
Statement for the Record

On Behalf of the

AMERICAN BANKERS ASSOCIATION

For the Hearing

**“Protecting Small Businesses and Promoting Innovation by
Limiting Patent Troll Abuse”**

Before the

Senate Committee on the Judiciary

December 17, 2013



Chairman Leahy, Ranking Member Grassley, and Members of the Committee:

On behalf of the members of the American Bankers Association (ABA) we appreciate the opportunity to submit this written statement for the above-entitled hearing. The American Bankers Association represents banks of all sizes and charters and is the voice for the nation's \$14 trillion banking industry and its two million employees. ABA's extensive resources enhance the success of the nation's banks and strengthen America's economy and communities. ABA members are often end users of technology and the recipients of abusive and deceptive demand letters.

Abusive patent litigation has been a serious concern for banks and financial institutions of all sizes across the country for many years. That is why we supported the reforms Congress put in place in 2011 through enactment of the America Invents Act (AIA), in particular the process for review of overly broad business methods patents by the Patent and Trademark Office (PTO) put in place by Section 18 of the Act.

Unfortunately, the abuses continue and have in fact increased despite those reforms. Banks continue to be barraged by patent assertion entities (PAEs) who use overly broad patents, threats of litigation, and licensing fee demands in an effort to extort payments from banks across the country. As a result, resources and capital that could go toward lending or otherwise serving bank customers, small businesses, and communities have necessarily been re-allocated to defend against abusive patent claims from PAEs.

Faced with threats of expensive patent litigation, many banks, and especially smaller banks, find that their only option is to settle rather than face paying millions to defend against extortive claims of patent infringement. Well-funded and sophisticated PAEs take advantage of community banks with limited resources and little patent experience, and have amassed significant "licensing" fees from banks literally for the cost of mailing a threatening letter.

A recent example of this involves a PAE known as Automated Transactions, LLC (ATL), which targeted banks throughout New England, New York, New Jersey, Georgia, Virginia, Pennsylvania, in addition to an ever-growing number of states. ATL claims that transactions facilitated by the use of the banks' ATMs infringe one or more of its patents. What ATL failed to mention, however, is that several of ATL's claims have been invalidated by courts. In particular, the Supreme Court denied certiorari on ATL's appeal of an April 23, 2012, decision by the Federal Circuit to affirm a ruling by the Board of Patent Appeals and Interferences invalidating several of ATL's patent claims.¹ Despite this, the company continues to assert those patents and sue banks across the country, including banks that do not even have ATMs.² While ATL is only one of many different

¹ See, *In re Transaction Holdings, Ltd., LLC*, 484 Fed. Appx. 469 (Fed. Cir. Apr. 23, 2012)(Not selected for publication in the Federal Reporter, NO. 2011-1361, 2011-1492), *reh'g and reh'g en banc denied* (July 2, 2012), *cert. denied Transaction Holdings, Ltd. V. Kappos*, 133 S.Ct. 955 (Jan. 14, 2013).

² See, generally *Automated Transactions, LLC v. 7-Eleven and Cardtronics USA, Inc.*, No. 1:13-md-02429-SLR (D.DE) (2013); see also *Automated Transactions, LLC v. Mascoma Savings Bank*, No. 1:13-cv-00503-SLR (D.DE) (2013)(banks located in NH and VT); *Automated Transactions, LLC v. Northfield Savings Bank*, No. 1:13-cv-00504-SLR (D.DE.) (2013) (bank located in VT); *Automated Transactions, LLC v. New England Fed. Credit Union*, No. 1:13-cv-00505-SLR (D.DE.) (2013) (credit union located in VT); *Automated Transactions, LLC v. Heritage Family Credit Union*, No. 1:13-cv-00506-SLR (D.DE) (2013) (credit union

entities that operate as PAEs filing frivolous patent infringement cases against all industries, ATL's tactics and efforts are a prime example of the problem banks and other companies face, primarily with regard to vague and threatening demand letters. An example of ATL's demand letter is attached to this testimony in redacted form.

We are pleased that members in both the House and Senate—including a number of members of this Committee³—have sponsored legislation intended to alleviate some of the incentives that drive abusive litigation by patent PAEs and we strongly support legislation to correct these abuses. In particular, S. 1720, introduced by Chairman Leahy and Senator Lee, includes several provisions that could potentially deter patent trolls from sending abusive demand letters, but we hope that these can be strengthened as the process moves forward in the Judiciary Committee and the Senate, in particular by requiring them to be more “transparent” by providing greater details about the alleged patent infringement.

In addition, a demand letter registry available to the public should be created at either the PTO or the Federal Trade Commission. Any entity that sends more than 10 demand letters in a single year should be required to enter them into the registry. This would provide the FTC and other agencies with the information needed to identify and take action against PAE's that are sending abusive demand letters. It would also allow those targeted in the letters to more effectively form joint defense groups by pooling their knowledge about certain trolls, identifying counsel familiar with those trolls and potentially reduce defense costs. It is vitally important that strong language dealing with abusive demand letters is included in final legislation enacted into law.

Legislation seeking to remedy abusive activities by patent trolls must also deal effectively with a pervasive dilemma facing “end users.” End users are purchasers of products from vendors that actually use the final product. This includes embedded technology such as software that accompanies a product. Financial institutions, such as banks, are, in almost all circumstances, end users of technology and should not be threatened with infringement simply for buying something in good faith from a vendor. Simply purchasing a product and using it in the way that was intended by the manufacturer, distributor, or producer should not warrant a lawsuit by a third party claiming a patent violation. This theory turns jurisprudence on its head and is a direct threat to businesses across all sectors of the U.S. economy.

There must be meaningful reforms to provide a solution to the problem faced by end users. Specifically, there should be mandatory joinder or at least a “right of contribution” added to patent law to help put in place a more equitable distribution of liability between end users and suppliers.

There are several other provisions that should be included in patent troll legislation. In particular, we share the views of others in the financial services industry that section 18 should be made a permanent rather than a transitional program and it could be improved further by granting the PTO

located in VT); *Automated Transactions, LLC, v. Automated Transactions, LLC, v. New York Community Bank*, No. 1:13-cv-00591-SLR (D.DE) (2013) (bank located in New York).

³ See The Patent Quality Improvement Act of 2013, S.866, 113th Cong. (2013) (introduced by Senator Schumer); The Patent Abuse Reduction Act of 2013, S.1013, 113th Cong. (2013) (introduced by Senator Cornyn); and The Patent Litigation Integrity Act of 2013, S.1612, 113th Cong. (introduced by Senator Hatch).

discretionary authority to waive the filing fee for these proceedings to encourage its use by smaller institutions. To discourage vaguely worded demand letters, it is also important for the Committee to clarify the intent of Congress in enacting Section 18 as part of the AIA that a demand letter or other pre-litigation communication suggesting that infringement has occurred constitutes an accusation of infringement giving rise to a real and substantial controversy for purposes of a Section 18 review.

To further discourage abusive litigation, S. 1720 should also include provisions to allow the courts the discretion to shift the costs of litigation to the prevailing party and to require bonding to assure that parties are able to meet this obligation. We are concerned that the bill as introduced requires PTO to conduct claims construction proceedings in a manner similar to the federal courts because this shift away from the current “broadest reasonable interpretation” could weaken PTO’s ability to invalidate or narrow-low quality patents. We look forward to working with the Committee on these and other issues as legislation is developed.

Abusive patent litigation is a serious problem for the U.S. economy, businesses, and banking institutions of all sizes. We strongly support your efforts to end abusive patent litigation and look forward to working with members of the Committee to address these matters.

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September 25, 2013

VIA FEDERAL EXPRESS

(Redacted)

Re: ATL Patent Portfolio Covering ATMs-FRE 408

Dear Mr. (Redacted)

We represent Automated Transactions LLC ("ATL") which has a patent portfolio covering ATMs attached hereto as Exhibit A. These issued patents, together with newly allowed and several pending patent applications, cover the way ATMs provide automated services via a variety of transaction and network service providers. We understand that your Bank has at least one ATM which ATL believes operates in a manner which infringes one or more of the patents in the portfolio of Exhibit A.

ATL has granted close to 200 sublicenses under its patent portfolio to a wide range of Banks, from those as large as *First Niagara*, the 30th largest network of Bank ATMs, to small independent ATM deployers [IADs] with just a single ATM. ATL has prepared a special one-time *limited time offer* for smaller Banks such as yours to receive a fully paid up sub-license for \$2,000 per automated teller machine [ATM]. This offer must be accepted on or before October 9, 2013 to avoid further action.

If you would like to reach an amicable resolution with respect to your infringing ATMs, or you have any questions as to why you have received this notice, please contact the undersigned directly.

Very truly yours,



Albert L. Jacobs, Jr.



EXHIBIT A

United States Patents

7,751,850
7,575,158
7,591,420
7,597,248
7,597,251
7,600,677
7,617,973
7,621,444
7,669,220
7,793,830
7,802,718
7,837,101
8,118,222
8,132,714
8,132,715



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November 1, 2013

(Redacted)

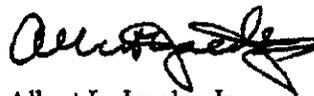
Re: ATL Patent Portfolio Covering ATMs-FRE 408

Dear Mr. (Redacted)

We have not received a response from you to our letter of September 25, 2013 offering a sublicense under ATL's patent portfolio for \$2,000 per ATM. Attached hereto is a draft of a Complaint which ATL is prepared to file if we are unable to reach an amicable resolution. However, in view of your declination to respond to our earlier letter the cost per ATM is now \$5,000 per ATM.

This offer is only good until November 15, 2013 and we would expect to hear from you not later than that date.

Sincerely yours,



Albert L. Jacobs, Jr.

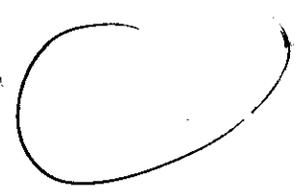
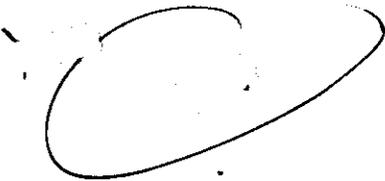


EXHIBIT A
United States Patents

7,751,850
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7,597,248
7,597,251
7,600,677
7,617,973
7,621,444
7,669,220
7,793,830
7,802,718
7,837,101
8,118,222
8,132,714
8,132,715
8,543,507



UNITED STATES DISTRICT COURT

X

Civil Action No. _____

AUTOMATED TRANSACTIONS LLC,

Plaintiff,

- v. -

**COMPLAINT AND
DEMAND FOR JURY
TRIAL.**

(Redacted)

Defendant.

X

COMPLAINT

Plaintiff Automated Transactions LLC ("Automated Transactions") alleges as follows:

PARTIES

1. Automated Transactions is a limited liability company organized and existing under the laws of the state of Delaware, having a principal place of business at 2711 Centerville Road, Suite 400, Wilmington, DE 19808.

2. Upon information and belief, (Redacted) has a principal place of business at (Redacted)

NATURE OF ACTION

3. This is an action for patent infringement pursuant to 35 U.S.C. §101, et. seq.

