

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

PERFORMANCE SYSTEMS GROUP, INC.))	CIVIL ACTION NO.:
and LW ACQUISITIONS, LLC,)	
)	
Plaintiffs,)	
)	_____
v.)	
)	
KROY IP HOLDINGS, LLC,)	JURY TRIAL DEMANDED
)	
Defendant.)	
_____)	

COMPLAINT FOR DECLARATORY JUDGMENT

PERFORMANCE SYSTEMS GROUP, INC. and LW ACQUISITION, LLC, (“Plaintiffs”) file this Complaint against KROY IP HOLDINGS, LLC and states as follows:

I. Introduction

1.

This Declaratory Judgment action is necessary to alleviate uncertainty and insecurity imposed upon by Plaintiffs by Defendant’s patent enforcement allegations and practices. Defendant’s practices have created a dark cloud, making it difficult or impossible for Plaintiffs to proceed with their business activities and plans.

II. Parties

2.

Plaintiffs Performance Systems Group, Inc. and LW Acquisition, LLC are both organized and existing under the laws of the State of Georgia with their principal places of business at 2337 Perimeter Park Drive, Suite 220, Atlanta, Georgia 30341.

3.

Defendant Kroy IP Holdings is a company organized in April 2011 under the laws of the State of Delaware with a principal place of business at 301 South Fremont Avenue, Suite 300, Baltimore, Maryland 21230.

4.

Defendant can be served with process upon its Registered Agent, which is Harvard Business Services, Inc. at 16192 Coastal Highway, Lewes, Delaware 19958.

III. Subject Matter Jurisdiction

5.

This is an action for declaratory relief of noninfringement and invalidity of United States Patent 6,061,660.

6.

The claims in this Complaint arise under the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202, which provides that “any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration.”

7.

This Court has subject matter jurisdiction over this dispute pursuant to Title 35 of the United States Code and 28 U.S.C. §§ 1331, 1338(a) and 2201(a).

8.

The facts supporting this Court’s exercise of subject matter jurisdiction are detailed below.

IV. Personal Jurisdiction

9.

This Court has personal jurisdiction over Defendant.

10.

Defendant’s activities have caused injury to Plaintiffs in the State of Georgia and Defendant is therefore subject to personal jurisdiction here.

V. Venue

11.

Venue is proper in the United States District Court for the Northern District of Georgia pursuant to 28 U.S.C. §§ 1391(b), 1391(c), and 1391(d), 1400(b), 2201, and 2202 because Plaintiffs have been harmed and threatened and may be found in Georgia and within this district and division.

VI. Factual Allegations Applicable to All Counts

a. Parties' and Their Businesses

12.

PSG is an award-winning incentive and reward program systems provider that specializes in the design, development and management of Web-based incentive technology solutions.

13.

PSG's primary product is RewardTrax®, which is software which makes it easy to create, launch and manage business incentive and reward programs. RewardTrax® can be used to manage programs to improve employee morale, improve job satisfaction, boost sales, promote customer loyalty or motivate other behaviors critical to a company's success.

14.

PSG owns two federal trademark registrations for the REWARDTRAX Mark: RewardTrax® word mark, Reg. No. 3333862 and RewardTrax® stylized mark, Reg. No. 3333863.

15.

LW Acquisition is a service company which licenses and administers the RewardTrax® program which is owned by PSG.

16.

LW Acquisition owns and operates the website at www.loyaltyworks.com.

17.

Defendant was incorporated on April 7, 2011 in the State of Delaware and commenced a patent infringement suit, described below, in the Eastern District of Texas.

18.

Defendant claims to be “the legal owner of all the rights” under United States Patent No. 6,061,660, entitled “System and Method for Incentive Programs and Award Fulfillment” (hereinafter referred to as “’660”). A copy of ‘660 is attached hereto as Exhibit A.

b. The Texas Patent Infringement Suit Filed by Defendant

19.

On June 23, 2011, Defendant filed a patent infringement suit against four Defendants: (1) Loyalty Works, Inc., (2) Frosch International Travel, Inc., (3) ACI Worldwide Inc. and (4) Capita Technologies, Inc. The suit was filed in the United States District Court of the Eastern District of Texas and was assigned Civil Action no. 6:11-cv-330. (Hereinafter the “Texas Suit”). A copy of the Complaint is attached hereto as Exhibit B.

20.

In the Texas Suit, Defendant contends to have the exclusive right to sell within the United States products falling within the scope of the ‘660 Patent and the exclusive right to claim damages arising from infringement of ‘660.

21.

Defendant does not assert in the Texas Suit that it practices the invention purportedly covered by the ‘660 Patent.

22.

While not naming PSG as a defendant in the Texas Suit, Defendant directly asserts therein that PSG’s RewardTrax® program infringes the ‘660 Patent. (Texas Suit Complaint, ¶ 13 (Exhibit B hereto)).

23.

While not naming LW Acquisition as a defendant in the Texas Suit, Defendant directly asserts therein that the RewardTrax® and “other incentive programs and promotions . . . available at www.loyaltyworks.com,” which is owned by LW Acquisition, infringe the ‘660 Patent. (Texas Suit Complaint, ¶ 13 (Exhibit B hereto)).

24.

In the Texas Suit, Defendant alleges that competitors of Plaintiffs have products which also infringe ‘660.

c. Plaintiffs’ Products and Related Efforts

25.

Plaintiffs have expended substantial amounts of time, money and resources in RewardTrax®.

26.

Such expenditures have been necessary to develop, manufacture, sell, distribute, deploy and use the RewardTrax® software and program.

27.

As a result of its efforts and expenditures, Plaintiffs’ RewardTrax® program is complete, successful and fully marketable.

28.

PSG intends to license RewardTrax® to others and, in fact, that is a significant portion of PSG's planned business activity.

29.

LW Acquisition intends to continue to administer and service RewardTrax® for others and, in fact, that is a significant portion of LW Acquisition's planned business activity.

30.

Plaintiffs' uncertainty and insecurity is exacerbated by Defendant's allegation that "other incentive programs" or "promotions programs" on www.loyaltyworks.com, which is owned by LW Acquisition, directly or indirectly infringe '660.

31.

Plaintiffs' uncertainty and insecurity is also exacerbated by Defendant's lawsuit in Texas against Plaintiffs' competitors.

32.

Plaintiff's uncertainty and insecurity is further exacerbated by the fact that Defendant was incorporated in April 2011 and promptly filed suit in the Eastern District of Texas.

33.

Especially since Defendant has alleged that Plaintiffs' RewardTrax® program infringes '660, Plaintiffs are concerned that they will be sued by Defendant. This creates uncertainty about whether and how Plaintiffs can proceed with their respective businesses, for example, whether PSG should license the RewardTrax® software to others and whether LW Acquisition can use and administer RewardTrax® for others.

34.

Given the totality of the circumstances, Defendant's Texas Suit, including its allegation that Plaintiffs' RewardTrax® software infringes '660, Plaintiffs are forced into uncertainty and have a dark cloud hovering over their business activities and plans.

35.

The express allegations that RewardTrax® and "other incentive programs and promotions programs" on www.loyaltyworks.com infringe '660, coupled with the Defendant's suit against Plaintiffs' competitors and coupled with the fact that Defendant incorporated and then promptly filed a patent infringement suit all create a substantial case or controversy.

36.

The substantial case or controversy described herein meets the requirements of Article III of the United States Constitution and is of sufficient immediacy and reality between Plaintiffs and Defendant to warrant the grant of declaratory relief.

VII. Counts

Declaratory Judgment Count One Noninfringement of U.S. Patent No. '660

37.

The allegations set forth in Paragraphs 1 through 36 and 41 through 46 are incorporated herein by reference.

38.

A case or controversy exists between Plaintiffs and Defendant concerning '660 which necessitates a declaration of rights by the Court.

39.

The creation, sale, distribution and use of the RewardTrax® program or of any “other incentive programs” or “promotions programs” on www.loyaltyworks.com do not directly or indirectly infringe any valid claim of '660.

40.

Plaintiffs are entitled to a declaratory judgment that they have not directly or indirectly infringed and are not now infringing any valid claim of '660.

Declaratory Judgment Count Two
Invalidity of U.S. Patent '660

41.

The allegations set forth in Paragraphs 1 through 40 and in 45 and 46 are incorporated herein.

42.

There is an actual, substantial, and justiciable controversy between Plaintiffs and Defendant concerning the invalidity of '660 which requires a declaration of rights by this Court.

43.

'660 is invalid because the purported inventions therein fail to meet the conditions of patentability set forth in 35 U.S.C. §§ 102, 103 and/or § 112.

44.

Therefore, Plaintiffs are entitled to a declaration that '660 is invalid.

VIII. Jury Demand

45.

Plaintiffs demand a trial by jury on all issues so triable.

IX. Prayer for Relief

46.

Plaintiffs respectfully request that the Court enter declaratory judgment, relief, and Order against Defendant as follows:

- a. a declaration that Plaintiffs have not and are not directly or indirectly infringing any valid claim of '660;
- b. a declaration that the claims of '660 are invalid;
- c. an injunction enjoining Defendant from asserting or enforcing '660 or threatening the same against Plaintiffs (as used herein, "Plaintiffs" and "Defendant" refers to their parents, related companies, successor, assigns, manufacturers, distributors and purchasers and users of the RewardTrax® program);
- d. enjoining Defendant from interfering with, or threatening to interfere with, the marketing, distribution, sale and use of the RewardTrax® program by Plaintiffs;
- e. a declaration that this suit is exceptional under 35 U.S.C. § 285 and for an award to Plaintiffs of their costs, expenses and reasonable attorney's fees; and

f. an award of such other and further relief as this Court may deem just and proper.

Respectfully submitted this 1st day of July, 2011.

LILENFELD PC

s/David M. Lilenfeld

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