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Attorneys for Plaintiff
PRIVASYS, INC.

UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA (SAN FRANCISCO)

| | |
|---|---|
| PRIVASYS, INC.,<br><br>Plaintiff-Counterclaim Defendant,<br><br>v.<br><br>VISA INTERNATIONAL SERVICE ASSOCIATION, VISA U.S.A.<br><br>Defendants-Counterclaimants | Case No. C 07-03257 SI<br><br>**PLAINTIFF AND COUNTERDEFENDANT PRIVASYS, INC.'S REPLY TO COUNTERCLAIM OF VISA U.S.A.**<br><br>**DEMAND FOR JURY TRIAL** |

Plaintiff, PrivaSys Inc., submits this Reply to Defendant Visa U.S.A.'s Counterclaims, which are set forth in "Defendant and Counterclaimant Visa U.S.A.'s Answer

and Counterclaim," dated August 21, 2007. PrivaSys denies the allegations embodied in the headings of Visa U.S.A.'s Counterclaims. For its Reply to the numbered paragraphs of Visa U.S.A.'s Counterclaims, PrivaSys avers that it:

38 Denies the allegations of Paragraph 38.

39 Admits the allegations of Paragraph 39.

40 Admits the allegations of Paragraph 40.

41 Admits that Visa U.S.A. purports to bring the counterclaims described in this paragraph. Denies each and every remaining allegation of Paragraph 41.

42 Admits that this Court has jurisdiction over this action pursuant to 28 U.S.C. §§1331 and 1338, admits this action arises under the patent laws of the United States, and is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations of Paragraph 42 and on that basis denies such allegations.

43 Admits the allegations of Paragraph 43.

44 Admits the allegations of Paragraph 44.

45 Denies the allegations of Paragraph 45.

46 Denies the allegations of Paragraph 46.

47 Denies the allegations of Paragraph 47.

48 Denies the allegations of Paragraph 48.

49 Denies the allegations of Paragraph 49.

50 Admits the allegations of Paragraph 50.

51 Admits that the inventor and each individual associated with the filing and prosecution of the '715 application, within the meaning of 37 C.F.R. §156, was subject to the duty of candor set forth in 37 C.F.R. §156(a). Denies each and every remaining allegation of Paragraph 51.

52 Admits that this paragraph accurately quotes from the Manual of Patent Examining Procedure, §2001.06(c). Denies each and every remaining allegation of Paragraph 52.

53 Admits that Larry Routhenstein, Roy L. Anderson, Paul Hickman, and each person associated with the filing and prosecution of the '715 application, within the meaning of 37 C.R.F. §1.56, owed the duty of candor provided by Section 1.56. Denies each and every remaining allegation of Paragraph 53.

54 Answering the allegations of Paragraph 54: Admits that "PrivaSys alleges that the '154 patent covers methods for providing secure transactions between a money source and a customer. More specifically, the claims of the '154 patent are directed to methods for securing transactions between two or more entities through the use of what the claims describe as a 'Secure Card Number.'" Denies that "[t]he Secure Card Number is defined throughout the '154 patent as including at least a 'Transaction Information block' a 'Counter Block,' and an 'encrypted Personal Identification Number ('PIN') Block.'"

55 Admits the allegations of Paragraph 55.

56 Admits that the '288 patent concerns methods for securing transactions, but denies that the independent claims define the "secure card number" as alleged and denies each and every remaining allegation in Paragraph 56.

57 Admits that there is some overlap among the claims of the '154 and '288 patent, but denies that they cover substantially the same subject matter and denies that the Patent Office repeatedly rejected some claims of the '715 patent application. Admits that a terminal disclaimer was filed on April 14, 2006. Denies each and every remaining allegation of Paragraph 57.

58 Denies the allegations of Paragraph 58, except admits that MasterCard had misappropriated certain PrivaSys trade secret information and incorporated that information into the '566 patent.

59 Admits the allegations of Paragraph 59.

60 Admits the allegations of Paragraph 60, except denies that MasterCard ever alleged that Wankmueller, the inventor listed on the '566 patent, co-invented the subject matter of the PrivaSys patents.

61 Denies the allegations of Paragraph 61, except admits that the PrivaSys MasterCard Litigation was not disclosed to the Patent Office in connection with the '715 Application.

62 PrivaSys is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations of Paragraph 62nd on that basis denies such allegations.

63 Denies the allegations of Paragraph 63.

64 Admits that approximately 74 additional prior art documents were submitted to the U.S. Patent and Trademark Office ("PTO") on September 11, 2006. Denies each and every remaining allegation of Paragraph 64.

65. Denies the allegations of Paragraph 65.

66. Denies the allegations of Paragraph 66.

67. Admits that the '715 application was submitted to the PTO on September 21, 2001; that a fee and oath or declaration were initially not included; that the application was published on March 27, 2003 as Patent Application No. 2003/0061168 without Claim 27, or its dependent claims; on November 5, 2003, the PTO examiner indicated the claims 7-22 were allowable if re-written and provided a statement of reasons; subsequently an

amendment to the patent application was filed; initially the amendment was not signed and a fee was not included. Denies each and every remaining allegation of Paragraph 67.

68. Admits that Mr. Routhenstein, represented by Mr. Anderson, filed the '714 patent application; a notice of allowance was mailed on June 4, 2004; and the patent issued as the '288 patent on October 19, 2004. Denies each and every remaining allegation of Paragraph 68.

69. Admits that on October 21, 2005, a set of amended claims was submitted to the PTO that first included Claim 27; PrivaSys points to Claim 27 and its dependent claims as covering Visa's technology; and the '154 patent issued with Claim 27 and dependent claims on March 27, 2007. Denies each and every remaining allegation of Paragraph 69.

70. Denies the allegations of Paragraph 70.

71. Denies the allegations of Paragraph 71.

**PRAYER FOR RELIEF**

Wherefore, PrivaSys prays for judgment upon Visa U.S.A.'s Counterclaims as follows:

A. That Visa U.S.A.'s Counterclaims be dismissed with prejudice and that Visa U.S.A. take nothing thereunder;

B. That judgment be entered in favor of PrivaSys;

C. That PrivaSys be awarded its costs, disbursements, and attorney's fees in connection with this action; and

D. That PrivaSys be awarded such other and further relief as the Court may deem just and proper.

Dated: September 10, 2007

Respectfully submitted,

_/s/ George F. Bishop_____

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PRIVASYS, INC.

**DEMAND FOR JURY TRIAL**

Plaintiff and counter-defendant, by its undersigned attorneys, demands a trial by jury on all issues so triable.

Dated: September 10, 2007

Respectfully submitted,

_/s/ George F. Bishop_____

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