

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION**

SOURCE, INC.,

Plaintiff,

v.

AMERICAN EXPRESS COMPANY,

Defendant.

C. A. No. 2:05-CV-364 (TJW)

JURY DEMANDED

**AMERICAN EXPRESS COMPANY'S  
CORRECTED ANSWER TO PLAINTIFF'S FIRST AMENDED COMPLAINT,  
AFFIRMATIVE DEFENSES AND COUNTERCLAIMS**

Defendant and Counterclaim Plaintiff, American Express Company ("American Express"), by and through its attorneys, hereby responds to the First Amended Complaint of Source, Inc. ("Source") as follows:

**PARTIES**

1. American Express is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 1 and therefore denies them.
2. American Express admits that it is a corporation having a principal place of business at 200 Vesey Street, New York, New York. American Express denies the remaining allegations contained in paragraph 2.

**JURISDICTION**

3. American Express admits that this Court has federal question jurisdiction over this case, but denies the legal sufficiency of Source's claims and allegations.

4. American Express admits that it has solicited business in the State of Texas, transacted business within the State of Texas and attempted to derive financial benefit from residents of the State of Texas and that venue is proper in this judicial district. American Express denies that it has committed any acts of patent infringement, and therefore denies that it has attempted to obtain benefits related in any manner to the alleged patent infringement. American Express further denies that it has committed any acts violating any rights of Source on which venue, as alleged, is dependent.

### **BACKGROUND**

5. American Express admits that on July 10, 1990, United States Patent No. 4,941,090 entitled "Centralized Consumer Cash Value Accumulation System for Multiple Merchants" was issued to Patrick D. McCarthy. American Express is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 5 and therefore denies them.

6. American Express admits that on May 26, 1992, United States Patent No. 5,117,355 entitled "Centralized Consumer Cash Value Accumulation System for Multiple Merchants" was issued to Patrick D. McCarthy. American Express is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 6 and therefore denies them.

7. American Express admits that on April 13, 1993, United States Patent No. 5,202,826 entitled "Centralized Consumer Cash Value Accumulation System for Multiple Merchants" was issued to Patrick D. McCarthy. American Express is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 7 and therefore denies them.

8. American Express admits that on February 23, 1999, United States Patent No. Re:36,116 entitled “Centralized Consumer Cash Value Accumulation System for Multiple Merchants” was issued to Patrick D. McCarthy. American Express is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations contained in paragraph 8 and therefore denies them.

9. American Express admits that it offers to consumers charge cards known as “The True Earnings Card,” including the “TrueEarnings<sup>SM</sup> Card from Costco and American Express” (for individual consumers) and “TrueEarnings<sup>SM</sup> Business Card from Costco and American Express”; “American Express Cash Rebate Card”; “Platinum Business Cash Rebate Card”; “Platinum Premium Business Cash Rebate Card”; “Blue Cash<sup>®</sup> Card”; “Blue Cash<sup>®</sup> for Business Card” and “American Express<sup>®</sup> / Business ExtrAA<sup>®</sup> Corporate Card”. Further, American Express admits that it offers reward, rebate and/or loyalty programs, associated with the following American Express programs: OPEN Savings<sup>SM</sup> program; and Savings at Work<sup>SM</sup> program. American Express denies the remaining allegations contained in paragraph 9.

#### **DEFENDANT’S ALLEGED INFRINGEMENT**

10. American Express incorporates by reference, paragraphs 1-9 herein.
11. American Express denies the allegations contained in paragraph 11.
12. American Express denies the allegations contained in paragraph 12.
13. American Express denies the allegations contained in paragraph 13.
14. American Express denies the allegations contained in paragraph 14.

#### **DEMAND FOR A JURY TRIAL**

15. No response is required.

## **RESPONSE TO PRAYER FOR RELIEF**

American Express denies that Source is entitled to any of the relief sought in the Prayer for Relief.

### **AFFIRMATIVE DEFENSES**

Without altering the burden of proof, American Express asserts the following defenses, which are based upon an investigation that is not complete and prior to the results of any discovery from Plaintiff. American Express's investigation of its defenses is continuing, and American Express reserves the right to assert all affirmative defenses under Rule 8(c) of the Federal Rules of Civil Procedure, the patent laws of the United States and any other defense, at law or in equity, that may now exist or in the future be available based upon discovery and further investigation in this case.

#### **FIRST AFFIRMATIVE DEFENSE (No Direct Infringement)**

1. American Express has not infringed and is not infringing any valid claim of U.S. Patent No. Re 36,116 (the "'116 patent").

#### **SECOND AFFIRMATIVE DEFENSE (No Contributory Infringement)**

2. American Express has not contributed to and is not contributing to the infringement of any valid claim of the '116 patent.

#### **THIRD AFFIRMATIVE DEFENSE (No Induced Infringement)**

3. American Express has not induced and is not inducing the infringement of any valid claim of the '116 patent.

**FOURTH AFFIRMATIVE DEFENSE  
(File Wrapper Estoppel)**

4. Upon information and belief, by reason of proceedings in the U.S. Patent and Trademark Office during the prosecution of the applications that resulted in the patents, as shown by their file histories, and by reason of the amendment, cancellation or abandonment of claims, and the admissions and other statements made therein by or on behalf of the patentee(s), Plaintiff is estopped from claiming a construction of the '116 patent that would cause any valid claim thereof to cover or include any method or product manufactured, used, sold, or offered for sale by American Express.

**FIFTH AFFIRMATIVE DEFENSE  
(Patent Invalidity)**

5. Upon information and belief, the '116 patent is invalid because it fails to meet the conditions for patentability set forth in 35 U.S.C. §§ 101, 102, 103 and 112.

**SIXTH AFFIRMATIVE DEFENSE  
(Failure to State a Claim)**

6. Upon information and belief, the First Amended Complaint and each purported claim alleged therein fail to state facts upon which relief can be granted against American Express.

**SEVENTH AFFIRMATIVE DEFENSE  
(No Willful Infringement)**

7. Should American Express be found to infringe the '116 patent, such infringement was not willful.

**EIGHTH AFFIRMATIVE DEFENSE  
(Waiver, Laches and Estoppel)**

8. Plaintiff's claims are barred by the doctrines of waiver, laches and/or estoppel.

**NINTH AFFIRMATIVE DEFENSE  
(35 U.S. C. §287 – Damage Limitation)**

9. Upon information and belief, to the extent Plaintiff may be entitled to damages, any claim for damages for patent infringement by Plaintiff is limited by 35 U.S. C. §287 to those damages occurring only after notice of infringement.

**TENTH AFFIRMATIVE DEFENSE  
(Lack of Standing)**

10. Upon information and belief, Source lacks standing to sue for patent infringement of the '116 patent.

**COUNTERCLAIMS**

American Express Company (“American Express”) asserts the following counterclaims against Source, Inc. (“Source”):

**NATURE OF THE ACTION**

1. This is an action for a declaratory judgment of non-infringement and invalidity, arising under the Declaratory Judgment Act, 28 U.S.C. § 2201, *et seq.*

**THE PARTIES**

2. American Express is a corporation organized and existing under the laws of the State of New York, with a principal place of business in New York, New York.

3. Upon information and belief Source is a corporation organized and existing under the laws of the State of Delaware with a principal place of business in Newhall, California.

4. This Court has subject matter jurisdiction over the counterclaims pursuant to 28 U.S.C. §§ 1331, 1338(a), 2201 and 2202.

5. Venue in this Court is proper pursuant to 28 U.S.C. § 1391(b).

**COUNT I  
DECLARATORY JUDGMENT OF NON-INFRINGEMENT AND  
INVALIDITY OF THE '116 PATENT**

6. The allegations of paragraphs 1-5 of this Counterclaim are incorporated by reference as though set forth in full herein.

7. On August 10, 2005, Source filed its Original Complaint ("Complaint") in this Court, charging American Express with infringement of the '116 patent. On August 8, 2006, Source filed its First Amended Complaint ("Amended Complaint") in this court, charging American Express with infringement of the '116 patent.

8. The charges of infringement in the Complaint and Amended Complaint have created an actual and justiciable controversy between American Express and Source concerning whether American Express infringes any valid claim of the '116 patent.

9. American Express does not infringe the '116 patent.

10. The '116 patent is invalid because it fails to meet the conditions for patentability set forth in 35 U.S.C. §§ 101, 102, 103 and 112.

11. American Express is entitled to a declaratory judgment that it has not infringed, contributed to the infringement of or induced the infringement of, and is not infringing, contributing to the infringement of or inducing the infringement of, any valid claim of the '116 patent asserted by Source, and that the '116 patent is invalid.

**PRAYER FOR RELIEF**

WHEREFORE, Defendant and Counterclaim Plaintiff, American Express, prays that this Court:

- a. declare that the '116 patent has not been infringed by American Express;
- b. declare that the '116 patent is invalid;



**CERTIFICATE OF SERVICE**

The undersigned certifies that all counsel of record who have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3) on this the 7th day of September, 2006. Any other counsel of record will be served by first class mail.

/s/ J. Thad Heartfield  
J. Thad Heartfield