IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

LOYALTY CONVERSION SYSTEMS CORPORATION,	§	
	§	
Plaintiff,	§	
	§	Case No. 2:13-CV-655
v.	§	
	§	
AMERICAN AIRLINES, INC., et al.,	§	
	§	
Defendants.	§	

CLAIM CONSTRUCTION MEMORANDUM OPINION AND ORDER

On August 28, 2014, the Court held a hearing to determine the proper construction of the disputed claim terms in United States Patent Nos. 8,313,023 ("the '023 patent") and 8,511,550 ("the '550 patent"), owned by plaintiff Loyalty Conversion Systems Corporation ("Loyalty"). After considering the arguments made by the parties at the hearing and in the parties' claim construction briefing (Dkt. Nos. 110, 113, and 115), the Court issues this Claim Construction Memorandum Opinion and Order.

I. BACKGROUND

On August 20, 2013, Loyalty filed separate actions against each of the nine defendants. All nine actions were later consolidated for all purposes except venue under the lead case, No. 2:13-cv-655. Case No. 2:13-cv-655, Dkt. No. 18. In its complaints, Loyalty asserted claims 31-34, 36-42, and 44-46 of the '023 patent, and claims 1-3 and 5-7 of the '550 patent against each of the nine defendants.

The ’023 patent, entitled “Exchange of Non-Negotiable Credits of an Entity’s Rewards Program for Entity Independent Funds,” is directed to a system by which non-negotiable credits earned in an awards program (such as airline frequent flyer miles or hotel loyalty award points) can be converted into credits that can be used to purchase goods or services from a vendor other than the issuing entity. The ’550 patent, entitled “Graphical User Interface for the Conversion of Loyalty Points Via a Loyalty Point Website,” is directed to a graphical user interface, such as a website, that includes a conversion option that, as in the ’023 patent, allows the conversion of non-negotiable credits earned from one entity into a form that can be used to purchase goods or services from another vendor.

The common specification of the two patents explains that loyalty rewards issued to customers are typically redeemable with the granting entity or its affiliates, but not with other unaffiliated entities. The lack of transferability reduces the attractiveness of the rewards to customers and leads to some customers having modest amounts of rewards from multiple providers, none of which have significant value to the customer. In addition, the specification cites delays in processing requests for redemption of awards and the expiration of awards as discouraging consumers from participating in awards programs. ’023 patent, col. 1, line 18, through col. 2, line 11; ’550 patent, col. 1, line 37, through col. 2, line 32.

Other aspects of the invention described in the common specification are (1) “a software method for converting non-negotiable credits into negotiable funds,” in which the conversion of non-negotiable credits into negotiable funds at an agreed-upon conversion rate is automatically determined and the conversion transaction automatically performed; and (2) a “Web-based credit to fund conversion system,” in which the negotiable funds obtained through conversion of non-

negotiable credits can be used for e-commerce purchases from vendors that do not honor the non-negotiable credits. '023 patent, col. 2, line 66, through col. 3, line 24; '550 patent, col. 3, ll. 21-46.

II. DISCUSSION

Only three groups of terms or phrases from the two patents are in dispute: In the '550 patent, the parties dispute the meaning of the phrase "to convert." In the '023 patent, the parties dispute the meaning of the term "transfer[s] or conversion[s]," and the related term "conversion or transfer." Also at issue are the phrase "the at least one of the one or more computers" and the phrase "the one or more non-transitory computer-related mediums" in claims 31 and 39 of the '023 patent, respectively. The plaintiff contends that none of those terms needs construction, as each should be given its plain and ordinary meaning. The defendants disagree. In their view, the terms "convert," "transfer[s] or conversion[s]," and "conversion or transfer" should all be construed to mean conversions that occur approximately immediately. The defendants contend that the phrases "the at least one of the one or more computers" and "the one or more non-transitory computer-related mediums," are both indefinite for lack of proper antecedent bases, and that the claims in which those terms appear are therefore invalid on indefiniteness grounds.

A. "To Convert," "Transfer[s] or Conversion[s]," and "Conversion or Transfer"

The plaintiff argues that the phrases "transfer[s] or conversion[s]" and "conversion or transfer," used in the '023 patent, and the phrase "to convert," used in the '550 patent, should be given their plain and ordinary meaning. The defendants argue that each of those phrases should be construed to mean "to convert in an approximately immediate fashion." The Court concludes that the disputed terms should be given their plain and ordinary meaning and that they are not

used in the ’023 and’550 patents in a way to require that they be accorded the narrower meaning advocated by the defendants.

The claim language contains nothing that would support the defendants’ argument that the disputed phrases, and in particular the term “convert,” as those phrases are used in the patents, mean “to convert in an approximately immediate fashion.” To the contrary, the context in which the phrases are used in the claims suggests that the terms are intended to be accorded their ordinary meaning in common parlance. In particular, several dependent claims in the ’550 patent, claims 7, 15, and 19, recite methods in which the customer’s selection of the conversion option and the updating of the Web page or pages in accordance with the selection is done “within a single user-interactive Web session” or a “single user-interactive session.”

Loyalty argues that the presence of those dependent claims, in which the entire transaction (and thus the conversion) is approximately immediate, indicates that the independent claims of the two patents are not limited to embodiments featuring “approximately immediate” transactions. The defendants respond that principles of claim differentiation are inapplicable here, because the defendants’ proposed construction would not render any of the dependent claims wholly superfluous. While that is so, the dependent claims, which are directed to processing “within a single user-interactive Web session” or “user-interactive session,” capture the concept of “approximately immediate” transactions. That is particularly clear because the specification states that the term “approximately immediate,” as used in the patents, signifies “that a transaction can occur within a single Web session.” ’023 patent, col. 2, ll. 42-43; ’550 patent, col. 2, ll. 63-64. The specification does not describe any other method of attaining “approximately immediate” results, so the presence of the dependent claims strongly suggests

that the independent claims do not require the entire transaction, including the conversion, to be conducted in a single web session. The specification thus supports Loyalty's argument that the terms "convert," "transfer," and "conversion," as used in the independent claims of the two asserted patents, are not limited to conversions and transfers that are "approximately immediate."

As support for their proposed construction, the defendants look to the common specification of the '023 and '550 patents. In particular, they focus on the portion of the specification that describes one of the problems encountered by consumers when redeeming non-negotiable credits: the time that such conversions can take. The specification explains that the steps of a conventional redemption

> often require days or weeks to complete. For instance, consumers participating in online entertainment sites often are required to wait a minimum of three days for their entertainment credits to be redeemed. Redemption delay can be particularly aggravating to e-commerce consumers, who by nature of an e-commerce marketplace expect rapid responses and immediate consumer gratification.

'023 patent, col. 1 ll. 47-54; '550 patent, col. 1, line 67 through col. 2 line 7. From this language, the defendants infer that the specification "clearly disparages prior-art conversion techniques based on the lengthy delay consumers experience in redeeming their non-negotiable credits." Dkt. No. 113, at 5. According to the defendants, the specification "expressly distinguishes the claimed invention on precisely this point," by stating that the invention overcomes the time problem by "providing systems and methods for converting non-negotiable credits into negotiable funds in an approximately immediate fashion." Id. The defendants then quote several excerpts from the specification in which the specification states that the invention permits consumers to convert non-negotiable credits "in an approximately immediate fashion"; that it "can have approximately immediate results"; that the entire method "can occur in an

DOCKET ALARM

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS
Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS
Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS
Sync your system to PACER to automate legal marketing.