

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SCIENTIFIC GAMES
INTERNATIONAL, INC.,

Plaintiff,

v.

OBERTHUR GAMING
TECHNOLOGIES CORP.,

Defendant

CIVIL ACTION FILE

NO. 1:02-CV-3224-TWT

JURY TRIAL DEMANDED

SECOND AMENDED COMPLAINT FOR DECLARATORY JUDGMENT

Pursuant to the Consent Order Amending Discovery Schedule dated February 9, 2005, Plaintiff SCIENTIFIC GAMES INTERNATIONAL, INC. (“Scientific Games”) files this its Second Amended Complaint for Declaratory Judgment against Defendant OBERTHUR GAMING TECHNOLOGIES CORP. (“OGTC”), to plead additional grounds for OGTC's inequitable conduct:¹

¹ During discovery, Scientific Games has learned that OGTC has placed its U.S. patent numbers on products that would not be covered by the patent claims if certain of OGTC's claim construction positions are adopted by the Court. Therefore, if those claim construction positions prevail, Scientific Games specifically reserves the right to amend its Complaint to assert claims for false marking and damages pursuant to 35 U.S.C. § 292.

PARTIES

1.

Plaintiff Scientific Games is a Delaware corporation having its principal place of business at 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia 30004.

2.

Defendant OGTC is a Delaware corporation having its principal place of business at 9999 Westover Hills Blvd., San Antonio, TX 78251. OGTC may be served with this Second Amended Complaint by and through its counsel of record in this action.

JURISDICTION AND VENUE

3.

This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331, 1338, 2201 and 2202, on the grounds that Scientific Games seeks a declaration of its rights against a threat of patent infringement made by Defendant OGTC.

4.

Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b) and (c).

FACTS

5.

Scratch-off instant game tickets are well known products in the printing industry. Such tickets typically comprise a substrate such as paper, paperboard or foil coated paper, having at least one area printed with a removable ink, such as an opaque latex ink, which can be removed by scratching or rubbing to reveal additional information, such as whether a prize has been won. The removable scratch-off layer may also be overprinted with designs using standard or reactive inks to enhance the aesthetics and/or security of the ticket.

6.

Scratch-off instant game tickets are produced for and distributed by many different types of entities, including commercial businesses, casinos, cruise lines, non-profit organizations, fundraising organizations, and government sanctioned lotteries. Such tickets may be used in public or private lotteries operated by these or any other types of individuals or entities.

7.

Scratch-off instant game tickets are printed using many standard printing techniques including, for example, flexography, lithography, gravure, inkjet and screen printing. Scratch-off instant game tickets can also be printed using

"process" printing, a decades-old technique which applies screened halftone images of a limited number of colors to produce potentially numerous other colors and/or shades. A common example of process printing is 4-color process printing, in which four colors (cyan, magenta, yellow and black, or "CMYK") are separated from a design into halftone images of each color. Halftone images typically consist of small dots of equal distance center to center which can vary in size depending on the intensity of the particular color required to reproduce the design. The halftone images of each color are then applied to the printed product separately, resulting in a representation of the original design, including colors. For example, if a an original design includes orange areas, dots of yellow and magenta will be printed in those areas with appropriate relative sizes so that when the printed product is viewed without magnification, the area appears orange. With magnification, however, the separate yellow and magenta dots can be distinguished easily.

8.

Printing with screened halftones has been well known in the printing industry for more than 100 years. Process printing with multiple screened halftones has been known since at least the early 20th Century. Multicolor process printing techniques, including two-, four-, six- and seven-color process printing,

have been widely used in printing a host of products, including magazines, newspapers, posters, books, advertisements, brochures, product labels, greeting cards and anything else requiring the reproduction of color graphical images, all before OGTC's claimed invention.

9.

Multicolor process printing has been used to print lottery tickets, including printing two or more screened halftone images over scratch-off layers, since long before OGTC sought patent protection for such technology and, upon information and belief, since long before OGTC's claimed invention of such technology.

10.

Scientific Games provides a full range of products, integrated systems and services to both instant ticket and on-line lotteries around the world, public and private. Scientific Games began serving the instant ticket lottery industry when it invented the secure instant lottery ticket for the Massachusetts Lottery in 1974. Scientific Games produces billions of secure instant tickets annually using a variety of printing techniques, including printing screened halftone images over scratch off layers.

11.

Scientific Games is one of two primary competitors to OGTC within the lottery products and services industry. The other primary competitor is Pollard Banknote Limited (“Pollard”), a Canadian company that provides scratch-off tickets to numerous state lotteries in the United States. Collectively, Scientific Games, Pollard and OGTC account for the majority of scratch-off lottery ticket production in the United States.

12.

OGTC claims to be the holder of all right, title and interest in United States Patent No. 5,704,647 (the ‘647 patent), United States Patent No. 5,803,504 (the ‘504 patent), Canadian Patent No. 2,176,175 and European Patent No. EP 0830187 all of which are entitled “Multicolor Overprinting of Scratch-Off Lottery Tickets” and all of which purport to claim inventions relating to the production of lottery tickets using multiple screened halftone colors over scratch-off layers. Each of these patents contains claim language that is extremely similar and in some instances identical to the others. OGTC asserts that its FourReal™ technology for printing instant game tickets, allegedly developed in 1995, is covered by the claims of these patents.

13.

On or about July 28, 1998, OGTC notified Scientific Games by letter of OGTC's ownership of the '647 patent. The letter proclaimed OGTC's intention to enforce its intellectual property where necessary (Exhibit 1).

14.

On or about October 27, 1998, OGTC repeated via a second letter its claim to ownership of the '647 patent, and added notice of ownership of a related European Patent Application. The letter stated that OGTC would "take appropriate steps to enforce" its intellectual property rights where necessary (Exhibit 2).

15.

On or about November 5, 1998, OGTC sent a third letter to Scientific Games asserting OGTC's ownership of two pending European Patent Applications (covering claims similar to the '647 and '504 patents), and reasserted OGTC's intention to vigorously enforce its intellectual property rights. The letter further announced OGTC's intention to notify Scientific Games' customers in Belgium and Denmark that Scientific Games likely infringed the claims of the pending patent applications (Exhibit 3).

16.

On or about November 12, 1998, Scientific Games informed OGTC by letter that it had obtained an opinion of counsel stating that the claims of the '647 patent were invalid (Exhibit 4).

17.

After Scientific Games and OGTC exchanged a number of letters (*see* Exhibits 5-8), representatives of Scientific Games, OGTC and Pollard met in Alpharetta, Georgia on or about September 14, 1999 to discuss the claims of OGTC's pending European Patent applications. During this meeting Scientific Games and Pollard presented OGTC with relevant prior art that significantly limited and/or invalidated the claims of the '647 and '504 patents.

18.

On or about March 23, 2001, OGTC sent a fourth letter to Scientific Games. The fourth letter dismissed the prior art presented and stated that OGTC believed the '647 and '504 patents, as well as the related Canadian and European patents, were valid and enforceable. OGTC alleged that Scientific Games was selling and offering to sell lottery tickets that were covered by valid claims of the aforementioned patents and that this activity "constitute[d] on infringement of

[OGTC's] intellectual property rights." OGTC declared its intention to take "appropriate measures" to enforce its intellectual property rights (Exhibit 9).

19.

On or about May 21, 2001, Scientific Games informed OGTC by letter that it had obtained an updated and revised opinion of counsel stating that the claims of the '647 and '504 patents were invalid and/or unenforceable (Exhibit 10).

20.

On or about September 5, 2002, OGTC filed a patent infringement suit against Pollard in the Federal Court of Canada. OGTC's complaint alleges that Pollard infringes multiple claims of Canadian Patent No. 2,176,175 entitled "Multi-Color Overprinting of Scratch-Off Lottery Tickets" with claims similar to those of the '647 and '504 patents.

21.

On or about November 1, 2002, OGTC issued a press release announcing the recent grant of European Patent No. EP 0830187 with claims covering OGTC's FourReal™ technology for producing lottery tickets via multi-color overprinting. The press release stated OGTC's belief that the FourReal™ technology covered by the European patent and similar claims of the '504 patents has been widely copied. The press release repeated OGTC's intention to "make all efforts to enforce" its

intellectual property, which the release made clear included at least the '504 United States patent (Exhibit 11). Scientific Games has appealed the grant of OGTC's European patent. The press release appeared on OGTC's own website as well as the website LotteryInsider.com, an on-line trade journal directed at the global lottery industry.

22.

Upon information and belief, OGTC has falsely stated to customers and/or potential customers of Scientific Games that Scientific Games could not produce lottery tickets with multicolor process printing over a scratch-off layer without infringing on OGTC's patents. OGTC has never made an offer to license its patents to Scientific Games, no licensing negotiations have ever taken place, and such negotiations have never been discussed.

23.

OGTC's repeated and continuing allegations of infringement against Scientific Games have created an actual, justiciable case or controversy between Scientific Games and OGTC with respect to the alleged infringement, validity and enforceability of OGTC's '647 and '504 patents.

24.

OGTC has made its repeated and continuing allegations and threats of infringement against Scientific Games despite the fact that multicolor process printing with screened halftones over scratch-off layers was well-known and/or obvious long before OGTC sought patent protection for such technology and, upon information and belief, long before OGTC's claimed inventions in the '647 and '504 patents.

25.

The application resulting in the '647 patent was filed on February 5, 1996. This patent contains claims directed to a method for printing lottery tickets.

26.

The application resulting in the '504 patent was filed February 4, 1997. This patent is a continuation-in-part of the '647 patent and contains claims similarly directed to a method for printing lottery tickets.

27.

At least one year prior to February 5, 1996 J.W. Howitt & Son sold, offered for sale and put into public use scratch-off lottery ticket products manufactured by a multi-color screened printing process. Examples of these tickets include the "Play Bread" ticket sold and distributed throughout the United Kingdom by a chain

of bakeries called The Baker's Oven, the "Younger's Tartan Special" ticket, and the "Jorden Rundt" sold and distributed in Denmark by the daily newspaper *Ekstra Bladet*.

28.

Each of the tickets listed in Paragraph 26 anticipates and/or renders obvious the claims of the '647 and '504 patents.

29.

At least one year prior to February 5, 1996 Scientific Games sold, offered for sale and put into public use scratch-off lottery ticket products printed with multiple screened halftone colors printed over the scratch-off area. Examples of these tickets include a product entitled "Buried Treasure" that was sold to the Delaware State Lottery and New Hampshire Sweepstakes Commission, and a product entitled "Dig for Dough" that was sold to the Maine State Lottery.

30.

The New Hampshire version of the "Buried Treasure" product was manufactured for Scientific Games by Dittler Brothers, Inc. ("Dittler"), a specialty printing enterprise.

31.

While the applications for the '647 and '504 patents were pending, OGTC acquired a significant portion of Dittler's business, including Dittler's contracts with certain government-sanctioned lotteries, and hired numerous former Dittler employees involved in that business. As a result of the Dittler transaction, OGTC gained extensive knowledge about the state of the art of lottery ticket production, including Dittler's knowledge of the prior use, sale and offer for sale of 4-color process printing and screened halftones over scratch-off layers.

32.

Each of the lottery ticket products listed in Paragraph 28 anticipates and/or renders obvious the claims of the '647 and '504 patents. None of the lottery tickets listed in Paragraph 26, including the New Hampshire product, were disclosed to the United States Patent & Trademark Office, despite OGTC's knowledge of them, either as a result of the Dittler transaction or otherwise, during or before the pendency of the applications for the '647 and '504 patents.

33.

At least one year prior to February 5, 1996, Dittler sold, offered for sale and put into public use scratch-off tickets manufactured with multiple screened halftone colors printed over the scratch-off layer, including 4-color process

overprinting. Examples of these tickets include the "Horizon" integral display ticket offered for sale to the Texas Lottery in January 1995, the "Road to Riches" ticket offered for sale to the Minnesota Lottery in November 1994 and the Washington State Lottery in December 1994, and the "A Maze'n Money" integral display ticket offered for sale to the Minnesota Lottery in November 1994, the Washington State Lottery in December of 1994, and the Texas Lottery in January 1995.

34.

In addition, Dittler publicly distributed the "Road to Riches" and "A Maze'n Money" tickets, along with another 4-color process overprinted ticket called "Monte Carlo" at an industry trade show held by the European association of state lotteries in May 1995 in the Netherlands ("1995 AELLE Congress"). OGTC representatives attended the 1995 AELLE Congress, obtained samples of these Dittler tickets, and brought them back to OGTC's headquarters in Montreal.

35.

Dittler conceived and reduced to practice tickets printed with 4-color process printing and multiple screened halftone colors over the scratch-off layer before OGTC conceived or reduced to practice the alleged invention claimed in the '647 and '504 patents.

36.

On March 21, 1995, Dittler filed an application with the United States Patent Office which issued as U.S. Patent No. 5,569,512 ("the '512 Patent") on October 29, 1996. The application for the '512 patent disclosed 4-color process printing over the scratch-off layer which "permits creation of vibrant graphics in virtually all colors" to enhance the tickets' aesthetics and security, and to decrease the cost of printing.

37.

OGTC disclosed the '512 patent to the U.S. Patent office only in connection with the '504 patent application, but did so in a deceptive and misleading way. During the prosecution of the '504 patent, while the '647 patent application was still pending, OGTC substituted the Borowski reference (U.S. Patent No. 5,193,854) with the Brawner reference (the '512 patent). The "Detailed Description of the Invention" of the '504 patent retained statements about the Borowski reference, despite the absence of the Borowski reference in OGTC's disclosure of prior art, and OGTC mischaracterized the '512 patent in the written description of the '504 patent as only dealing with flat colors.

38.

Dittler's tickets, proposals, public disclosures and/or patent applications, including those described above (collectively, "the Dittler References"), anticipate and/or render obvious the claims of the '647 and '504 patents.

39.

OGTC knew about the Dittler References while the OGTC patents were pending before the U.S. Patent Office, but either failed to disclose them to the Patent Office while the '647 and/or the '504 patent application were pending, or in the case of the '512 patent mischaracterized it completely. For example, during the pendency of the application that issued as the '647 patent, OGTC learned of Dittler's invention called Megacolor (covered by the '512 patent). OGTC believed that Dittler's "invention [was] based on the well-known technique of using screens to obtain more than 3 colors." OGTC believed the Megacolor invention was material to the patentability of the inventions claimed in the '647 and '504 patents, and knew the Examiner would have considered the information material to the patentability of the claims of the '647 and '504 patents. Nonetheless, OGTC failed to disclose the Megacolor invention to the United States Patent & Trademark Office in connection with OGTC's application for and prosecution of the '647 and '504 patents.

40.

OGTC knew that an Examiner would have considered the Dittler references material to the patentability of the claims of the '647 and '504 patents. OGTC failed to disclose the Dittler references to the United States Patent & Trademark Office in connection with OGTC's application for and prosecution of the '647 and '504 patents.

41.

Multicolor process printing techniques and half-tone screening were generally well known to the printing industry years before February 5, 1996. These techniques are described in standard printing industry texts such as *The Lithographer's Manual* (8th ed.) edited by Ray Blair and Thomas Destree, and published by Graphic Arts Technical Foundation, Inc. (1988) (the "Blair reference"). These techniques are additionally described in *Flexography: Principles and Practices* (4th Ed.), edited by Frank N. Siconolfi, and published by the Foundation of Flexographic Technical Association, Inc. (1991) (the "Siconolfi reference").

42.

The Blair reference, viewed in combination with lottery ticket products and/or the knowledge of a person of ordinary skill in the art prior to February 5, 1996 renders the '647 and '504 patents invalid for obviousness.

43.

The Siconolfi reference, viewed in combination with lottery ticket products and/or the knowledge of a person of ordinary skill in the art prior to February 5, 1996, renders the '647 and '504 patents invalid for obviousness.

44.

OGTC is not new to the printing industry. OGTC traces its corporate lineage back to Canadian companies that began printing security documents of all types in the year 1866. OGTC holds itself out as having printed lottery tickets since 1970. Upon information and belief, OGTC knew of the printing techniques disclosed in the Blair and/or the Siconolfi references as a result of its longstanding involvement in the printing industry, and particularly the production of lottery tickets. OGTC knew that an Examiner would have considered information of this type material to the patentability of the claims of the '647 and '504 patents. OGTC failed to disclose either the Blair or the Siconolfi references to the United States

Patent & Trademark Office in connection with OGTC's application for and prosecution of the '647 and '504 patents.

45.

During prosecution of the '647 patent attempted to claim priority to its earlier U.S. patent application 03/528055 ("the '055 application"). The '055 application disclosed two references to the U.S. Patent and Trademark Office: U.S. Patent Nos. 4,326,631 and 4,647,182. OGTC knew that an Examiner would have considered this information material to the patentability of the claims of the '647 and '504 patents, but OGTC failed to disclose either U.S. Patent Nos. 4,326,631 and 4,647,182 to the United States Patent & Trademark Office in connection with OGTC's application for and prosecution of the '647 and '504 patents.

46.

OGTC's failure to disclose U.S. Patent Nos. 4,326,631 and 4,647,182 to the U.S. Patent & Trademark Office renders the '647 and '504 patents unenforceable due to inequitable conduct.

COUNT I
DECLARATORY JUDGMENT OF INVALIDITY
OF U.S. PATENT NO. 5,704,647

47.

Scientific Games incorporates by reference the allegations contained in paragraphs 1-47, above, as if set forth verbatim herein.

48.

Patent No. 5,704,647 and each claim thereof is invalid for failing to comply with the conditions of patentability as specified in Title 35 of the United States Code, including 35 U.S.C. §§ 102, 103 and/or 112.

COUNT II
DECLARATORY JUDGMENT OF UNENFORCEABILITY
OF U.S. PATENT NO. 5,704,647 FOR INEQUITABLE CONDUCT

49.

Scientific Games incorporates by reference the allegations contained in paragraphs 1-48, above, as if set forth verbatim herein.

50.

OGTC knew of and failed to disclose to the Patent Office the references described in paragraphs 26-45, above.

51.

The information OGTC failed to disclose constitutes information the Examiner would have considered important in determining whether to issue the '647 patent.

52.

OGTC's failure to disclose such information was willful and intended to deceive, and constitutes inequitable conduct.

53.

The '647 patent is therefore unenforceable due to OGTC's inequitable conduct.

COUNT III
DECLARATORY JUDGMENT OF UNENFORCEABILITY
OF U.S. PATENT NO. 5,704,647 FOR PATENT MISUSE

54.

Scientific Games incorporates by reference the allegations contained in paragraphs 1-53 above, as if set forth verbatim herein.

55.

OGTC has expressly charged Scientific Games with infringing the claims of the '647 patent and has made repeated threats to enforce its patents against its competitors, including Scientific Games as set forth above.

56.

The '647 patent is unenforceable because of OGTC's misuse of that patent in knowingly attempting to enforce an invalid and unenforceable patent.

COUNT V
DECLARATORY JUDGMENT OF INVALIDITY
OF U.S. PATENT NO. 5,704,504

57.

Scientific Games incorporates by reference the allegations contained in paragraphs 1-56, above, as if set forth verbatim herein.

58.

Patent No. 5,704,647 and each claim thereof is invalid for failing to comply with the conditions of patentability as specified in Title 35 of the United States Code, including 35 U.S.C. §§ 102, 103 and/or 112.

COUNT VI
DECLARATORY JUDGMENT OF UNENFORCEABILITY
OF U.S. PATENT NO. 5,704,504 FOR INEQUITABLE CONDUCT

59.

Scientific Games incorporates by reference the allegations contained in paragraphs 1-58 above, as if set forth verbatim herein.

60.

OGTC knew of and failed to disclose to the Patent Office the references described in paragraphs 26-45, above.

61.

The information OGTC failed to disclose constitutes information the Examiner would have considered important in determining whether to issue the '504 patent.

62.

OGTC's failure to disclose such information was willful and intended to deceive, and constitutes inequitable conduct.

63.

The '504 patent is therefore unenforceable due to OGTC's inequitable conduct.

COUNT VII
DECLARATORY JUDGMENT OF UNENFORCEABILITY
OF U.S. PATENT NO. 5,704,504 FOR PATENT MISUSE

64.

Scientific Games incorporates by reference the allegations contained in paragraphs 1-63 above, as if set forth verbatim herein.

65.

OGTC has expressly charged Scientific Games with infringing the claims of the '504 patent and has made repeated threats to enforce its patents against its competitors, including Scientific Games, as set forth above.

66.

The '504 patent is unenforceable because of OGTC's misuse of that patent in knowingly attempting to enforce an invalid and unenforceable patent.

CLAIMS FOR RELIEF

WHEREFORE, Plaintiff Scientific Games International requests that:

1. The Court declare that the '647 patent, and each claim thereof, is invalid;
2. The Court declare that the '647 patent is unenforceable due to Defendant's inequitable conduct;
3. The Court declare that the '647 patent is unenforceable due to Defendant's misuse of that patent.
4. The Court declare that the '504 patent, and each claim thereof, is invalid;
5. The Court declare that the '504 patent is unenforceable due to Defendant's inequitable conduct;

6. The Court declare that the '504 patent is unenforceable due to Defendant's misuse of that patent.

7. The Court grant Plaintiff Scientific Games such other and further relief as may be deemed appropriate and just.

JURY DEMAND

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Scientific Games hereby demands a trial by jury of all issues so triable in this matter.

Respectfully submitted, this 8th day of July, 2005.

/s/ Daniel A. Kent

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CERTIFICATE OF SERVICE

I hereby certify that on this day, I electronically filed “**Second Amended Complaint for Declaratory Judgment**” with the Clerk of Court using the CM/ECF System which will automatically send e-mail notification of such filing to the following attorneys of record:

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