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November 30, 1993

Mr. Arthur R. Hair  
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Dear Art:

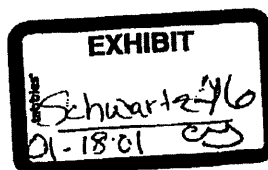
I have reviewed C.D. de Jongh's memo dated November 22, 1993, concerning your U.S. Patent 5,191,573. He has cited two patents, U.S. Patent 4,538,179 and 4,654,799 as prior art, which deserve consideration; however, your patent is not anticipated by or obvious from either patent. Furthermore, your patent would be literally infringed, or infringed under the doctrine of equivalents by the transfer of audio or video signals from a first memory in possession and control of a first party to a second memory in possession and control of a second party if the transfer is a result of the second party using a telecommunication line in some way to ultimately cause money to be paid to the first party for the transfer; unless it was authorized by you.

Prior Art

Referring first to the cited prior art patents, U.S. Patent 4,654,799 to Ogaki et al., was cited in your patent's prosecution and is not of issue, however, for sake of argument, your patent is not anticipated by or obvious from U.S. Patent 4,654,799 for the following reasons:

In Ogaki et al., there is no teaching or suggestion of "transferring money electronically via a telecommunications line" as is found in independent Claims 1 and 4 of your patent. In contrast, Ogaki et al. only teaches to physically insert money into "a paper-money inlet 19 through which a 1000-yen bill is inserted into the instrument 1: a 100-yen coin slot 20 through which a 100-yen coin is deposited; and a 10-yen coin slot 21 for depositing a 10-yen coin". See column 4, lines 20-25 of Ogaki et al. "A paper-money detector 53 and a coin detector 54 are provided to detect bills (paper-money) and coins deposited through the paper-money inlet 19 and the coin slots 20, 21." Signals from these detectors are used by a first CPU 44 to initiate transfer of the program. See column 7, lines 32-37 of Ogaki et al.

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Furthermore, Ogaki et al. does not teach or suggest the transmission of any type of signals in "digital" form as is found in your patent's claims. Ogaki et al. only teaches to transfer software programs, not audio or video digital signals.

Moreover, in Ogaki et al., there is no teaching or suggestion of "the second party . . . in possession of the second memory" or "in possession of the second receiver". Ogaki et al. teaches a vending system where the peripheral vending instruments 1 are visited by a purchaser who pays money to buy software programs. The purchaser is never taught to be "in possession" of the vending instrument 1. Similarly, the software program purchased by the purchaser in Ogaki et al. is transferred to a cassette 25 stored in the vending instrument 1. See column 4, lines 58-61. Only after the program is transferred to the cassette and it is released by the vendor instrument 1 through the cassette tray 31 is it in possession of the purchaser. Thus, the cassette is not in "possession" of the "second party" during the step of "transferring money electronically . . . at a location remote from the second memory", as found in Claims 1 and 4.

Referring to U.S. Patent 4,538,179 to Nakajima et al., it does not anticipate or make obvious your patent for the following reasons:

With respect to Nakajima et al., there is no teaching or suggestion of "transferring money electronically" as found in your independent Claims 1 and 4. For that matter, there is no discussion whatsoever about financial aspects of transferring video or audio signals. Its focus is directed to routers and combining audio and video signals together in a time-division multiplexed environment.

#### Infringement - Literal

In regard to what would constitute an infringement of your patent, the language of the claim or claims of a patent is the measure of the exclusive rights conferred by the patent. Thus, any infringement of the patent involves construction and interpretation of the language of the claims. In interpreting the claims, the courts consider not only the literal meaning of its terms but also the prior art and the prosecution history of the patent in the Patent and Trademark Office, otherwise known as the prosecution history. Lemelson v. General Mills, Inc., 968 F.2d 1202 (Fed. Cir. 1992). In relevant part, the limitation at issue

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of Claims 1 and 4<sup>1</sup> in Mr. de Jongh's memo is the step of "transferring money electronically via telecommunications lines". The literal interpretation of this limitation cannot mean physically sending money electronically through telecommunication lines, so the literal interpretation must mean something else. The prior art and the prosecution history of your patent must be considered to determine the literal interpretation of this limitation.

A review of the prosecution history of your patent reveals the term transferring money electronically refers to using credit cards, debit cards, charge accounts or the like, in some way with telecommunication lines so money is caused to be paid by the second party to the first party, but without the first party having to collect coins from the second party. See, for instance, the response to the Patent Office dated June 23, 1992 on page 18. Furthermore, the amendments and arguments for patentability were based on distinguishing the possession and control of the second memory and the second receiver, and how the sales between the first and second party occurred in regard to U.S. Patent 3,990,710 to Hughes and U.S. Patent 3,718,906 to Lightner cited against your application by the Patent Office. The Hughes patent only taught using coins or bills which were inserted into the vending machine of the first party; and the Lightner patent, while teaching to use credit cards over telecommunication lines, taught the second memory and second receiver were in the possession and control of the first party. There were no arguments for patentability based on the specific forms of the sales. Thus, the interpretation of the claim language regarding "transferring money electronically" is not limited by statements made during the prosecution of your patent. Accordingly, any form of payment that utilizes telecommunication lines and does not require coins to be collected by the first party is covered by the language "transferring money electronically".

Furthermore, Claim 1 or Claim 4 has to cover more than the use of credit cards. This is because Claim 3 and Claim 7 are dependent claims to Claim 1 and Claim 4, respectively. Claims 3 and 7 more specifically define the step of "transferring money electronically" to be "providing a credit card number of the second party to the first party". Consequently, by the doctrine of claim differentiation, Claims 1 and 4 must have the transferring step be interpreted broader than using a credit card or there would be no

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<sup>1</sup>/ Claims 1 and 4 are the only independent claims of your patent. All the other claims are dependent to them. Independent claims are always broader in the protection they afford, than their dependent claims. This is because the dependent claims have additional limitations. A limitation is a feature or aspect of the claim, such as having to "transfer money electronically via telecommunication lines" that needs to be present to infringe the claim. Each element and each limitation of a claim needs to be present to infringe a claim. Pennwalt Corp. v. Durand-Wayland, Inc., 833 F.2d 931 (Fed. Cir. 1987) cert. denied, 485 U.S. 961 (1988).

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difference between these independent and dependent claims.<sup>2</sup> Accordingly, any procedure whereby a connection between a first memory of a first party and a second memory of a second party occurs as a result of the second party connecting via telecommunication lines in some way with the first party for the purpose of causing money to be ultimately paid by the second party to the first party for the transfer of audio or video signals, is covered by your patent's claims.

#### Infringement - Doctrine of Equivalents

The aforesaid analysis identifies what would constitute literal infringement; that is, what do the claims cover based on what they mean. In an alternative analysis, the same conclusion in regard to the "transferring money electronically" step can be arrived at by the doctrine of equivalents. Under the doctrine of equivalents, a patentee must show that the accused process performs substantially the same function, in substantially the same way, to achieve substantially the same result as the claimed process for infringement to be found. Read Corp. v. Portec, Inc., 970 F.2d 816 (Fed. Cir. 1992). In the following analysis of the "transferring money electronically" step in regard to the doctrine of equivalents, it is very similar to the analysis of literal infringement. This is because statements made during prosecution may be used to (a) interpret claim language, and (b) find prosecution history estoppel. The two doctrines must be distinguished. Interpreting claims in view of the prosecution history applies as a preliminary step in determining literal infringement. Prosecution history estoppel applies as a limitation to the doctrine of equivalents after the claims have been properly interpreted and no literal infringement is found. Loctite Corp. v. Ultraseal Ltd., 781 F.2d 861 (Fed. Cir. 1985). The doctrine of prosecution history estoppel<sup>3</sup> limits the interpretation of claims so as to exclude any interpretation that may have been disclaimed or disavowed during prosecution to obtain claim allowance. Standard Oil Co. v. American Cyanamid Co., 774 F.2d 448 (Fed. Cir. 1985). As mentioned above, there were no amendments to the claims or limiting statements in the prosecution history of your patent to overcome prior art in regard to the limitation of "transferring money electronically"

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- 2/ The doctrine of claim differentiation states it is improper to read into an independent claim a limitation another claim set forth explicitly. The independent claim must be interpreted broader than the dependent claim or the existence of the independent claim would have no meaning. Whittaker Corp. v. VNR Industries, Inc., 911 F.2d 709 (Fed. Cir. 1990).
- 3/ It should be noted that if there is literal infringement, then the doctrine of file wrapper estoppel is irrelevant. Fromson v. Advance Offset Plate, Inc., 755 F.2d 1549 (Fed. Cir. 1985).

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itself.<sup>45</sup> Prosecution history estoppel does not bar the patentee from showing infringement by the doctrine of equivalents with respect to interpretation that have not been disclosed or disclaimed during prosecution. Read Corp., supra. Accordingly, the doctrine of equivalents is applicable to the "transferring money electronically" limitation. Furthermore, as explained above, the doctrine of claim differentiation is also applicable to cause the limitation of "transferring money electronically" to be interpreted broader than the limitation of "providing a credit card number". Consequently, such equivalence to the step of "transferring money electronically" includes paying by means of a subscription, paying by an additional fee on the telephone bill or a hotel bill or using a debit card or charging an account.

To better understand why subscribing, account charging, phone or hotel bill charging or debit card charging is equivalent to "transferring money electronically", the doctrine of equivalents is applied in regard to the limitation of Claims 3 and 7 of providing a credit card number. If the doctrine of equivalents is applied to this limitation of Claims 3 and 7, and Claims 1 and 4, respectively, must be broader than Claims 3 and 7, respectively, because of the doctrine of claim differentiation then it can be assumed that Claims 1 and 4 at least covers such equivalence.<sup>6</sup> First, in the prosecution history itself in the last amendment on page 18 before allowance of the claims, there is the statement "the user can use other forms of monies, besides coins, such as credit cards, charge accounts, debit cards or the like . . . [so] the owner is not burdened by having to come and collect the coins" as is required with a vending machine. Thus, the above-mentioned equivalences all achieve the same result in that no one has to "come and collect the coins". They all achieve the same function in that a debt or charge in a form other than coins is created by the second party with the first party. Additionally, they all are achieved in substantially the same way as with a credit card. When a credit card is used, a debt is ultimately created with the credit card company

- 4/ There were limitations added to the overall transferring step, such as "via telecommunication lines" or the second memory "in possession and control of the second party", and associated arguments to distinguish the prior art, but none in regard to the limitation of "transferring money electronically".
- 5/ There were also other changes to the claims, but these changes were to clarify and more clearly define the invention. Prosecution history estoppel does not bar reliance on the doctrine of equivalents when the patents did not amend the claims to avoid cited prior art, but to better define a patentable invention. Hi-Life Products, Inc. v. American National Water-Mattress Corp., 842 F.2d 323 (Fed. Cir. 1988).
- 6/ The limitation of "providing a credit card number" is also used because most people are familiar with the use of credit cards, and it is easier to then understand such an analysis.

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