

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA**

Case No. 1:20-cv-20970-LFL

PAYRANGE, INC.,

Plaintiff,

v.

KIOSOFT TECHNOLOGIES, LLC and
TECHTREX, INC.,

Defendants.

ORDER

THIS CAUSE comes before the Court upon Defendant KioSoft Technologies, LLC (“KioSoft”) and Defendant TechTrex, Inc.’s (“TechTrex”) Motion for Partial Summary Judgment (ECF No. 171). Plaintiff filed a Response in Opposition to Defendants’ Motion (ECF No. 182), and Defendants filed a Reply in Support of their Motion (ECF No. 203). Having reviewed the Motion, Response, Reply, and the docket as a whole, Defendants’ Motion for Partial Summary Judgment is **GRANTED, in part, and DENIED, in part.**¹

¹ On March 31, 2022, the District Court entered an Order granting Defendants’ Motion for Partial Summary Judgment (ECF No. 291). Following referral to the undersigned for all further proceedings, this Court enters the instant Order pursuant to Federal Rule of Civil Procedure 56(a). This Order alters the District Court’s prior ruling; the undersigned recognizes the extraordinary nature of a post-referral modification of a prior Order and respectfully enters this Order under the authority conferred upon the undersigned pursuant to 28 U.S.C. § 636(c). *See Cooper v. Brookshire*, 70 F.3d 377, 378 n.6 (5th Cir. 1995) (“For a magistrate judge to decline to follow a district judge’s opinion may be unusual, but when (1) both parties consent to the jurisdiction of the magistrate judge and (2) the district judge specifically designates the magistrate judge to conduct civil proceedings, the magistrate judge ‘may act in the capacity of a district court judge’ and is not bound by prior opinions expressed by the district judge.”); 12 Richard L. Marcus, *Powers & Procedures of Magistrate Judge After Consent*, Federal Practice and Procedure (Wright & Miller) § 3072 (3d ed. 2023).

I. BACKGROUND

Defendants filed a Statement of Material Facts in Support of Motion for Partial Summary Judgment. (ECF No. 172). In response to Defendants’ Motion for Partial Summary Judgment, Plaintiff did not file a counterstatement of material facts, in contravention of Southern District of Florida Local Rule 56.1(a)(2). As such, facts in Defendants’ Statement of Material facts are not controverted. Accordingly, the following facts are undisputed by the Parties. S.D. Fla. L.R. 56.1(c).

Plaintiff is the owner of the following two U.S. patents: United States Patent No. 9,659,296 (the “‘296 patent”) and United States Patent No. 9,134,994 (the “‘994 patent”). (ECF No. 172 at ¶ 1). On May 23, 2017, the United States Patent and Trademark Office (“USPTO”) issued the ‘296 patent, titled “Method and system for presenting representations of payment accepting unit events.” ‘296 patent at 1. Paresh Patel is the named inventor of the ‘296 patent. (ECF No. 172 at ¶ 4). The ‘296 patent is a continuation-in-part of and issued from U.S. Patent Application No. 14/456,683, filed on August 11, 2014, now U.S. Patent No. 9,256,873, which is a continuation of U.S. Patent Application No. 14/335,762, filed on July 18, 2014, which is a continuation of U.S. Patent Application No. 14/214,644, filed on March 14, 2014, now U.S. Patent No. 8,856,045, and a continuation-in-part of U.S. Patent Application No. 29/477.025, filed on December 18, 2013, now U.S. Patent No. Des. 755,183. (ECF No. 172 at ¶ 5). The ‘296 patent relates to “the field of payment processing systems, and in particular to a mobile-device-to-machine payment processing system over a non-persistent network connection.” ‘296 patent at 1:25–28. The ‘296 patent acknowledges that mobile payment is a “logical extension” of the increase in the number of people with internet-connected devices. (ECF No. 172 at ¶ 7). The ‘296 patent is intended to provide payment options to users in the retail sector using vending machines. (ECF No. 172 at ¶ 8).

During the USPTO's examination and prosecution of the '296 patent, the USPTO initially rejected the claims in an office action under 35 U.S.C. § 101 and under 35 U.S.C. § 102. (ECF No. 172-2). The applicant overcame the §101 rejection during prosecution of the '296 patent through the addition of certain broad hardware limitations such as use of a "short-range transceiver," a step of "establishing, via the short-range transceiver, a connection between the mobile device and a payment module coupled with a vending machine," and a step of displaying a message to the mobile device. (ECF No. 172-3).

On September 15, 2015, the USPTO issued the '994 patent, titled "Method and system for updating firmware using a mobile device as a communications bridge." '994 patent at 1. Paresh Patel, Chau Doan, Christopher Sokol, and Corin Frauenglass are the named inventors of the '994 patent. (ECF No. 172 at ¶ 12). The '994 patent is a continuation of U.S. Patent Application No. Ser. No. 14/320,534, filed June 30, 2014 (abandoned), which is a continuation-in-part of U.S. Patent Application Ser. No. 14/214,644, filed March 14, 2014 (issued as U.S. Patent No. 8,856,045), which claims priority to U.S. Provisional Patent Application No. 61/917,936, filed December 18, 2013 and is a continuation-in-part of U.S. Design Patent Application No. 29/477,025, filed December 18, 2013 (issued as U.S. Patent No. D755,183). (ECF No. 172 at ¶ 13). The '994 patent describes a number of embodiments of a method of updating firmware of a payment module via a customer's mobile device with firmware originating from a server that "manages the payment processing system and, in some cases, supplies, operates and/or manufacturers the one or more payment modules." '994 patent at 39:14–16.

In each of the '994 patent embodiments, short-range communication is described as being carried out using various protocols, including and not limited to Bluetooth and near-field communication ("NFC"), whereas long-range communication capability is described as being

carried out using various protocols, including and not limited to Wi-Fi and cellular. (ECF No. 172 at ¶ 15); *see e.g.*, ‘994 patent at 3:26–28, 37:11–41:64, 52:30–56:57.

During the USPTO’s examination and prosecution of the ‘994 patent, the USPTO initially rejected the claims in an office action under 35 U.S.C. §§ 102 and/or 103 as being anticipated by US 2009/0037284 to Lewis et al. (“Lewis”) alone or in view of US 2013/0117738 to Livingston et al. (“Livingston”). (ECF No. 172-5). After the applicant submitted the October 1, 2014 Amendment to the ‘994 patent claims, the USPTO examiner rejected all of the claims under § 103 as being unpatentable over Lewis in view of US2014/0180852 to Kamat (“Kamat”), alone or in combination with Livingston. (ECF No. 172-9).

At the ‘994 patent applicant’s initiation, a telephone interview was conducted on December 15, 2014 between the examiner and the applicant’s representatives. While the Applicant Initiated Interview Summary does not record exactly what the examiner and the applicant’s representatives discussed, the examiner allowed the amended ‘994 patent claims with only slight changes as provided in the February 12, 2015 Amendment. (ECF No. 172 at ¶¶ 33, 35); (ECF Nos. 172-10, 172-11).

In the instant patent dispute, the Parties disputed the construction of only three terms in relation to the ‘296 patent—“vending machine”; “identify one or more vending machines in proximity to the mobile device”; and “available to accept payment from the mobile payment application.” Relevant to this Court’s Order, after reviewing the specification of the ‘296 patent and the prosecution history, the Court construed the term “vending machine” to mean a machine that holds tangible goods and dispenses them on demand. (ECF No. 162).

Plaintiff accuses the CleanPayMobile App and the KioPay Mobile App (“KioPay”) (collectively, the “Accused Products”) used in conjunction with KioSoft’s Ultra LX, Ultra VX,

CleanReader Ultra, and other CleanReader devices capable of being used with a vending machine as infringing the ‘296 patent.²

Regarding the ‘994 patent, one term was disputed—“potential transactor.” The Court construed the term to mean a party capable of transacting with the mobile device-to-machine payment systems. (ECF No. 162). The Court additionally adopted the Parties’ stipulation of the construction of “a server of the mobile device-to-machine payment system.” (ECF No. 162 at 2 n.2).

Plaintiff accuses KioSoft’s Laundry Manager application (“KLM app”) of infringing the ‘994 patent.³

II. LEGAL STANDARD

Under Rule 56(a) of the Federal Rules of Civil Procedure, “[t]he court shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a). The movant bears “the stringent burden of establishing the absence of a genuine issue of material fact.” *Suave v. Lamberti*, 597 F. Supp. 2d 1312, 1315 (S.D. Fla. 2008) (citing *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986)).

The movant “bears the initial responsibility of informing the district court of the basis for its motion, and identifying those portions of [the record] which it believes demonstrate the absence of a genuine issue of material fact.” *Celotex*, 477 U.S. at 323. To discharge this burden, the movant must identify an absence of evidence to support the nonmoving party’s case. *Id.* at 325. After the movant has met its burden under Rule 56(c), the burden of production shifts, and the

² Plaintiff asserts other products additionally infringe the ‘296 patent, but those additional products are addressed below.

³ Plaintiff claimed additional products infringed the ‘994 patent, but the Parties solely brief their arguments for the KLM app. As such, the Court only addresses whether the KLM app infringes the ‘994 patent.

nonmoving party “must do more than simply show that there is some metaphysical doubt as to the material facts.” *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). The non-moving party must come forward with “specific facts showing a genuine issue for trial.” *Id.* at 587.

“A fact [or issue] is material for the purposes of summary judgment only if it might affect the outcome of the suit under the governing law.” *Kerr v. McDonald’s Corp.*, 427 F.3d 947, 951 (11th Cir. 2005) (internal quotations omitted). Furthermore, “[a]n issue [of material fact] is not ‘genuine’ if it is unsupported by the evidence or is created by evidence that is ‘merely colorable’ or ‘not significantly probative.’” *Flamingo S. Beach I Condo. Ass’n v. Selective Ins. Co. of Southeast*, 492 F. App’x 16, 26 (11th Cir. 2013) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249–50 (1986)). “A mere scintilla of evidence in support of the nonmoving party’s position is insufficient to defeat a motion for summary judgment; there must be evidence from which a jury could reasonably find for the non-moving party.” *Id.* at 26–27 (citing *Anderson*, 477 U.S. at 252). Accordingly, if the moving party shows “that, on all the essential elements of its case on which it bears the burden of proof at trial no reasonable jury could find for the nonmoving party,” then “it is entitled to summary judgment unless the nonmoving party, in response, comes forward with significant, probative evidence demonstrating the existence of a triable issue of fact.” *Rich v. Sec’y, Fla. Dept. of Corr.*, 716 F.3d 525, 530 (11th Cir. 2013) (citation omitted).

If the moving party satisfies this initial burden, the burden shifts to the non-moving party to show the existence of a genuine issue of material fact. *Fitzpatrick v. City of Atlanta*, 2 F.3d 1112, 1116 (11th Cir. 1993). “For issues on which the movant would bear the burden of proof at trial, the non-movant, in order to avoid summary judgment, must come forward with evidence sufficient to call into question the inference created by the movant’s evidence on the particular

material fact.” *Id.* The movant should be permitted to prevail without a full trial on the issues only if “the combined body of evidence presented by the two parties relevant to the material fact is still such that the movant would be entitled to a directed verdict at trial—that is, such that no reasonable jury could find for the non-movant.” *Id.* (citing *Anderson*, 477 U.S. at 249–50).

III. DISCUSSION

Defendants move for the entry of summary judgment as to Count I, Infringement of the ‘296 patent, and Count II, Infringement of the ‘994 patent, of Plaintiff’s Complaint (ECF No. 1) and as to Count I, Non-Infringement of the ‘296 patent; Count II, Non-Infringement of the ‘994 patent; Count III, Invalidity of the ‘296 patent; and Count IV, Invalidity of the ‘994 patent of KioSoft’s Counterclaims.

In response to Defendants’ Partial Motion for Summary Judgment, Plaintiff did not file a counterstatement of material facts in contravention of Southern District of Florida Local Rule 56.1(a)(2). As such, all facts in Defendants’ Statement of Material facts are undisputed and deemed admitted. S.D. Fla. L.R. 56.1(c).⁴ Despite Plaintiff’s failure to dispute Defendants’ facts or advance contrary evidence, the Court must nonetheless determine whether Defendants’ Motion is supported by properly cited record evidence and thus entitled to judgment as a matter of law. *See* Fed. R. Civ. P. 56(a).

Though Plaintiff failed to file a statement of material facts, its response in opposition offers citations to the reports of its expert, Vernon Thomas Rhyne III (“Rhyne”). However, Rhyne was excluded from offering expert opinions by this Court’s Order of December 21, 2021. (ECF No. 268 at 9). As such, Plaintiff’s reliance on Rhyne’s opinions is insufficient to support Plaintiff’s

⁴ All material facts in any party’s Statement of Material Facts may be deemed admitted unless controverted by the other party’s Statement of Material Facts, provided that: (i) the Court finds that the material fact at issue is supported by properly cited record evidence; and (ii) any exception under Fed. R. Civ. P. 56 does not apply. S.D. Fla. L.R. 56.1(c).

arguments in its Response, and they have not been considered as controverting evidence.

A. The ‘296 Patent

In Count I, Plaintiff alleges infringement by Defendants of the ‘296 patent. Defendants in their Counterclaim allege non-infringement and invalidity of the ‘296 patent in Counts I and III. In Plaintiff’s Final Infringement Contentions concerning the ‘296 patent, Plaintiff asserted infringement of only the following claims in the ‘296 patent: 1, 2, 3, 4, 5, 11, 12, 13, 14, 15, 18, 19, 20, and 21. (ECF No. 172 at ¶ 45).

1. Infringement of the ‘296 Patent

“Patent infringement, whether literal or by equivalence, is an issue of fact, which the patentee must prove by a preponderance of the evidence.” *Siemens Med. Sols. USA, Inc. v. Saint-Gobain Ceramics & Plastics, Inc.*, 637 F.3d 1269, 1279 (Fed. Cir. 2011). Resolving infringement claims is a two-step process. *North Am. Container Corp. v. Plastipak Packaging, Inc.*, 415 F.3d 1335, 1344 (Fed. Cir. 2005). First, the Court must construe genuinely disputed claim terms as a matter of law. *See id.* Here, three terms were disputed regarding the ‘296 patent—“vending machine”; “identify one or more vending machines in proximity to the mobile device”; and “available to accept payment from the mobile payment application.” The Court defined those terms in its previously issued Claims Construction Order. (ECF No. 162). Second, the fact finder compares the construed claims to the accused device. Infringement can only be found if every claim or an equivalent is found in the accused device. *Flexiteek Ams., Inc. v. Plasteak, Inc.*, No. 12-cv-60215, 2013 WL 6233175, at *2 (S.D. Fla. Dec. 2, 2013), *aff’d*, 603 F. App’x 994 (Fed. Cir. 2015). “Summary judgment on the issue of infringement is proper when no reasonable jury could find that every limitation recited in a properly construed claim either is or is not found in the accused device either literally or under the doctrine of equivalents.” *U.S. Philips Corp. v. Iwasaki*

Elec. Co. Ltd., 505 F.3d 1371, 1374–75 (Fed. Cir. 2007).

For the ‘296 patent, Plaintiff accuses the following products of infringement: CleanPayMobile App, KioPay Mobile App, CSC Pay, and WASH App used in conjunction with KioSoft’s Ultra LX, Ultra VX, CleanReader Ultra, and other CleanReader devices capable of being used with a vending machine. Defendants represent that the WASH App and the CSC Pay App are not KioSoft products. (ECF No. 171 at 2). Accordingly, Defendants’ Accused Product consists of the CleanPayMobile App and KioPay used in conjunction with KioSoft’s Ultra LX, Ultra VX, CleanReader Ultra, and other CleanReader devices capable of being used with a vending machine.

Plaintiff’s argues infringement of three independent claims 1, 12, and 18. Each of these claims requires a “vending machine,” which as defined by this Court does not include laundry machines.

Claim 1 is a method of “presenting representation of **vending machine** events” and comprises “executing a mobile payment application on the mobile device, the mobile payment application being configured to identify one or more **vending machines** in proximity to the mobile device that are available to accept payment from the mobile payment application, the identifying including detecting predefined radio messages broadcast by the one or more **vending machines**” and also provides “establishing via the radio transceiver a wireless connection between the mobile device and the available **vending machine**.” ‘296 patent at 46:62–63, 46:66–47:6, 47:14–17 (emphasis added); (ECF No. 172 at ¶ 46). Claim 1 is a method claim that requires a “vending machine.” The Accused Products relate to laundry machines. Pursuant to the Court’s construction of “vending machine,” no reasonable juror could conclude that the Accused Products could infringe claim 1.

Claim 12 is directed to a mobile device with a mobile payment application that also requires

a vending machine. Claim 12 pertains to a mobile device that comprises instructions for:

executing a mobile payment application on the mobile device, the mobile payment application being configured to identify one or more **vending machines** in proximity to the mobile device that are available to accept payment from the mobile payment application, the identifying including detecting predefined radio messages broadcast by the one or more **vending machines**;

‘296 patent at 48:33–40 (emphasis added). Claim 18 includes identical language. ‘296 patent at 49:28–35. Again, no reasonable juror could conclude that any of the Accused Products infringe claims 12 and 18 as the claims require a vending machine, which the Accused Products do not require or utilize.

Plaintiff also alleges that KioSoft’s Ultra LX, CleanReader Ultra, and other CleanReader devices capable of being used with a vending machine infringe because they are now being used on vending machines to facilitate mobile payments. However, it is undisputed that KioSoft’s CleanReader models are not used with vending machines and do not support vending machines. (ECF No. 172 at ¶ 64). Plaintiff argues in its Response that KioSoft’s website advertises “Vending & Unattended Payment Integration” in relation to marketing for Ultra LX. As Defendants note in their Reply, a description of vending on a website is not evidence from which a jury could compare the accused product to the patent. Accordingly, no reasonable juror could conclude that KioSoft’s CleanReader models infringe claims 1, 12, and 18 as the claims require a vending machine.

The Ultra VX reader may be used with vending machines. (ECF No. 221-6). However, the Ultra VX readers sold in the United States have software that does not support use of the Ultra VX readers with a mobile device application. (ECF No. 221-6 at ¶ 137). Infringement can only be found if every claim or an equivalent is found in the accused device. Claims 1, 12, and 18 all require a mobile payment application. Claims 1, 12, and 18 comprise “executing a mobile payment application on the mobile device.” ‘296 patent at 46:66–67; 48:33–34; 49:28–29. Accordingly, no reasonable juror could conclude that the Ultra VX reader infringes claims 1, 12, and 18 as the

claims require a mobile payment application.

Because the terms “vending machine” and “a mobile payment application” appear in all of the asserted independent claims, claims 1, 12, and 18 of the ‘296 patent, the terms apply to the asserted dependent claims as well. *See Flexiteek Ams., Inc.*, 2013 WL 6233175, at *3 n.4. As such, the Court need not further review the alleged infringement of the asserted dependent claims.

Additionally, in Plaintiff’s Final Infringement Contentions concerning the ‘994 patent, Plaintiff admits that “[i]n view of the Court’s [Claim Construction] Order (ECF No. 162), PayRange and Defendants have met and conferred and agree that PayRange cannot assert infringement of U.S. Patent No. 9,659,296 (the ‘296 Patent’) based on the Court’s claim construction of the term ‘vending machine.’” (ECF No. 172-13 at 2 n.1). Plaintiff argues that this admission of non-infringement cannot be considered by this Court as it was a statement made in connection with settlement. Whether statements fall under Federal Rule of Evidence 408 turns on “whether the statements or conduct were intended to be part of the negotiations toward compromise.” *Blu-J, Inc. v. Kemper C.P.A. Grp.*, 916 F.2d 637, 642 (11th Cir. 1990). Plaintiff has not demonstrated circumstances that could support its claim that the admission was intended as a settlement discussion. Rather, the infringement contentions were served pursuant to this Court’s Scheduling Order (ECF No. 155). Plaintiff’s objection to the Court’s consideration of its infringement contentions is overruled.

No reasonable juror could conclude that the Accused Products used in conjunction with KioSoft’s Ultra LX, Ultra VX, CleanReader Ultra, and other CleanReader devices capable of being used with a vending machine infringe the ‘296 patent. As such, Defendants’ Motion for Partial Summary Judgment is **GRANTED** pertaining to entry of summary judgment of noninfringement of the ‘296 patent.

2. The Validity of the ‘296 Patent

To prevail on a claim of invalidity, Defendants must demonstrate invalidity with clear and convincing evidence, as issued patents enjoy a presumption of validity. 35 U.S.C. § 282. Section 101 of the Patent Act defines the subject matter eligible for patent protection. It provides: “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” 35 U.S.C. § 101.

Defendants argue that the ‘296 patent is invalid as it is abstract, obvious, and/or anticipated.

Abstract ideas, as well as laws of nature and natural phenomena, are exceptions to these statutory categories of patentable subject matter because they are the “building blocks of human ingenuity.” *Alice Corp. Pty. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014). In applying the § 101 exception, the Court must distinguish between patents that claim the building blocks of human ingenuity and those that transform the building blocks into something more rendering them patent eligible. *Id.* at 216–17.

Abstract ideas “are the most nebulous of the three patent-ineligible categories and the hardest to delimit.” *Sesame Software, Inc. v. Capstorm, LLC*, No. 3:22CV16609-TKW-ZCB, 2023 WL 2783172, at *4 (N.D. Fla. Mar. 14, 2023) (citing *Versata Dev. Group, Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1331 (Fed. Cir. 2015) (noting the “problem inherent in the search for a definition of an ‘abstract idea’ that is not itself abstract”)).

The Supreme Court, setting up a two-stage framework, has held that a claim falls outside § 101 where (1) it is directed to a patent-ineligible concept, in our case abstract idea, and (2) if so, the particular elements of the claim, considered both individually and as an ordered combination, do not add enough to transform the nature of the claim into a patent-eligible application. *Elec.*

Power Grp., LLC v. Alstom S.A., 830 F.3d 1350, 1353 (Fed. Cir. 2016) (citing *Alice*, 573 U.S. at 217). The Federal Circuit has described the first-stage inquiry as looking at the focus of the claims, their character as a whole, and the second-stage inquiry as looking at what the claim elements add, whether the claim elements identify an inventive concept in the application of the ineligible matter to which the claim is directed. *Id.*

“In cases involving software innovations, the step-one inquiry often turns on whether the claims focus on specific asserted improvements in computer capabilities or instead on a process or system that qualifies as an abstract idea for which computers are invoked merely as a tool.” *Int’l Bus. Machines Corp. v. Zillow Grp., Inc.*, 50 F.4th 1371, 1377 (Fed. Cir. 2022). “[M]ere automation of manual processes using generic computers does not constitute a patentable improvement in computer technology.” *Id.* at 1378 (quoting *Credit Acceptance Corp. v. Westlake Servs.*, 859 F.3d 1044, 1055 (Fed. Cir. 2017)); *see also Repifi Vendor Logistics, Inc. v. Intellicenterics, Inc.*, No. 2021-1906, 2022 WL 794981, *3 (Fed. Cir. Mar. 15, 2022) (“[A]utomation of a long-standing human process . . . is itself an abstract idea.”). However, patent claims that are “necessarily rooted in computer technology in order to solve a specific problem in the realm of computer networks” are not abstract. *See SRI Int’l, Inc. v. Cisco Sys. Inc.*, 930 F.3d 1295, 1304 (Fed. Cir. 2019); *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014).

At *Alice* step one, Plaintiff argues that the ‘296 patent solved a problem posed by traditional payment accepting units that accept cashless payments that require a persistent connection to a network (wired or wireless) to facilitate the cashless payments. Plaintiff asserts that the ‘296 patent employs a non-persistent network to make specific electronic transactions where the prior art required persistent networks. (ECF No. 182 at 9).

Defendants argue that the proposed solution of being able to make electronic transactions over a non-persistent network is **not reflected in the language of the claim**. While the non-persistent alleged solution is presented in the Detailed Description of the Invention, ‘296 patent at 6:43–48, the claims are what define the scope of legal protection. *See* 35 U.S.C. §112 (“The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as his invention.”); *All Dental Prodx, LLC v. Advantage Dental Prod., Inc.*, 309 F.3d 774, 779–80 (Fed. Cir. 2002) (“The primary purpose of the definiteness requirement is to ensure that the claims are written in such a way that they give notice to the public of the extent of the legal protection afforded by the patent, so that interested members of the public, *e.g.*, competitors of the patent owner, can determine whether or not they infringe.”).

The claim language that Plaintiff cites in support of its proposed solution reads:

executing a mobile payment application on the mobile device, the mobile payment application being configured to identify one or more vending machines in proximity to the mobile device that are **available to accept payment from the mobile payment application**, the identifying including **detecting predefined radio messages broadcast by the one or more vending machines**

‘296 patent at 46:66–47:6 (emphasis added). Plaintiff argues that this language recites “concrete means of achieving the technological improvement” of transacting over a non-persistent network. (ECF No. 182 at 9). Defendants argue that Plaintiff provides nothing more than conventional language, which does not describe the solution Plaintiff purports it does, and that instead describes “nothing more than the abstract task of a customer detecting a nearby merchant (vending machine) from which the customer can purchase goods.” (ECF No. 203 at 11).

“[W]ords in a claim are generally given their ordinary and customary meaning.” *Vitronics Corp. v. Conceptoronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996). However, “claims must be read

in view of the specification, of which they are a part.’ The specification contains a written description of the invention which must be clear and complete enough to enable those of ordinary skill in the art to make and use it. Thus, the specification is always highly relevant to the claim construction analysis.” *Id.*

In relevant part the specification states:

In some implementations, the first communication capability corresponds to a short-range communication protocol and the second communication capability corresponds to a long-range communication protocol. For example, the first communication capability of the mobile device 150 is a radio/transceiver means for communicating via one or more short-range communication protocols such as BLE, NFC, and/or the like (i.e., a non-persistent communication channel). For example, the second communication capability of the mobile device 150 is a radio/transceiver means for communicating via one or more long-range communication protocols such as Wi-Fi, CDMA, GSM, and/or the like.

‘296 patent at 39:1–13. The specification teaches that the “predefined radio messages” in the claim language refers to both communication capabilities including communication on a non-persistent communication network. *See Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 906 (Fed. Cir. 2004) (“[T]he claims of the patent will not be read restrictively unless the patentee has demonstrated a clear intention to limit the claim scope using ‘words or expressions of manifest exclusion or restriction.’”). “It is a bedrock principle of patent law that the claims of a patent define the invention to which the patentee is entitled the right to exclude,” *Innova/Pure Water, Inc. v. Safari Water Filtration Sys. Inc.*, 381 F.3d 1111, 1115–16 (Fed. Cir. 2004), but the specification helps illustrate the contours of the patented material and can be used to construe the claims. *See Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016) (explaining that, at *Alice* step 1, the court must consider the patent claims “in light of the specification”).

The language in the claim refers to the identification of vending machines that are available to accept payment from the mobile payment application. The predefined radio messages are

broadcasted by one or more vending machines. The predefined radio messages include the capability of communication on a non-persistent communication network. With traditional machines, if the network connection is temporarily interrupted, “cashless payments will be temporarily unavailable. If the machine is located in a location where no network connection is available, cashless payment processing over the network connection is not possible.” ‘296 patent at 6:43–48. As the ‘296 patent describes, the mobile-device-to-machine payment system uses a mobile device as an intermediary between the payment accepting units and the server that can facilitate the acceptance of cashless payments without requiring any network connection. ‘296 patent at 6:48–58. “[T]he claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” See *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014).

The ‘296 patent is not merely taking the abstract “task of a customer detecting a nearby merchant (vending machine) from which the customer can purchase goods,” it is providing a technological improvement in the way that payments can be processed. The Court finds that the ‘296 patent is not directed to an abstract idea.

Because the Court has determined that the ‘296 patent is not directed to an abstract idea, it need not proceed to *Alice* step 2. See *Sesame Software, Inc.*, No. 3:22CV16609-TKW-ZCB, 2023 WL 2783172, at *7.

Regarding anticipation, § 102 of the Patent Act requires that the claimed inventions be a novel one, and thus where those claims are anticipated by prior art, any patent issued is invalid. For a finding of invalidity on the basis of anticipation, “every element of the claimed invention must be identically shown in a single reference.” *Diversitech Corp. v. Century Steps, Inc.*, 850 F.2d 675, 677 (Fed. Cir. 1988) (citing *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d

1367, 1379 (Fed. Cir. 1986), *cert. denied*, 480 U.S. 947 (1987)). While the prior art reference must disclose every limitation of the claimed invention, it may do so either explicitly or inherently. *In re Schreiber*, 128 F.3d 1473, 1477 (Fed. Cir. 1997) (citing *Glaxo Inc. v. Novopharm Ltd.*, 52 F.3d 1043, 1047 (Fed. Cir. 1995)). Even a reference that does not expressly spell out all limitations arranged or combined as in the claim, a reference may nevertheless anticipate a claim if a person of ordinary skill in the art would “at once envisage” the arrangement or combination. *See Microsoft Corp. v. Biscotti, Inc.*, 878 F.3d 1052, 1069 (Fed. Cir. 2017); *Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1346 (Fed. Cir. 2009) (“[E]very element of the claimed invention [must be described], either expressly or inherently, such that a person of ordinary skill in the art could practice the invention without undue experimentation.”). Anticipation is not proven through “multiple, distinct teachings that the artisan might somehow combine to achieve the claimed invention.” *Microsoft Corp.*, 878 F.3d at 1069.

Anticipation is a question of fact that considers whether the findings of the USPTO are supported by substantial evidence. *Id.* at 1068 (citing *Busch v. Jones*, 184 U.S. 598, 604 (1902); *Reckendorfer v. Faber*, 92 U.S. 347, 352 (1876); *Kennametal, Inc. v. Ingersoll Cutting Tool Co.*, 780 F.3d 1376, 1381 (Fed. Cir. 2015)). The court first construes the claims, and then compares them against the prior art. *Enzo Biochem, Inc. v. Applera Corp.*, 599 F.3d 1325, 1332 (Fed. Cir. 2010). Judgment as a matter of law is appropriate when no reasonable juror could dispute the clear text of a prior art reference. *Finisar Corp. v. DirecTV Grp., Inc.*, 523 F.3d 1323, 1334 (Fed. Cir. 2008).

Defendants have not met their burden of demonstrating every element of the claimed invention is identical in a single reference. As for the first step, the Court has decided claim construction of the disputed terms for the ‘296 patent. However, Defendants have not provided

how the clear text of the prior art reference, of either U.S. Patent Publication No. 2003/0130902 to Athwal (“Athwal”) or U.S. Patent No. 8,903,737 to Cameron (“Cameron”) are identical to the ‘296 patent. Defendants do not sufficiently review the claims of the ‘296 patent in comparison to the text of the prior art references argued. Defendants insert block quotes from the prior art references and then make conclusory arguments that the prior art references anticipate the ‘296 patent.

Establishing that a prior art reference discloses each and every claim element and limitation is not a “perfunctory exercise.” *See Indus. Eng’g & Dev., Inc. v. Static Control Components, Inc.*, No. 8:12-CV-691-T-24-MAP, 2014 WL 4545857, at *5 (M.D. Fla. Sept. 12, 2014). Rather, it is an integral part of Defendants’ “especially heavy burden” to provide clear and convincing evidence of invalidity by anticipation. *Koito Mfg. Co. v. Turn-Key-Tech, LLC*, 381 F.3d 1142, 1151 (Fed. Cir. 2004). In failing to do so, Defendants’ summary judgment motion as to anticipation fails in substance. It is not the Court’s duty to make Defendants’ arguments and search the record for evidence supporting those arguments. *Indus. Eng’g & Dev., Inc.*, No. 8:12-CV-691-T-24-MAP, 2014 WL 4545857, at *5.

As to obviousness, under 35 U.S.C. § 103, a claim is obvious and thus invalid “if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious.” *See also Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966) (“Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved.”). The obviousness requirement “extends the field of unpatentable material beyond that which is known to the public under § 102, to include that which could readily be deduced from publicly available material by a person of ordinary skill in the

pertinent field of endeavor.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150 (1989); *see Custom Accessories, Inc. v. Jeffrey-Allan Indus.*, 807 F.2d 955, 962 (Fed. Cir. 1986) (explaining that the phrase “person of ordinary skill” is a legal construct applied to as a proxy for a hypothetical person who is placed in the position of being aware of all relevant prior art).

Obviousness is a question of law derived from underlying facts. *Arctic Cat Inc. v. Bombardier Recreational Prods. Inc.*, 876 F.3d 1350, 1358 (Fed. Cir. 2017). The Supreme Court in *Graham* set forth the framework for the inquiry, consisting of four questions of fact to be reviewed for substantial evidence: “(1) the scope and content of the prior art; (2) the differences between the claims and the prior art; (3) the level of ordinary skill in the art; and (4) objective considerations of nonobviousness.” *Id.*

Defendants address anticipation and obviousness simultaneously in their briefing on the matter and in doing so have failed to adequately address the independent legal standard that obviousness carries. Beyond conclusory argument that Cameron and Athwal support a finding of obviousness, Defendants do not address the four questions of fact to be reviewed by this Court. Defendants have the burden to show by clear and convincing evidence that the ‘296 patent is obvious, but have failed to do so.

Accordingly, Defendant’s Partial Motion for Summary Judgment is **DENIED** pertaining to entry of summary judgment on Defendants’ Count III of invalidity of the ‘296 patent.

B. The ‘994 Patent

Plaintiff’s Count II alleged infringement by Defendants of the ‘994 patent. Defendants in their Counterclaim allege non-infringement and invalidity of the ‘994 patent in Counts II and IV. In Plaintiff’s Final Infringement Contentions concerning the ‘994 patent, Plaintiff asserted infringement of only the following claims in the ‘994 patent: 1, 2, 5, 7, and 8 (ECF No. 172 at ¶

42).

1. Alleged Infringement of the ‘994 Patent

The ‘994 patent is titled “Method and system for updating firmware using a mobile device as a communications bridge.” ‘994 patent at 1. The ‘994 patent describes a number of embodiments of a method of updating firmware of a payment module via a customer’s mobile device with firmware originating from a server that “manages the payment processing system and, in some cases, supplies, operates and/or manufactures the one or more payment modules.” ‘994 patent at 39:13–16, FIGS. 5, 21, 24A, 26A–25D, and 30A–30D. In each of the ‘994 patent embodiments, short-range communication is described as being carried out using various protocols, including and not limited to Bluetooth and near-field communication, whereas long-range communication capability is described as being carried out using various protocols, including and not limited to Wi-Fi and cellular. ‘994 patent at 3:26–28, 37:11–41:64, 52:30–56:57. Common to all of the embodiments of the method described in the ‘994 patent for updating the firmware version on the payment module [100] is the architecture depicted in FIG 5:

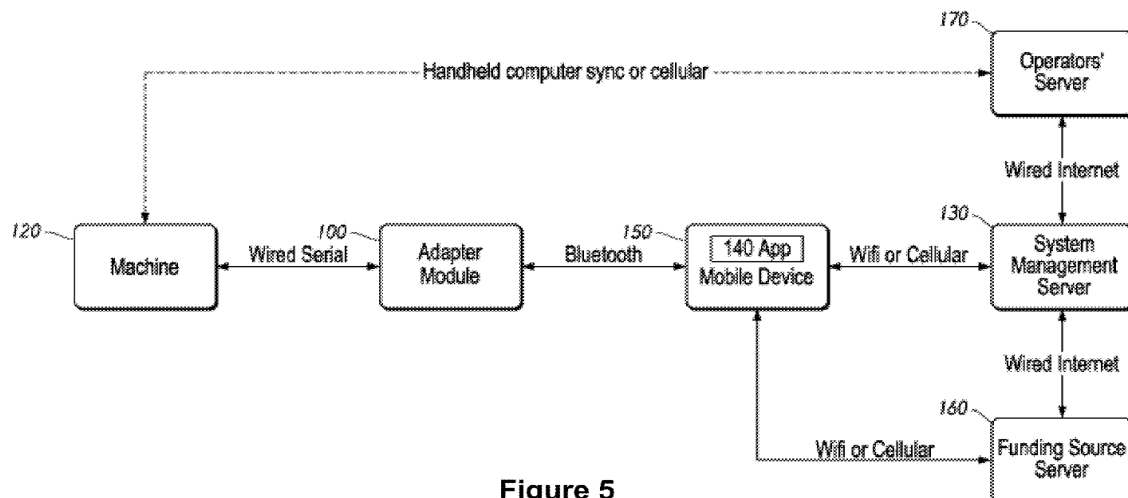


Figure 5

‘994 patent at FIG. 5.

It is not clear what products Plaintiff claims infringe the ‘994 patent. In Plaintiff’s Final Infringement Contentions, Plaintiff asserts that the infringing products include:

KioSoft’s Laundry Manager App (“KLM App”) or other white label variants or apps relying on code supplied by Defendants, including all past, current and future version of these and similar apps released during the pendency of this matter (collectively, “Accused Apps”) in conjunction with Defendants CleanPay Kiosks, CleanReader products (including CleanReader Contactless, CleanReader Ultra, CleanReader Solo, CleanReader Solo Connect), download stations, and any other firmware updates, and including past, current and future versions of these and all other products similar functionally during the pendency of this matter.

(ECF No. 172-13 at 2–3). The Parties only brief arguments regarding the KLM app regarding infringement of the ‘994 patent. Accordingly, the Court addresses infringement as it pertains to the KLM app.

One term was disputed regarding the ‘994 patent—“potential transactor.” The Court defined this term in its previously issued Claims Construction Order. (ECF No. 162).

Claim element 1.3 recites, while executing the application on the mobile device of the “potential transactor” compatible with the mobile-to-machine payment system, “receiving, from a server of the mobile device-to-machine payment system, an update for the application and a firmware image for a payment module of the mobile device-to-machine payment system via the second communication capability.” ‘994 patent 58:1–5.

The Court adopted the Parties stipulation of the construction of the term “server” in a server of the mobile device-to-machine payment system to mean all of the following:

Server: A server is the host processing server that may be operated by the company running the payment processing system. For each user, the server 130 preferably maintains at least one “virtual wallet” having at least one “balance” (which can be \$0) of designated funds for which the server 130 keeps an accounting. The balance may represent, for example, “cash” or it may be a “promotional value” that represents funds that may be spent under certain circumstances. If these funds begin to be depleted, the user may be notified (e.g., via the application 140 on the mobile device 150) that additional funds need to be designated and/or transferred.

Alternatively, funds from other sources (e.g., the funding source server 160) may be automatically transferred to restore a predetermined balance. The balance may also be increased based on a promotion (e.g., points earned or coupons). As shown in FIG. 22, the server includes appropriate processors 950, memory 960 (which would keep an accounting of the user's balance in a manner similar to a gift card), and communication systems 970. As shown in FIG. 22, the communications unit 970 of the server 130 includes long-range communication capability 972 (e.g., cellular technology and/or Wi-Fi mechanisms). The server 130 also includes a security unit 955 for encrypting and decrypting messages. The server 130 receives an authorization request (sometimes also herein called an "AuthRequest") from the adapter module 100 (via a mobile device 150) and, if funds are available, returns an authorization grant (sometimes also herein called an "AuthGrant" or an "authorization grant token") for funds. FIG. 22 shows components associated with the server 130. The shown example may be divided into multiple distinct components that are associated with each other or the example may be incorporated into or drawn from other technology (e.g., a computer or a main frame) as long as the components are associated with each other.

(ECF No. 221-6 at ¶ 297); (ECF No. 162 at 2 n.2); '994 Patent at 10:41–11:6.

The KLM app, however, receives all updates through the Apple App Store, Google Play store, or by email. (ECF No. 172 at ¶ 61). The KLM app does not receive any firmware updates from a server of the mobile device-to-machine payment system. The KLM app communicates only with a maintenance server for firmware, which cannot process payments or handle payment transactions in any way. (ECF No. 172-20 at ¶ 23). KioSoft's firmware server does not maintain a virtual wallet having at least one "balance" (which can be \$0) of designated funds for which the server keeps an accounting. (ECF No. 172 at ¶ 62). KioSoft's firmware server does not notify users that the balance in their virtual wallets is decreasing and needs to be replenished. (ECF No. 172 at ¶ 62). KioSoft's firmware server does not facilitate the transfer of funds from various sources to users' virtual wallets. (ECF No. 172 at ¶ 62). KioSoft's firmware server does not receive requests for funds or make decisions concerning whether transactions are authorized. (ECF No. 172 at ¶ 62). KioSoft's firmware server has no features related to the function of payment processing. (ECF No. 172 at ¶ 62). Each of these elements provided in claim element 1.3 are not found in the KLM app. Accordingly, no reasonable juror could conclude that the KLM

app infringes claim 1.3.

Each of the asserted claims 2, 5, 7 and 8 of the ‘994 patent depend on claim 1 and include claim 1.3. As such, each of claims 2, 5, 7 and 8 are not met, directly and/or indirectly, because the KLM app does not include, use or practice claim 1.3, which is required by each of the asserted claims of the ‘994 patent.

Plaintiff only put forth Rhyne’s opinion in support of its argument that the ‘994 patent is infringed by the KLM app; as such, Plaintiff’s only semblance of evidence to show that the ‘994 patent is infringed was not sufficient to create a genuine issue of material fact. Therefore, this Court finds that no reasonable juror could conclude that KLM app infringed the ‘994 patent.

Accordingly, Defendant’s Motion for Partial Summary Judgment is **GRANTED** pertaining to entry of summary judgment on Plaintiff’s Count II of infringement and Defendants’ Count II of non-infringement.

2. The Validity of the ‘994 Patent

“A [patent] claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference.” *Verdegaal Bros. v. Union Oil Co. of Cal.*, 814 F.2d 628, 631 (Fed. Cir. 1987). Defendants argue that the ‘994 patent is anticipated and or rendered obvious by U.S. Patent No. 8,583,280 (“Patel”) and U.S. Patent Publication No. 2009/0303982 to Blachman et al. (“Blachman”). Defendants’ arguments for anticipation and obviousness regarding the ‘994 patent fail for similar reasons as the claim of invalidity of the ‘296 patent.

Defendants have not met their burden of demonstrating every element of the claimed invention is identical in a single reference with the ‘994 patent. The Court has decided claim construction of the disputed terms for the ‘994 patent. With regards to Patel, Defendants provide

summary arguments of what Patel includes and then make conclusory arguments that Patel anticipates the ‘994 patent. As for Blachman, Defendants insert block quotes from Blachman and then argue in conclusory fashion that the prior art references anticipate the ‘994 patent. Establishing that a prior art reference discloses each and every claim element and limitation is not a “perfunctory exercise.” *See Indus. Eng’g & Dev., Inc.*, 2014 WL 4545857, at *5. Rather, it is an integral part of Defendants’ “especially heavy burden” to provide clear and convincing evidence of invalidity by anticipation. In failing to do so, Defendants’ summary judgment motion as to anticipation fails.

As noted previously, the framework for determining obviousness consists of four questions of fact to be reviewed for substantial evidence: “(1) the scope and content of the prior art; (2) the differences between the claims and the prior art; (3) the level of ordinary skill in the art; and (4) objective considerations of nonobviousness.” *See Arctic Cat Inc.*, 876 F.3d at 1358.

Defendants address anticipation and obviousness simultaneously in their briefing on the matter regarding the ‘994 patent as well and in doing so have failed to adequately address the independent legal standard that obviousness carries. Beyond conclusory argument that Patel and Blachman support a finding of obviousness, Defendants do not address the four questions of fact to be reviewed by this Court.⁵ Defendants have the burden to show by clear and convincing evidence that the ‘994 patent is rendered obvious by the prior art references, but have failed to do so.

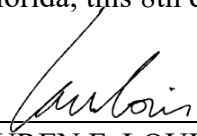
Accordingly, Defendant’s Motion for Partial Summary Judgment is **DENIED** pertaining to entry of summary judgment on Defendants’ Count IV of invalidity of the ‘994 patent.

⁵ Defendants in their Motion argue how a person of ordinary skill in the art would have been motivated to combine the prior art references, rendering the ‘994 patent obvious. However, Defendants do not cite to a person of ordinary skill in the art, but rather solely rely on argument. Defendants’ arguments alone are insufficient to support a finding of obviousness of the ‘994 patent.

IV. CONCLUSION

For the foregoing reasons, Defendants' Motion for Partial Summary Judgment is **GRANTED, in part**, with respect to Plaintiff's Counts I, infringement of the '296 patent; Count II, infringement of the '994 patent; Defendants' Count I, non-infringement of '296 patent; and Count II, non-infringement of '994 patent; and **DENIED, in part**, with respect to Count III, invalidity of the '296 patent; and Count IV, invalidity of the '994 patent.

DONE AND ORDERED in Chambers in Miami, Florida, this 8th day of June, 2023.



LAUREN F. LOUIS
UNITED STATES MAGISTRATE JUDGE