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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

Blackhawk Network, Inc. an Arizona
corporation,

Plaintiff,

vs.

SL Card Company Inc., an Arizona
corporation; L3 Innovations LLC f/k/a
Linq3 Technologies, LLC, a Delaware
corporation; Linq3 Technologies, LLC,
a Florida corporation; Interactive
Communications International, Inc., a
Florida corporation; and e2Interactive,
Inc., a Georgia corporation,

Defendants.

No. CV-21-00813-PHX-MTL

**MOTION TO DISMISS SECOND
AMENDED COMPLAINT UNDER
FEDERAL RULES OF CIVIL
PROCEDURE 12(b)(1), 12(b)(2), and
12(b)(6) BY DEFENDANTS
INTERACTIVE
COMMUNICATIONS
INTERNATIONAL, INC. AND
E2INTERACTIVE, INC.**

(Oral Argument Requested)

I. INTRODUCTION

Pursuant to Federal Rules of Civil Procedure 12(b)(1), 12(b)(2), and 12(b)(6), Defendants Interactive Communications International, Inc. (“ICI”) and e2Interactive, Inc. (“e2”) collectively move to dismiss all Counts of Plaintiff Blackhawk Network, Inc.’s (“Blackhawk”) Second Amended Complaint (“SAC”).

First, this Court lacks subject matter jurisdiction over Blackhawk’s claims for correction of patent inventorship under 35 U.S.C. § 256 (Counts I and III), because Blackhawk lacks standing to bring such claims. Blackhawk has not alleged a financial, ownership, or other qualifying interest in the two e2-owned patents for which it seeks to correct inventorship. As such, Blackhawk has not established an “injury in fact” sufficient to confer standing to bring a § 256 claim. Absent such standing, the Court lacks subject matter jurisdiction not only over Blackhawk’s § 256 claims, but also over Blackhawk’s state law claims brought under 28 U.S.C. § 1367 (Counts II, IV-VII).

Second, the Court lacks personal jurisdiction over ICI and e2 related to Blackhawk’s § 256 claims. ICI and e2 are not subject to general jurisdiction in Arizona because they are foreign corporations, incorporated in Florida and Georgia, respectively, with principal places of business in Atlanta, Georgia. Additionally, ICI and e2 are not subject to specific personal jurisdiction because the SAC alleges no conduct by either ICI or e2 related to Blackhawk’s § 256 claims – the only claims for which Blackhawk has alleged original jurisdiction in this Court – directed to the state of Arizona. Rather, all conduct alleged in the SAC to be directed towards Arizona relates solely to certain of Blackhawk’s breach of contract claims. Because Blackhawk’s § 256 claims are the sole basis for the Court to exercise pendent personal jurisdiction over ICI and e2, in the absence of personal jurisdiction over those claims, the Court must dismiss those claims as well as Blackhawk’s state law claims.

Alternatively, the Court should dismiss Blackhawk’s breach of contract claims against ICI for failure to state a claim. ICI is not a party to the contract at issue nor is it a successor or assignee of any party to the contract. As such, ICI is not bound by the terms

of the contract and thus cannot be liable for any alleged breach.¹

II. RECITATION OF RELEVANT FACTS

A. Defendants and Their Respective Businesses

1. Defendants ICI and e2

Defendant ICI is a Florida corporation, and Defendant e2 is a Georgia corporation, and both are wholly-owned subsidiaries of HI Technology Corp, a Georgia corporation (formerly known as InComm Holdings, Inc.) (“HITC”) (Declaration of John F. Houseal attached as **Exhibit A** (“JFH Dec.”), ¶¶ 2-3). HITC, ICI, and e2 are all headquartered in Atlanta, Georgia (*id.*, ¶ 4). The HITC umbrella includes dozens of entities, both direct and indirect subsidiaries, that are generally referred to by the trade name “InComm” (the “InComm Family”) (*id.*, ¶ 5). The use of the “InComm” trade name does not refer specifically to ICI, e2, or any one particular subsidiary of HITC (*id.*).

Defendant ICI is a leading provider of prepaid and stored-value products and payment system solutions in the U.S. (*id.*, ¶ 6). ICI’s products (*e.g.*, gift cards, financial services cards, etc.) are sold by its retail partners at locations in every U.S. state (*id.*, ¶ 7). ICI’s product sales in Arizona are less than 2% of ICI’s total revenues (*id.*, ¶ 9). Defendant e2 was formed to hold the intellectual property used by the InComm Family of entities (*id.*, ¶ 10).

2. Defendants L3 Innovations LLC (“L3”) and SL Card Company, Inc. (“SL Card”)

Defendant L3 is a Delaware entity headquartered in Atlanta, Georgia (*id.*, ¶ 11). Before March 2019, L3 operated under the name Linq3 Technologies LLC and was engaged in the business of managing lottery programs and services, and developing, designing, and building gameplay lottery solutions (*id.*, ¶ 12). At that time, L3, who had (and has) no relationship with the InComm Family, owned all outstanding shares of stock of Defendant SL Card, an Arizona corporation (*id.*, ¶ 13).

¹ This Motion is also accompanied by a Good Faith Certificate Regarding Meet and Confer under LRCiv 12.1(c).

3. Defendant Linq3 Technologies LLC (“Linq3”)

In February of 2019, Defendant Linq3 was formed in Florida under the name Linq3 Acquisition LLC for the purpose of acquiring certain assets of Defendant L3 (*id.*, ¶ 14). Linq3 was and remains a direct subsidiary of PRE Solutions, Inc. (“PRE”), a Florida company headquartered in Atlanta and an indirect subsidiary of HITC (*id.*).

4. Defendant Linq3 Acquires Certain Assets of Defendant L3

On March 1, 2019, Defendant Linq3 acquired certain assets of Defendant L3, including (i) L3’s patents and patent applications; and (ii) L3’s ownership interest in Defendant SL Card (*id.*, ¶ 15). Linq3 did not acquire any employees from L3 (*id.*). After the acquisition, L3 changed its name from Linq3 Technologies LLC to L3 Innovations LLC, and, shortly thereafter, ceased its business operations (*id.*, ¶ 16). Also after the acquisition, ICI hired certain former L3 employees, Linq3 Acquisition LLC changed its name to Linq3 Technologies LLC, and Linq3 assigned the patent applications it acquired from L3 to e2 (*id.*, ¶¶ 17, 18).

B. The e2 Patents’ Focus on Authorized Locations

In June of 2018, L3 filed U.S. Patent Application No. 16/010,398 (the “398 App”) (SAC, ¶ 112), which issued on March 12, 2019 as U.S. Patent Nos. 10,229,561 (the “561 Patent”). The 561 Patent claims priority to 2012 through a long line of continuation-in-part applications (SAC, ¶ 151). On August 22, 2018, L3 filed U.S. App. No. 29/660,720 (the “720 App”) as a continuation of the 561 Patent (SAC, ¶ 116). The 720 App issued as design patent No. D877,812 (the “812 Patent”) on March 10, 2020 (the 561 and 812 Patents are collectively the “e2 Patents”) (*id.*).

The 561 Patent claims are directed to “gaming apparatuses” and “methods” for processing gaming transactions based on a user’s location (Declaration of Robin L. McGrath attached as **Exhibit B** (“RLM Dec.”), Ex. 4).² The specification explains that

² The cited Exhibits attached to the RLM Dec. are the subject of Defendants’ Request for Judicial Notice and Notice of Incorporation by Reference, filed contemporaneously herewith.

“existing sales solutions used on mobile devices such as handheld devices and smart phones are not appropriate for the sale of the lottery games” because they cannot ensure the device is within the borders of the regulating government as required by “regulatory restrictions” (*id.*, 1:54-61). The 561 Patent solves that problem by allowing players to play games on their mobile devices while ensuring they are in an authorized location. All claims of the 561 Patent recite a “user device,” *e.g.*, a mobile phone, “located in an approved location associated with a game” (*see id.*, *e.g.*, claim 59).

C. Blackhawk’s Relationship with the Ontario Lottery & Gaming Corporation

Blackhawk is a distributor of third-party branded gift cards that are sold through Blackhawk’s various retail partners (SAC, ¶ 59). Blackhawk operates a computer network through which it receives and acts on its retailers’ requests to activate Blackhawk-distributed gift cards (SAC, ¶ 60).

In April of 2016, Blackhawk acquired from the Ontario Lottery and Gaming Corporation (“Ontario Lottery”) a Canadian patent application related to lottery ticket processing (SAC¶ 65). That Canadian patent application issued as Canadian Patent Number 2,855,434 (the “434 Patent”) and names Ontario Lottery employee Gino Giunti as sole inventor (RLM Dec., Ex. 1). In August of 2016, Blackhawk acquired from Mr. Giunti the U.S. Patent application that issued as U.S. Patent No. 9,865,135 (the “135 Patent”) (RLM Dec., Ex. 6). The 135 Patent was amended to claim priority to the 434 Patent and likewise names Ontario Lottery employee Gino Giunti as sole inventor (*id.*). Thereafter, Blackhawk filed a continuation application that issued as U.S. Patent No. 10,769,894 (the “894 Patent”), again naming Mr. Giunti as sole inventor (the 135 and 894 Patents are collectively referred to as the “Blackhawk Patents”) (RLM Dec., Ex. 3).

The Blackhawk Patents relate to a system that the Ontario Lottery had developed many years earlier to activate draw lottery tickets at a retailer’s point of sale, which tickets the Ontario Lottery referred to as “QuickTicket.” In June of 2016, the Ontario Lottery filed for and subsequently received a Canadian Trademark registration for the

1 mark “QuickTicket” (RLM Dec., ¶ 8). In or around 2017, the Ontario Lottery contracted
 2 with Blackhawk’s Canadian subsidiary to have the subsidiary distribute the Ontario
 3 Lottery’s QuickTicket products to the subsidiary’s Ontario-based retailers (SAC, ¶ 64).

4 The SAC asserts that the specifications of the Blackhawk Patents describe two
 5 types of lottery tickets that can be processed through the systems and methods claimed in
 6 those Patents: (i) “pre-printed lottery tickets that do not have a draw date or wager (i.e.,
 7 lottery numbers) assigned or associated to the pre-printed ticket” (“Unnumbered Draw
 8 Tickets”) and (ii) “pre-printed tickets with pre-printed wagers on the ticket” (“Numbered
 9 Draw Tickets”) (SAC, ¶¶ 67-73). The SAC acknowledges, however, that only the 894
 10 Patent has claims capable of processing Numbered Draw Tickets (SAC, ¶¶ 72-73).

11 **D. The Product Distribution Agreement**

12 On January 1, 2017, Defendants SL Card and L3 entered into a Product
 13 Distribution Agreement (“PDA”) with Blackhawk to distribute the lottery products of L3
 14 and SL Card to Blackhawk’s U.S. retailers (ECF No. 52-1, Ex. A to SAC (“PDA”) at 1,
 15 20). L3 and SL Card negotiated the PDA with Blackhawk from Atlanta, Georgia (JFH
 16 Dec., ¶ 22). The principal focus of the PDA was an L3-developed lottery product called
 17 “Play Now,” described in the PDA as a “consumer solution” for “ticketless lottery
 18 transactions” (*id.*, ¶ 23). The PDA specified that the parties “may be requested to modify”
 19 the Play Now product “in order to obtain the Required Lottery Approvals” (PDA Ex. B, ¶
 20 (B)(1)(a)). One such “request to modify” came from the Texas Lottery Commission
 21 (“TLC”) because TLC did not permit lottery play on mobile devices (SAC, ¶ 97). L3 thus
 22 modified the product to use ticket stock paper that included security features that L3
 23 developed and lottery numbers concealed behind a scratch-off coating (JFH Dec., ¶ 26).
 24 At no time did L3 and SL Card travel to Arizona or deal with any Blackhawk employees
 25 located in Arizona in connection with its performance under the PDA (*id.*, ¶ 22).

26 **III. ARGUMENT AND CITATION OF AUTHORITY**

27 For the reasons set forth below, the Court should dismiss each of the counts
 28 Blackhawk has asserted against Defendants ICI and e2 pursuant to Federal Rules of Civil

1 Procedure 12(b)(1), (2) and/or (6).

2 **A. The Court Lacks Subject Matter Jurisdiction Over this Case**

3 Blackhawk must have standing to bring an action under 35 U.S.C. § 256 to correct
 4 the inventorship of a patent. *Chou v. Univ. of Chicago*, 254 F.3d 1347, 1357 (Fed. Cir.
 5 2001). To determine whether Blackhawk has standing, the Court is “free to weigh the
 6 evidence and satisfy itself as to the existence of its power to hear the case.” *Koster v.*
 7 *Whitaker*, 427 F. Supp. 3d 1140, 1145 (D. Ariz. 2019). Where a party does not have
 8 standing to bring § 256 claims, the Court must dismiss those claims for lack of subject
 9 matter jurisdiction under Article III. *See White v. Lee*, 227 F.3d 1214, 1242 (9th Cir.
 10 2000) (issues of standing “are properly raised in a motion to dismiss under Federal Rule
 11 of Civil Procedure 12(b)(1)”). Additionally, where a district court lacks subject matter
 12 jurisdiction over the claims that form the basis of the court’s original jurisdiction, the
 13 court must also dismiss all supplemental state law claims over which there is no
 14 independent subject matter jurisdiction. *See, e.g., Larson v. Correct Craft, Inc.*, 569 F.3d
 15 1319, 1326 (Fed. Cir. 2009) (“if the jurisdiction-conferring patent claim is dismissed for
 16 lack of standing, the district court cannot exercise supplemental jurisdiction over
 17 surviving state-law claims because there was never an Article III case or controversy”).

18 Blackhawk’s SAC alleges original jurisdiction only in connection with its claims
 19 for correction of inventorship under 35 U.S.C. § 256 (Counts I and III) (SAC, ¶ 26). For
 20 the remaining state law claims (Counts II, and IV - VII), the SAC asserts only
 21 supplemental jurisdiction under § 1367 (*id.*). Thus, if the Court lacks subject matter
 22 jurisdiction over Counts I and III because Blackhawk lacks standing to bring those
 23 claims, the Court must dismiss *all* counts in the SAC. *See Larson*, 569 F.3d at 1326.

24 **1. The Court Lacks Subject Matter Jurisdiction Over Blackhawk’s**
 25 **Inventorship Claims Under § 256**

26 Article III of the U.S. Constitution gives federal courts jurisdiction only over
 27 actual cases or controversies. *Already, LLC v. Nike, Inc.*, 568 U.S. 85, 90 (2013). “To
 28 state a case or controversy under Article III, a plaintiff must establish standing.” *Ariz.*

1 *Christian School Tuition Org. v. Winn*, 563 U.S. 125, 133 (2011). For standing, “a
 2 plaintiff must show (1) it has suffered ***an ‘injury in fact’*** that is (a) concrete and
 3 particularized and (b) actual or imminent, not conjectural or hypothetical; (2) the injury is
 4 fairly traceable to the challenged action of the defendant; and (3) it is likely, as opposed
 5 to merely speculative, that the injury will be redressed by a favorable decision.” *Friends*
 6 *of the Earth, Inc. v. Laidlaw Envtl. Servs. (TOC), Inc.*, 528 U.S. 167, 180-81 (2000)
 7 (emphasis added). At “the pleading stage, the plaintiff must clearly . . . allege facts
 8 demonstrating each element of standing.” *Spokeo, Inc. v. Robins*, — U.S. —, 136 S.Ct.
 9 1540, 1547 (2016) (citation and internal quotation marks omitted). Here, Blackhawk
 10 cannot establish standing to assert an inventorship claim against either ICI or e2 because
 11 the SAC does not properly allege that Blackhawk has suffered an injury in fact. *See, e.g.*,
 12 *Larson*, 569 F.3d at 1321 (dismissing § 256 claim for lack of standing where plaintiff
 13 could not show injury in fact).

14 To show an injury in fact related to the e2 Patents, Blackhawk must allege facts to
 15 show it has a “concrete financial interest” or, in some cases, a “reputational” interest, in
 16 those patents such that it can assert a § 256 claim on behalf of the inventor it seeks to add
 17 to the patents. *See Shukh v. Seagate Tech., LLC*, 803 F.3d 659, 663 (Fed. Cir. 2015); *Fina*
 18 *Oil & Chem. Co. v Ewen*, 123 F.3d 1466, 1471 (Fed. Cir. 1997); *Larson*, 569 F.3d at
 19 1321. Blackhawk has not shown and cannot show such interest.

20 Blackhawk’s § 256 inventorship claims are based on its assertion that the e2
 21 Patents allegedly include “new disclosures and embodiments” involving “a pre-printed
 22 physical draw lottery ticket, having preprinted numbers and opaque removable layers on
 23 its surface . . .,” *i.e.*, Numbered Draw Tickets (SAC, ¶¶ 153-155). The SAC alleges this
 24 newly-added concept of Numbered Draw Tickets constitutes “stolen patent rights” that
 25 are “based on pre-existing intellectual property owned by Blackhawk,” specifically, the
 26 Blackhawk Patents (SAC, ¶ 154). But it is Gino Giunti, an employee of the Ontario
 27 Lottery, not Blackhawk, who is the sole inventor on the Blackhawk Patents (RLM Dec.,
 28 Exs. 1-3). Mr. Giunti is not now and has never been an employee of Blackhawk. Thus,

1 even if Numbered Draw Tickets were, without more, a patentable invention, under
 2 Blackhawk's theory, it was Mr. Giunti who conceived that "invention" and thus Mr.
 3 Giunti who would have the right to be named as an inventor.

4 Absent an assignment or an obligation by Mr. Giunti to assign his purported
 5 invention (*i.e.*, Numbered Draw Tickets") to Blackhawk, Blackhawk has no standing to
 6 assert a claim of inventorship on Mr. Giunti's behalf. *See, e.g., Informatics Applications*
 7 *Group, Inc. v. Shkolnikov*, No. 1:11-cv-726, 2011 WL 4804870 at *5 (E.D. Va. Oct. 11,
 8 2011) ("expected ownership" of patent confers standing). The SAC, however, does not
 9 allege that Mr. Giunti has assigned or has an obligation to assign to Blackhawk
 10 Numbered Draw Tickets or any purported inventions related to the e2 Patents. Instead,
 11 the SAC alleges that "Mr. Giunti assigned his rights ***related to the '135 patent*** and ***any***
 12 ***related*** US patents and applications, to Blackhawk" (SAC, ¶ 166) (emphasis added). The
 13 e2 Patents, however, are not "related" to the 135 Patent, and Mr. Giunti's assignment
 14 agreement with Blackhawk reflects that he assigned only the provisional and utility
 15 applications that issued as the 135 Patent and "all patents that issue from or claim priority
 16 to such applications, and all continuations, continuations-in-part, divisionals, extensions,
 17 substitutions, reissues, re-examinations, foreign equivalents, and renewals, of any of the
 18 foregoing, and any patents or patent applications from which any of them claim priority
 19 or that claim priority from any of them" (*see* RLM Dec., Ex. 6 (Giunti assignment
 20 agreement)). The e2 Patents do not fall into any of the identified categories. As the SAC
 21 claims no other interest in the e2 Patents, Blackhawk cannot establish standing to assert
 22 an inventorship claim on Mr. Giunti's behalf.

23 Blackhawk tries to cure its lack of standing with the vague, implausible allegation
 24 that "Mr. Giunti ***and/or one or more Blackhawk employees*** contributed to the
 25 conception" of the e2 Patent claims and are thus joint inventors thereof (SAC, ¶¶ 154,
 26 156, 177) (emphasis added). But the SAC does not name any such Blackhawk employee
 27 or identify their purported contribution. Moreover, such allegation is thoroughly
 28 implausible given that the *sole aspect* of the e2 Patents that supposedly supports

Blackhawk's inventorship claims are Numbered Draw Tickets, which is a concept Blackhawk purports to own by virtue of the Blackhawk Patents for which **Mr. Giunti**, not any Blackhawk employee, is the *sole* named inventor (SAC, ¶¶ 3-8, 84, 196). Blackhawk's non-specific reference to "and/or one or more Blackhawk employees" is thus insufficient to show an injury in fact such that Blackhawk has standing to bring its § 256 claims. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 558-59 (2007) (allegations must show a claim is "plausible on its face"); *In re Gilead Sciences Sec. Litig.*, 536 F.3d 1049, 1055 (9th Cir. 2008) (courts need not accept "conclusory" allegations, "unwarranted deductions of fact, or unreasonable inferences"). Consequently, Blackhawk lacks standing to assert, and the Court lacks subject matter jurisdiction over, Blackhawk's § 256 claims, which must therefore be dismissed.

2. The Court Must Dismiss Blackhawk's Supplemental State Law Claims

Because the Court lacks subject matter jurisdiction over Blackhawk's § 256 claims, Blackhawk's state law claims must be dismissed. *See, e.g., Textile Prods., Inc. v. Mead Corp.*, 134 F.3d 1481 (Fed. Cir. 1998). The Federal Circuit's decision in *Textile Prods.* is instructive here. In that case, the plaintiff brought claims under the patent act, as well as breach of contract claims for which subject matter was based on 28 U.S.C. §1367(a). *Id.* at 1486. After determining the plaintiff lacked standing to assert its patent claim, the Court dismissed both the patent and breach of contract claims, because "[u]pon dismissal of the patent infringement claim for lack of standing, the district court lacked supplemental jurisdiction to consider the contract claim." *Id.* at 1486; *see also Larson*, 569 F.3d at 1325-26 ("if the jurisdiction-conferring patent claim is dismissed for lack of standing, the district court cannot exercise supplemental jurisdiction over surviving state-law claims because there was never an Article III case or controversy"); *Gaia Techs., Inc. v. Reconversion Techs., Inc.*, 93 F.3d 774, 781 (Fed. Cir. 1996), *amended on reh'g in part*, 104 F.3d 1296 (Fed. Cir. 1996) (holding district court may not "exercise supplemental jurisdiction if there was no federal jurisdiction at the outset . . . if all of the

federal claims are dismissed for lack of standing”). Numerous federal courts have followed this guidance in dismissing § 256 claims for lack of standing and dismissing state law claims for a lack of supplemental jurisdiction. *Feuss v. Enica Eng’g, PLLC*, No. CV2002034KMJBC, 2021 WL 1153146, at *4 (D.N.J. Mar. 26, 2021) (dismissing § 256 claim for lack of standing and then dismissing all remaining state-law claims); *Informatics Applications Grp., Inc. v. Shkolnikov*, No. 1:11CV726 JCC/JFA, 2011 WL 4804870, at *6 (E.D. Va. Oct. 11, 2011) (same); *Eastwood v. Molecular Defs. Corp.*, 373 F. Supp. 3d 502, 508 (S.D.N.Y. 2019) (dismissing § 256 and priority claims for lack of standing and then dismissing all remaining state-law claims).

Because Blackhawk lacks standing to bring its § 256 claims, the Court must dismiss this case in its entirety.

B. The Court Must Dismiss all Claims Against ICI and e2 Because it Lacks Personal Jurisdiction Over ICI and e2 In Connection with Blackhawk’s Inventorship Claims

The burden is on Blackhawk to allege facts establishing a prima facie case of personal jurisdiction. *Rio Properties, Inc. v. Rio Int’l Interlink*, 284 F.3d 1007, 1019 (9th Cir. 2002). In analyzing a Rule 12(b)(2) motion to dismiss for lack of personal jurisdiction, “the court may consider evidence outside the pleadings, including affidavits and other materials submitted on the motion.” *Rodriguez v. Whole Foods Mkt. Inc.*, No. 18-cv-8301, 2019 WL 3220538, at *1 (D. Ariz. July 17, 2019) (citation omitted). In such case, the court may only assume the truth of allegations in a pleading to the extent they are not contradicted by affidavit. *Patterson v. Home Depot, USA, Inc.*, 684 F. Supp. 2d 1170, 1175 (D. Ariz. 2010).

1. The Court Lacks General Jurisdiction Over Both ICI and e2

Neither ICI nor e2 is subject to general jurisdiction in Arizona. For general jurisdiction, a defendant’s affiliations with the forum state must be “so ‘continuous and systematic’” that it is “essentially at home” in the state. *Daimler AG v. Bauman*, 571 U.S. 117, 139 (2014). This almost invariably requires the forum to be the defendant’s “place

1 of incorporation” or its “principal place of business.” *Id.* at 137 & n.19. Only in the rare
 2 “exceptional case” will general jurisdiction be available elsewhere. *Id.* at n.19. Satisfying
 3 this “exceptional case” standard is “incredibly difficult.” *A.B. v. Hilton Worldwide*
 4 *Holdings Inc.*, 484 F. Supp. 3d 921, 932 (D. Or. 2020). For example, the Supreme Court
 5 has suggested that the facts of *Perkins v. Benguet Consol. Mining Co.*, 342 U.S. 437
 6 (1952) would meet the “exceptional case” standard. *See BNSF Ry. Co. v. Tyrrell*, 137 S.
 7 Ct. 1549, 1558 (2017). In *BNSF*, the court found that general jurisdiction in Ohio over a
 8 Philippine corporate defendant was proper because “war had forced the defendant
 9 corporation’s owner to temporarily relocate the enterprise from the Philippines to Ohio.”
 10 *Id.* Notably, a corporation “that operates in many places can scarcely be deemed at home
 11 in all of them.” *Daimler*, 571 U.S. at 139 n.20.

12 The SAC fails to allege facts demonstrating that either e2 or ICI is “essentially at
 13 home” in Arizona. *See id.* at 133 n. 11. ICI is a Florida company, and e2 is a Georgia
 14 corporation, and each has its principal place of business in Georgia (SAC, ¶¶ 10, 21; JFH
 15 Dec., ¶¶ 2-3). Moreover, the SAC contains no facts to show this case satisfies the
 16 exceptional case standard. Rather, for e2, the SAC alleges e2 is an alter ego of ICI, and
 17 for ICI, Blackhawk alleges only that ICI (i) “is registered to do business in the State of
 18 Arizona”; (ii) has a “statutory agent in the State of Arizona”; and (iii) “continuously and
 19 systematically” “distributes and sells products within Arizona” (SAC, ¶¶ 34-35). Yet,
 20 courts regularly reject these types of allegations under the “exceptional case” standard.

21 Indeed, the Supreme Court has made clear that a corporation “that operates in
 22 many places can scarcely be deemed at home in all of them” because otherwise, “‘at
 23 home’ would be synonymous with ‘doing business.’” *Daimler*, 571 U.S. at 139 n.20.
 24 Here, ICI is registered to do business in and has registered agents in all 50 states. (JFH
 25 Dec., ¶ 8). Thus, ICI’s registration and statutory agent in Arizona do not render ICI “at
 26 home” in Arizona. *See Wal-Mart Stores, Inc. v. LeMaire*, 395 P.3d 1116, 1118 ¶ 2 (Ariz.
 27 Ct. App. 2017) (“foreign corporations do not impliedly consent to general jurisdiction in
 28 Arizona merely by registering as foreign corporations and appointing agents for service

1 of process . . .”).

2 Likewise, ICI’s sales in Arizona do not subject ICI to general jurisdiction in
3 Arizona, especially given that ICI’s Arizona sales constitute less than 2% of its overall
4 revenue (JFH Dec., ¶ 9). *See, e.g., Ranza v. Nike, Inc.*, 793 F.3d 1059, 1069-71 (9th Cir.
5 2015) (selling products and employing personnel in forum state are insufficient on their
6 own to establish general jurisdiction); *Wal-Mart*, 395 P.3d at 1121 (Wal-Mart, the largest
7 employer in Arizona with a large economic presence in the state, not subject to general
8 jurisdiction in Arizona). And while Blackhawk claims personal jurisdiction over e2 as
9 ICI’s “alter ego,” because ICI is not subject to general jurisdiction in Arizona, there is no
10 general jurisdiction over e2 even if it were ICI’s “alter ego” (it is not).

11 **2. ICI and e2 Are Not Subject to Specific Jurisdiction in Arizona In** 12 **Connection with Blackhawk’s § 256 Claims**

13 The Court also lacks specific personal jurisdiction over both e2 and ICI in
14 connection with Blackhawk’s § 256 claims because Blackhawk has not alleged that either
15 entity directed any conduct related to those claims toward Arizona. Indeed, the **only**
16 activity identified in the SAC that is accused of being directed towards Arizona is ICI’s
17 marketing and sales of QUICKTICKET products to the Arizona lottery (SAC, ¶¶ 13, 14,
18 16, 36, 110, 135 (ICI “has marketed Blackhawk’s QuickTicket™ V2 to the Arizona
19 Lottery”)). This conduct has no bearing on or relationship to Blackhawk’s § 256 claims,
20 which are based solely on conduct unrelated to Arizona.

21 In analyzing specific jurisdiction for a § 256 inventorship claim, the Court must
22 examine the defendant’s forum contacts *before* the issuance of the patent. *See Ali v.*
23 *Carnegie Inst. of Wash.*, 967 F. Supp. 2d 1367, 1390-1391 (D. Or. 2013) (district court
24 lacked specific jurisdiction over the defendants based on patent licensing and
25 enforcement activities in the forum because the plaintiff’s “alleged involvement in
26 inventing the patents-in-suit occurred” outside of the forum).

27 Here, Blackhawk’s inventorship claims are based on L3’s filing of the applications
28 that issued as the e2 Patents purportedly without identifying all inventors (SAC, ¶ 157).

Blackhawk does not and cannot allege that any activities related to this accused conduct occurred in or was directed toward Arizona. Instead, Blackhawk’s allegations related to its inventorship claims fall into one of the two following categories, neither of which bears any relationship to Arizona.

First, the SAC alleges Blackhawk disclosed to L3 purportedly proprietary information regarding a QuickTicket product through: (i) a December 13, 2017 PowerPoint presentation (SAC, ¶¶ 98-102); (ii) a May 11, 2018 conference call (*id.*, ¶¶ 105-107); and (iii) sales pitches made to the Texas Lottery (*id.*, ¶¶ 108-110). The SAC does not allege these communications took place in Arizona because they did not. Indeed, during its relationship with Blackhawk, L3 had **no** meetings with Blackhawk in Arizona and communicated with **no** Arizona-based Blackhawk employees (JFH Dec., ¶ 22).

Second, the SAC alleges L3 filed two patent applications, purportedly using Blackhawk’s intellectual property, and filed a trademark registration for QUICKTICKET (SAC, ¶ 10). But these applications were prepared by L3 from its headquarters in **Georgia** with assistance from its counsel in **Texas**, not Arizona, and the issued patents were assigned to e2 in Georgia (JFH Dec., ¶¶ 27, 30). Without a connection between Blackhawk’s inventorship allegations and this forum – and there is none – the Court does not have specific jurisdiction over either ICI or e2 related to Counts I and III. *See, e.g., Ali*, 967 F. Supp. 2d at 1390 (no specific jurisdiction over defendant on § 256 claim where no activities related to issuance of the patents-in-suit occurred in the forum); *Proctor v. Transkaryotic Therapies, Inc.*, No. 05 CV 1737-B (JNA), 2006 WL 8455432, at *4 (S.D. Cal. Apr. 27, 2006) (“no nexus” between “Defendant’s failure to list Plaintiff as an inventor” on patents and the forum); *Id.* (no specific jurisdiction over defendant on § 256 claim where defendant’s alleged misappropriation did not occur in the forum, and defendant did not file or prosecute the patents from forum); *Dripping Wet Water, Inc. v. IDEX Corp.*, No. SA-07-CA-531-XR, 2008 WL 1883468, at *5 (W.D. Tex. Apr. 24, 2008) (no specific jurisdiction over patent inventorship claims where plaintiff did not disclose technology underlying patent in the forum and defendant did not file for patent in the

1 forum). Thus, Blackhawk cannot establish specific jurisdiction over either ICI or e2 in
 2 connection with its § 256 claims.

3 **3. Absent Personal Jurisdiction over ICI and e2 with Blackhawk’s § 256**
 4 **Claims, the Court Should Dismiss Blackhawk’s SAC in its Entirety**

5 Because the Court lacks personal jurisdiction over ICI and e2 with respect to
 6 Blackhawk’s § 256 claims, the Court must dismiss Blackhawk’s state law claims
 7 notwithstanding Blackhawk’s assertion of personal jurisdiction over ICI in connection
 8 with its state law breach of contract claims (SAC, ¶ 13) (alleging specific jurisdiction
 9 over ICI because it “pitched successfully Arizona lottery officials” purportedly in
 10 violation of the PDA). *See, e.g., Poor Boy Prods. v. Fogerty*, No. 3:14-cv-00633-RCJ-
 11 VPC, 2015 WL 5057221, at *6-8 (D. Nev. Aug. 26, 2015) (dismissing supplemental state
 12 law claims upon finding that court lacked personal jurisdiction over defendants for
 13 trademark infringement and false advertising claims). The great weight of case law urges
 14 that this Court dismiss Blackhawk’s state law claims. *See, e.g., Leachman Cattle of Colo.,*
 15 *LLC v. Am. Simmental Ass’n*, 66 F. Supp. 3d 1327, 1330-31 (D. Colo. 2014) (“the Court
 16 concludes that it has no personal jurisdiction over the defendant for the alleged patent
 17 infringement or Lanham Act violations [W]hile the Court may have had personal
 18 jurisdiction over the defendant for the alleged torts that took place within Colorado, there
 19 is no independent subject matter jurisdiction over these state law claims. As such, all
 20 claims must be dismissed”); *Avocent Huntsville Corp. v. Aten Int’l Co.*, 552 F.3d 1324,
 21 1340 (Fed. Cir. 2008) (“because the district court did not have personal jurisdiction over
 22 [defendant] with respect to the patent and Lanham Act claims, it correctly dismissed
 23 [plaintiff’s] state law claim for intentional interference with business or contractual
 24 relations”); *Sec. Alarm Fin. Enters., L.P. v. Nebel*, 200 F. Supp. 3d 976, 986 (N.D. Cal.
 25 2016) (dismissing state law claims after finding “a lack of personal jurisdiction over
 26 [defendant] with regard to all claims over which this Court has federal question
 27 jurisdiction”); *Klayman v. Deluca*, No. 5:14-CV-03190-EJD, 2015 WL 427907, at *5
 28 (N.D. Cal. Jan. 30, 2015) (same); *Intellect Design Arena, Inc. v. DataCubes Inc.*, No. 19-

12184, 2020 WL 2832568, at *6 (D.N.J. June 1, 2020) (same); *Knight v. Standard Chartered Bank*, No. 19 Civ. 11739 (PAE), 2021 WL 1226870, at *10 (S.D.N.Y. Mar. 31, 2021) (same).

Because there is no personal jurisdiction over ICI or e2 related to Blackhawk's federal § 256 claims, the Court should dismiss Blackhawk's SAC in its entirety.

C. Counts V-VII Fail to State a Claim Against ICI for Breach of Contract

Even if this Court had subject matter and personal jurisdiction over ICI, Blackhawk's breach of contract claims against ICI fail to state a claim because ICI was not a party to the PDA. Instead, the SAC alleges that ICI is bound by the PDA as "successor to Linq3-DE/SL Card" (SAC, ¶ 15). However, a successor in interest is "[o]ne who follows another in ownership or control of property." *Patterson-Woods & Assocs., LLC v. Realty Enters., LLC*, Civil Action No. 05C-01-224-JOH, 2008 WL 2231511, at *15 (Del. Super. May 27, 2008). Thus, to be a successor in interest, "a party must continue to retain the same rights as original owner without change in ownership and there must be change in form only and not in substance." *Id.* (citing Black's Law Dictionary 1431-32 (6th ed. 1990)). As noted, however, ICI was not a party to the transaction between Linq3 and L3, and ICI did not acquire any of L3's assets, such as the PDA (JFH Dec., ¶ 19). ICI thus cannot be bound by the PDA as a successor. Indeed, the SAC is only able to mischaracterize ICI as a "successor" by defining ICI as "InComm," and then relying on Exhibit 1 to the SAC which states "InComm Expands into Lottery Industry with Linq3 Technologies Acquisition" (SAC, ¶ 1 ("Interactive Communications International, Inc. ('InComm'), a Florida corporation"); Ex. 1). But Exhibit 1's reference to "InComm" is a general reference to the InComm Family, **not** to ICI, which did not acquire any L3 asset (JFH Dec., ¶ 19). Because it is neither a party to the PDA nor a successor to either L3 or SL Card, Blackhawk cannot assert a claim for breach of the PDA against ICI. See *Vichi v. Koninklijke Philips Elects. N.V.*, 62 A.3d 26, 59 (Del. Ch. 2012) ("a person not a party to [a] contract cannot be held liable to it."). (emphasis omitted).

1 As such, Blackhawk's breach of contract claim should alternatively be dismissed
2 against ICI for failure to state a claim.

3 **IV. CONCLUSION**

4 For the foregoing reasons, Defendants ICI and e2 respectfully request that the
5 Court dismiss all of Blackhawk's claims against each of them in this action.

6 DATED this 18th day of August, 2021.

7 OSBORN MALEDON, P.A.

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Blackhawk Network, Inc.
v.
SL Card Company Inc., et al.

CV -21-00813-PHX-MTL

**DEFENDANTS' SL CARD COMPANY INC., LINQ3 TECHNOLOGIES LLC, AND L3
INNOVATIONS LLC MOTION TO DISMISS SECOND AMENDED COMPLAINT
UNDER FEDERAL RULES OF CIVIL PROCEDURE 12(b)(1), 12(b)(2), AND 12(b)(6)**

INDEX TO EXHIBITS

Exhibit A – Declaration of John F. Houseal

Exhibit B – Declaration of Robin L. McGrath

EXHIBIT A

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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA**

Blackhawk Network, Inc. an Arizona
corporation,

Plaintiff,

vs.

SL Card Company Inc., an Arizona
corporation; L3 Innovations LLC f/k/a
Linq3 Technologies, LLC, a Delaware
corporation; Linq3 Technologies, LLC,
a Florida corporation; Interactive
Communications International, Inc., a
Florida corporation; and e2Interactive,
Inc., a Georgia corporation,

Defendants.

No. CV-21-00813-PHX-MTL

**DECLARATION OF JOHN F.
HOUSEAL IN SUPPORT OF
DEFENDANTS' MOTIONS TO
DISMISS SECOND AMENDED
COMPLAINT UNDER FEDERAL
RULES OF CIVIL PROCEDURE
12(b)(1), 12(b)(2) AND 12(b)(6)**

1 I, John F. Houseal, declare:

2 1. I am currently Vice President of Product Development at Interactive
3 Communications International, Inc. ("ICI"). I have personal knowledge of the facts set
4 forth in this declaration and if called to testify, I could and would testify competently
5 thereto.

6 2. ICI is a Florida corporation that is a wholly-owned subsidiary of HI
7 Technology Corp, a Georgia corporation ("HITC"). HITC was formerly known as
8 InComm Holdings, Inc.

9 3. e2Interactive, Inc. ("e2") is a Georgia corporation and is also a wholly
10 owned subsidiary of HITC.

11 4. HITC, ICI, and e2 are all headquartered in Atlanta, Georgia.

12 5. The HITC umbrella includes dozens of entities, both direct and indirect
13 subsidiaries, that are generally referred to by the trade name "InComm" (the "InComm
14 Family"). The use of the "InComm" trade name does not refer specifically to ICI, e2, or
15 any one particular subsidiary of HITC.

16 6. ICI is a leading provider of prepaid and stored-value products and
17 payment system solutions in the U.S.

18 7. ICI's products, which include gift cards, financial services cards, and
19 other pre-paid and stored value cards, are sold through ICI's retail partners at locations
20 in every U.S. state.

21 8. ICI is registered to do business in and has registered agents in all 50
22 states.

23 9. ICI's product sales in Arizona are less than 2% of ICI's total revenues.

24 10. e2 was formed to hold the intellectual property used by the InComm
25 Family of entities.

26 11. L3 is a Delaware entity headquartered in Atlanta, Georgia.

27 12. Before March 2019, L3 operated under the name Linq3 Technologies
28 LLC and was engaged in the business of managing lottery programs and services, and

1 developing, designing, and building gameplay lottery solutions. At that time, I was
2 Chief Product Officer at L3.

3 13. Prior to March 2019, L3 owned all outstanding shares of stock of
4 Defendant SL Card Company, Inc. ("SL Card"), an Arizona corporation. At that time,
5 L3 had (and has) no relationship with the InComm Family.

6 14. In February of 2019, Linq3 was formed in Florida under the name Linq3
7 Acquisition LLC for the purpose of acquiring certain assets of Defendant L3. Linq3
8 was and remains a direct subsidiary of PRE Solutions, Inc. ("PRE"), a Florida company
9 headquartered in Atlanta and an indirect subsidiary of HITC.

10 15. On March 1, 2019, Linq3 acquired certain assets of L3, including (i) L3's
11 patents and patent applications; and (ii) L3's ownership interest in Defendant SL Card.
12 Linq3 did not acquire any employees from L3.

13 16. After the acquisition, L3 changed its name from Linq3 Technologies LLC
14 to L3 Innovations LLC, and shortly thereafter, L3 ceased its business operations.

15 17. After the acquisition, ICI hired certain former L3 employees, including
16 myself.

17 18. Also after the acquisition, Linq3 Acquisition LLC changed its name to
18 Linq3 Technologies LLC and assigned the patent applications it acquired from L3 to e2.

19 19. ICI was not a party to the transaction between Linq3 and L3, and ICI did
20 not acquire any of L3's assets. ICI was also not a party to the transfer of intellectual
21 property from Linq3 to e2.

22 20. ICI owns no equity in Linq3, and Linq3 owns no equity in ICI.

23 21. On January 1, 2017, SL Card and L3 entered into a Product Distribution
24 Agreement ("PDA") with Blackhawk Network, Inc. ("Blackhawk") to distribute the
25 lottery products of L3 and SL Card to Blackhawk's U.S. retailers.

26 22. L3 and SL Card negotiated the PDA with Blackhawk from Atlanta,
27 Georgia. The PDA was neither signed nor performed in Arizona. In fact, at no time did
28

1 L3 or SL Card travel to Arizona or deal with any Blackhawk employees located in
2 Arizona in connection with its performance under the PDA.

3 23. The principal focus of the PDA was an L3-developed lottery product
4 called "Play Now," which the PDA described as a "consumer solution" for "ticketless
5 lottery transactions."

6 24. The PDA specified that the parties "may be requested to modify" the Play
7 Now product "in order to obtain the Required Lottery Approvals."

8 25. One such "request to modify" came from the Texas Lottery Commission
9 because it did not permit lottery play on mobile devices.

10 26. L3 modified the product to use ticket stock paper that included security
11 features that L3 developed, and lottery numbers concealed behind a scratch-off coating.

12 27. In June 2018, L3 filed a U.S. trademark application for QUICKTICKET,
13 which was registered on February 18, 2020. L3 worked with counsel in Texas from its
14 headquarters in Atlanta, Georgia to prepare the trademark application.

15 28. In June 2018, L3 filed U.S. Patent Application No. 16/010,398 (the "398
16 App"), which issued on March 12, 2019 as U.S. Patent No. 10,229,561 (the "561
17 Patent").

18 29. In August 2018, L3 filed U.S. App. No. 29/660,720 (the "720 App") as a
19 continuation of the 561 Patent. The 720 App issued as design patent No. D877,812 (the
20 "812 Patent") on March 10, 2020.

21 30. L3 worked with counsel in Texas from its headquarters in Atlanta,
22 Georgia to prepare the 398 App and the 720 App. The issued patents were assigned to
23 e2 in Georgia.

1 I declare under penalty of perjury that the foregoing is true and correct to the best
2 of my knowledge.

3 Executed this 18th day of August, 2021.

4 /s/ John F. Houseal

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