



Memorandum

Date: August 21, 2012
To: Walt Moeling
Jonathan Hightower
From: Ryan Pumpian
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Direct Dial: 404-572-6851
Re: Patent Infringement Asserted by Automated Transactions
LLC Related to ATMs

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As you requested, the following provides a factual history of the patent infringement allegations that Automated Transactions LLC (“ATL”) has made and the results of litigation in which it has engaged. The information contained below is based on our review of letters sent by ATL’s attorneys to Georgia banks, draft ATL license agreements, the dockets of various lawsuits filed by ATL, the opinion issued on April 23, 2012 by the Federal Circuit in *Automated Transactions, LLC v. IYG Holding Co.*, and documents prepared by and conversations with attorneys in other states who have dealt with ATL’s allegations.

Please feel free to share this memorandum with bankers who are interested in the subject. This memorandum, however, does not seek to provide legal advice to any specific bank and is not intended to create an attorney/client relationship between Bryan Cave LLP and any specific bank.

ATL’s Allegations of Patent Infringement

ATL claims to own thirteen (13) issued patents related to automated teller machine (“ATM”) technology. These patents all appear to stem from an initial parent patent (U.S. Patent No. 6,945,457) that was filed on May 10, 1996.

Numerous community banks in Georgia have received letters from ATL’s attorneys accusing them of infringing ATL’s patents, inquiring as to whether the bank is interested in discussing a license, and threatening a lawsuit if an agreement is not reached. These letters to Georgia banks appear to be part of a business strategy by ATL to pursue community banks on a state-by-state basis, as we have learned that banks in Vermont and New Hampshire have previously been targeted. The sample letters we have read claim in general terms that the recipient bank’s ATMs are infringing ATL’s patents, but they do not specify which patents are being infringed or provide a factual analysis that demonstrates such infringement.

The Cost of a License from ATL

ATL appears to be proposing two variations for purchase of a license. One model appears to involve a one-time, lump sum payment based on a price per ATM site, with the cost per site decreasing as the volume of ATM sites increases. Examples of the rates we understand ATL to be seeking are:

- 1-6 sites - \$5,000 per site;
- 11-15 sites - \$4,000 per site;
- 51-100 sites - \$2,500 per site
- over 100 sites - \$2,000 per site.

The other model appears to be based on a fixed fee plus a running royalty of \$0.25 for every ATM transaction for which the bank charges a fee.

The Results of Litigation Involving ATL's Patents

ATL has filed at least thirteen lawsuits alleging infringement of at least some of its patents. In addition, ATL's parent patent was the subject of renewed evaluation (called reexamination) by the United States Patent Office. The lawsuit that proceeded the farthest through the judicial process was filed in 2006 by ATL against 7-Eleven, Inc. and related companies in the United States District Court for the District of Delaware. That case and the result of the Patent Office's reexamination were consolidated before the United State Court of Appeals for the Federal Circuit, which issued an opinion addressing both matters on April 24, 2012. *See Automated Transactions, LLC v. IYG Holding Co.*, 2012 WL 1392647 (Fed. Cir. Apr. 24, 2012).

The Federal Circuit opinion contained several significant holdings. First, the court agreed with the Patent Office that seven of the claims within the parent patent were invalid because they claimed inventions that were obvious. Second, the court held that all patent claims that included a requirement for an ATM to have an Internet connection or Internet access could be infringed only if the accused "ATMs have access to retail services publicly available over the Internet and exclude ATMs that are connected only to private networks." The opinion also stated that these Internet-related patent claims "require that the customer be able to use the ATM to access services available through the Internet." Accordingly, the Federal Circuit agreed with the lower court's determination that the accused ATMs did not infringe the patent claims asserted by ATL because they were connected to a private network only and not the Internet.

Nevertheless, ATL still has some patent claims that were not directly affected by the Federal Circuit's opinion. The viability of these remaining claims is not known at this time, though they are the subject of pending litigation in other states. Given the fact that ATL has continued its letter writing campaign after the opinion issued, it seems clear that ATL believes it still has the ability to seek licenses and file infringement lawsuits on its remaining patents.

Addressing ATL's Allegations

Whether seeking to defend against ATL's allegations on the merits (or if ATL should have additional persuasive information, perhaps negotiate a license), it makes economic sense for

Georgia banks to undertake a concerted effort. If attacking the merits of the patents, we expect that there would be numerous issues on which banks would share a position. In potential licensing discussions, it seems reasonable to believe that ATL would be willing to treat a group of banks as one for purposes of discussing a volume discount on a per ATM site basis. In any event, the more banks involved, the greater the impact we can have in any discussions and the smaller the cost per bank.

RTP