patents.
4 Defendants have also cited Telemac's patents in filings they have made with the U.S. Patent
5 Office.

6
7 **FIRST CAUSE OF ACTION (AGAINST ALL DEFENDANTS)**
8 **INFRINGEMENT OF U.S. PATENT NO. 5,577,100**
9 [35 U.S.C. §271]

10 18. Plaintiff realleges and incorporates by reference paragraphs 1 through 17.

11 19. Defendants infringe, contribute to the infringement of, and actively induce
12 others to infringe, Plaintiff's '100 patent by making, using, and selling infringing cellular
13 telephone products and services, all in the United States.

14 20. Defendants' infringement of the '100 patent is willful, deliberate, and in
15 conscious disregard of Plaintiff's patent rights, making this an exceptional case within the
16 meaning of 35 U.S.C. §§ 284 and 285.

17 21. Defendants will continue to infringe the '100 patent, and thereby cause
18 irreparable injury to Plaintiff, unless enjoined and restrained by this Court.

19 22. As a result of Defendants' willful and deliberate infringement of the '100
20 patent, Plaintiff Telemac has been damaged in an amount to be determined at trial.

21 **SECOND CAUSE OF ACTION (AGAINST ALL DEFENDANTS)**
22 **INFRINGEMENT OF U.S. PATENT NO. 6,198,915 B1**
23 [35 U.S.C. §271]

24 23. Plaintiff realleges and incorporates by reference paragraphs 1 through 17.

25 24. Defendants infringe, contribute to the infringement of, and actively induce
26 others to infringe, Plaintiff's '915 patent by making, using, and selling infringing cellular
27 telephone products and services, all in the United States.

1 25. Defendants' infringement of the '915 patent is willful, deliberate, and in
2 conscious disregard of Plaintiff's patent rights, making this an exceptional case within the
3 meaning of 35 U.S.C. §§ 284 and 285.

4 26. Defendants will continue to infringe the '915 patent, and thereby cause
5 irreparable injury to Plaintiff, unless enjoined and restrained by this Court.

6 27. As a result of Defendants' willful and deliberate infringement of the '915
7 patent, Plaintiff Telemac has been damaged in an amount to be determined at trial.

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9 **THIRD CAUSE OF ACTION (AGAINST ALL DEFENDANTS)**
10 **INFRINGEMENT OF U.S. PATENT NO. 6,480,710**
11 [35 U.S.C. §271]

12 28. Plaintiff realleges and incorporates by reference paragraphs 1 through 17.

13 29. Defendants infringe, contribute to the infringement of, and actively induce
14 others to infringe,
15 Plaintiff's '710 patent by making, using, and selling infringing cellular telephone products and
16 services, as well as operating infringing debit telephone systems, that incorporate infringing debit
17 telephone software, all in the United States.

18 30. Defendants' infringement of the '710 patent is willful, deliberate, and in
19 conscious disregard of Plaintiff's patent rights, making this an exceptional case within the
20 meaning of 35 U.S.C. §§ 284 and 285.

21 31. Defendants will continue to infringe the '710 patent, and thereby cause
22 irreparable injury to Plaintiff, unless enjoined and restrained by this Court.

23 32. As a result of Defendants' willful and deliberate infringement of the '710
24 patent, Plaintiff Telemac has been damaged in an amount to be determined at trial.

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26 **FOURTH CAUSE OF ACTION (AGAINST ALL DEFENDANTS)**
27 **INFRINGEMENT OF U.S. PATENT NO. 6,650,887**
28 [35 U.S.C. SEC. 271]

41. Plaintiff realleges and incorporates by reference
paragraphs 1 through 17.

1 42. Defendants infringe, contribute to the infringement of, and actively induce
2 others to infringe, Plaintiff's '887 patent by making, using, and selling infringing cellular
3 telephone products and services, all in the United States.

4 43. Defendants' infringement of the '887 patent is willful, deliberate, and in
5 conscious disregard of Plaintiff's patent rights, making this an exceptional case within the
6 meaning of 35 U.S.C. §§ 284 and 285.

7 44. Defendants will continue to infringe the '887 patent, and thereby cause
8 irreparable injury to Plaintiff, unless enjoined and restrained by this Court.

9 45. As a result of Defendants' willful and deliberate infringement of the '887
10 patent, Plaintiff Telemac has been damaged in an amount to be determined at trial.

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13 **FIFTH CAUSE OF ACTION (AGAINST ALL DEFENDANTS)**

14 **INFRINGEMENT OF U.S. PATENT NO. 6,625,439**

15 [35 U.S.C. §271]

16 46. Plaintiff realleges and incorporates by reference paragraphs 1 through 17.

17 47. Defendants infringe, contribute to the infringement of, and actively induce
18 others to infringe, Plaintiff's '439 patent by making, using, and selling infringing cellular
19 telephone products and services, all in the United States.

20 48. Defendants' infringement of the '439 patent is willful, deliberate, and in
21 conscious disregard of Plaintiff's patent rights, making this an exceptional case within the
22 meaning of 35 U.S.C. §§ 284 and 285.

23 49. Defendants will continue to infringe the '439 patent, and thereby cause
24 irreparable injury to Plaintiff, unless enjoined and restrained by this Court.

25 50. As a result of Defendants' willful and deliberate infringement of the '439
26 patent, Plaintiff Telemac has been damaged in an amount to be determined at trial.

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28 WHEREFORE, Plaintiff TELEMAC CORPORATION prays for judgment
against Defendants, and each of them, as follows:

1 A. That Plaintiff Telemac’s ‘100 ‘915, ‘710, ‘439 and ‘887 patents be adjudged
2 to be infringed;

3 B. That Defendants Teledigital and TDD and all of their officers, employees,
4 agents, alter egos, or anyone acting on their behalf, and all other persons in active concert or
5 participation with them who receive actual notice of the injunction, by personal service or
6 otherwise, be preliminarily and permanently enjoined from:

7 1. Manufacturing, importing, advertising, promoting, marketing,
8 offering for sale, selling, using or disposing of infringing “Teledigital” cellular
9 phones;

10 2. Continuing infringement upon Plaintiff Telemac’s ‘100 ‘915, ‘710,
11 ‘439 and ‘887 patents;

12 3. Otherwise operating any infringing debit or credit limit
13 telephone systems;

14 4. Programming infringing debit or credit limit telephone
15 software into a cellular telephone;

16 5. Using an over-the-air connection to program information into
17 an infringing debit telephone;

18 6. Manufacturing, importing, advertising, promoting,
19 marketing, offering for sale, selling, using or disposing of infringing cellular
20 telephones and any other cellular telephones into which infringing debit or credit
21 limit telephone software has been integrated; and

22 7. Aiding and abetting any other party to operate infringing
23 debit or credit limit telephone software;

24 C. That Defendants Teledigital and TDD and all of their officers, employees,
25 agents, alter egos, or anyone acting on their behalf, and all other persons in active concert or
26 participation with them who receive actual notice of the injunction, by personal service or
27 otherwise, be ordered to recall, from their dealers and all others in the chain of commerce, all
28 infringing cellular telephones and to destroy all digital and hard copies of any software, source

1 code, specifications, diagrams and documentation in their possession, custody, or control relating
2 to infringing debit and credit limit telephone software;

3
4 D. That as part of the prayed for injunction, that this Court order Defendants to
5 recall from their dealers all infringing cellular telephones;

6 E. That Plaintiff be awarded damages in an amount to be determined at trial
7 based on Defendants' infringement of Plaintiff Telemac's '100,'915,'710, '439 and '887 patents.

8
9 F. That Plaintiff be awarded damages under 35 U.S.C. § 284(a) adequate to
10 compensate it for patent infringement, which are in no event less than a reasonable royalty,
11 together with interest and costs as fixed by the Court;

12 G. That the damages awarded to Plaintiff in connection with Defendants'
13 willful patent infringement be trebled pursuant to 35 U.S.C. §284(b);

14 H. That Defendants be ordered to make a written report within in a
15 reasonable period, to be filed with the Court, detailing the manner of compliance with the
16 requested injunctive and mandatory relief above;

17 I. That Plaintiff be awarded its reasonable attorneys' fees and costs of suit
18 under 35 U.S.C. §285;

19 J. That Plaintiff is awarded such other relief as the Court may deem just and
20 proper.

1 Dated: November 4, 2004

TOWNSEND and TOWNSEND and
CREW LLP

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5 By: /s/ Guy W. Chambers
6 Guy W. Chambers,
7 Attorney for Plaintiff
8 Telemac Corporation

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JURY TRIAL DEMAND

Plaintiff TELEMAC CORPORATION hereby demands a jury trial on all issues as provided by Federal Rule of Civil Procedure 38(a).

Dated: November 4, 2004

TOWNSEND and TOWNSEND and
CREW, LLP

By: // Guy W. Chambers

Guy W. Chambers,
Attorney for Plaintiff
Telemac Corporation

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