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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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AUTHWALLET, LLC, :
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Plaintiff, :
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-v- :
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BLOCK, INC., :
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Defendant. :
:
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21-cv-5463 (LJL)

OPINION AND ORDER

LEWIS J. LIMAN, United States District Judge:

Defendant Block, Inc. (“Block” or “Defendant”) moves, pursuant to Federal Rule of Civil Procedure 12(b)(6), to dismiss the complaint of Plaintiff AuthWallet, LLC (“AuthWallet”) against it for failure to state a claim.¹

For the following reasons, the motion to dismiss is granted.

BACKGROUND

AuthWallet is a Texas-based limited liability corporation. Dkt. No. 1 (the “Complaint”)

¶ 1. Block is a corporation headquartered and incorporated in the state of New York. *Id.* ¶ 2.

For the purposes of this motion, the Court accepts the well-pleaded allegations of the Complaint as true.

¹ AuthWallet’s action was originally brought against “Square, Inc.” *See* Dkt. No. 1. On December 21, 2021, Defendant Square, Inc. informed the Court that it changed its name to Block, Inc. and moved to substitute Block, Inc. for Square, Inc. and to change the case caption accordingly. Dkt. No. 27. Defendant agreed that the allegations asserted in the Complaint against Square, Inc. shall be deemed asserted against Block, Inc., and Block, Inc. will be bound by the service of summons on Square, Inc. and by the filings previously made by Square, Inc. in the case. *Id.* The Court granted that motion on December 22, 2021. Dkt. No. 28.

I. The '852 Patent

Plaintiff AuthWallet is the sole owner of all rights, title, and interest in U.S. Patent Number 9,292,852 (the "'852 Patent" or "Patent") entitled "System And Method For Applying Stored Value To A Financial Transaction." *Id.* ¶ 6. The '852 Patent was duly and legally issued by the U.S. Patent and Trademark Office on March 22, 2016 and is owned by AuthWallet by assignment. *Id.* The patent relates to novel and improved methods and systems for processing financial transaction data. *Id.* ¶ 7. It contains forty claims, which state as follows:

Claim 1:

A computer-implemented method for processing financial transaction data in a computing system including a processor and a storage area, the method comprising: receiving an authorization request generated as a result of a transaction by a purchaser at a point of purchase via an acquirer configured to receive authorization requests from a plurality of points of purchase, wherein the authorization request includes a purchaser identifier and transaction information, the transaction information including a transaction amount, and wherein the purchaser identifier identifies the purchaser that initiated the transaction; based on the authorization request, determining one or more stored value items to apply to the transaction, wherein each stored value item includes an associated value, wherein the one or more stored value items are selected from a plurality of stored value items stored in the storage area, and wherein the plurality of stored value items includes stored value items provided by a plurality of different third parties; transmitting a transaction indication message to a mobile device associated with the purchaser identifier, wherein the transaction indication message includes information about the determined one or more stored value items; receiving an indication from a user of the mobile device that at least one stored value item should be applied against the transaction; applying the indicated at least one stored value item to pay a first portion of the transaction amount; and initiating a payment process to pay a remaining portion of the transaction amount by providing a modified transaction amount to the acquirer for submission to a payment association.

Dkt. No. 1, Ex. A at ECF pp. 36–37.

Claim 2: "The method of claim 1, wherein a stored value item is a coupon for use in transactions with a specified merchant or for a specified product." *Id.* at 37.

Claim 3: “The method of claim 1, wherein the associated value is expressed as a currency amount.” *Id.*

Claim 4: “The method of claim 1, wherein the associated value is expressed as a percentage of a portion of the transaction amount.” *Id.*

Claim 5: “The method of claim 1, wherein the associated value is expressed in non-currency units and further comprising converting the non-currency units to a currency amount using a conversion rate before applying the indicated at least one stored value item to the first portion of the transaction amount.” *Id.*

Claim 6: “The method of claim 5, wherein the conversion rate is determined based on characteristics of the transaction.” *Id.*

Claim 7: “The method of claim 1, wherein the transaction information identifies a product purchased during the transaction, and wherein a stored value item is determined based on the identified product.” *Id.*

Claim 8: “The method of claim 1, wherein a stored value item is associated with an applicable time or time period and the stored value item is determined based on a time associated with the transaction.” *Id.*

Claim 9: “The method of claim 1, wherein a stored value item is determined based on a transaction history of the purchaser.” *Id.*

Claim 10: “The method of claim 1, wherein initiating a payment process comprises: generating a modified authorization request based on the received authorization request, wherein the modified authorization request includes a modified transaction amount based on the remaining portion of the transaction amount; and transmitting the modified authorization request to an issuing institution for authorization of payment.” *Id.*

Claim 11: “The method of claim 1, wherein the one or more stored value items are uniquely associated with the purchaser identifier in the authorization request.” *Id.*

Claim 12:

The method of claim 1, wherein a plurality of stored value items are contained in the storage area and each stored value item has associated transaction conditions under which a stored value item is to be applied, and wherein determining the one or more stored value items to apply to the transaction comprises selecting a stored value item from the plurality of stored value items in response to determining that the associated transaction conditions under which the stored value item is to be applied are satisfied by the authorization request.

Id.

Claim 13: “The method of claim 12, wherein the associated transaction conditions include an identity of a product being purchased.” *Id.*

Claim 14: “The method of claim 12, wherein the associated transaction conditions include a time period during which the stored value item is valid.” *Id.*

Claim 15:

A system for processing financial transaction data, the system comprising: a processor; a storage component configured to store a plurality of stored value items, wherein the plurality of stored value items includes stored value items provided by a plurality of different third parties; a communication module configured to receive an authorization request generated as a result of a transaction by a purchaser at a point of purchase via an acquirer configured to receive authorization requests from a plurality of points of purchase, wherein the authorization request includes a purchaser identifier and transaction information, the transaction information including a transaction amount, and wherein the purchaser identifier identifies the purchaser that initiated the transaction; and a stored value module configured to: based on the authorization request, determine one or more stored value item to apply to the transaction, wherein each stored value item includes an associated value, wherein the one or more stored value items are selected from the plurality of stored value items stored in the storage area, and; transmit a transaction indication message to a mobile device associated with the purchaser identifier, wherein the transaction indication message includes information about the determined one or more stored value items; receive an indication from a user of the mobile device that at least one stored value item should be applied against the transaction; apply the indicated at least one stored value item to pay a first portion of the transaction

amount; and initiate a payment process to pay a remaining portion of the transaction amount by providing a modified transaction amount to the acquirer for submission to a payment association.

Id.

Claim 16: “The system of claim 15, wherein a stored value item is a coupon for use in transactions with a specified merchant or for a specified product.” *Id.*

Claim 17: “The system of claim 15, wherein the associated value is expressed as a currency amount.” *Id.*

Claim 18: “The system of claim 15, wherein the associated value is expressed in non-currency units and wherein the stored value module is further configured to convert the non-currency units to a currency amount using a conversion rate before applying the indicated at least one stored value item to the first portion of the transaction amount.” *Id.*

Claim 19: “The system of claim 18, wherein the conversion rate is determined based on characteristics of the transaction.” *Id.*

Claim 20: “The system of claim 15, wherein the transaction information identifies a product purchased during the transaction, and wherein the stored value item is determined based on the identified product.” *Id.*

Claim 21: “The system of claim 15, wherein a stored value item is associated with an applicable time or time period and the stored value item is determined based on a time associated with the transaction.” *Id.*

Claim 22: “The system of claim 15, wherein a stored value item is determined based on a transaction history of the purchaser.” *Id.*

Claim 23:

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