

ALEXSAM, INC. v. AETNA, INC., Appeal No. 2022-2036 (Fed. Cir. Oct. 8, 2024). Before Judges Stark, Lourie, and Bryson. Appealed from D. Conn. (Judge Bolden).

Background:

The patentee, AlexSam, owned a patent directed to a debit/credit card system capable of performing a plurality of functions, and "a processing center which can manage such a multifunction card system."

AlexSam entered into a license agreement with Mastercard "to process and enable others to process Licensed Transactions." In this agreement a "Licensed Transaction" was defined as "each process of *activating or adding value* to an account or subaccount which is associated with a transaction that utilizes MasterCard's network or brands." Per the agreement, the Licensed Transactions included the entire value chain of payment processing, and they included other parties such as issuing banks, processors, merchants, card vendors, and so forth.

AlexSam sued Aetna, alleging that Aetna's Mastercard and VISA products infringed its patent. Aetna moved to dismiss the suit, and the district court granted the motion to dismiss. For the Mastercard products, the district court held that Aetna had a license via the license agreement with Mastercard that covered the entire value chain of transactions. For the VISA products, the district court held "that AlexSam failed to state a claim of direct infringement based on the VISA products because only third-party customers, and not Aetna itself, could have directly infringed." AlexSam appealed to the Federal Circuit.

Issues/Holdings:

What is the standard of review applicable to a trial court's determination that a complaint is either well-pled or conclusory? De novo. Was the district court's motion to dismiss AlexSam's claims proper? No, reversed and remanded.

Discussion:

Regarding the first issue, the Federal Circuit held that "we have not explicitly set out the standard of review applicable to a trial court's categorization of a complaint's allegations. That is, we have not said whether we accord deferential or non-deferential review to a trial court's decision that an allegation is factual or legal, well-pled or merely conclusory. We hold today that our review of trial court determinations on these matters is de novo."

Applying this standard of review, the Federal Circuit found that the Licensed Transactions set forth in the Licensing Agreement, which were defined as "each process of *activating or adding value* to an account or subaccount," were narrower in scope than the claims of AlexSam's patent. It was thus plausible that Aetna's Mastercard products could infringe the patent by performing processes that are outside the scope of the Licensing Agreement, but within the scope of the patented claims.

As for Aetna's VISA products, the Federal Circuit found that AlexSam stated a plausible claim in its complaint, noting that "the complaint expressly maps each claim limitation to the accused VISA Products, including by attaching claim charts." Furthermore an expert declaration was included to explain how Aetna's VISA products allegedly infringed. The district court's dismissal of the case was thus reversed.