

Update Bulletin

Target Brands, Inc. Payment Process Claim

August 12, 2009

Earlier this year, Target Brands, Inc. placed a patent on a process for conducting electronic payments signature capture transactions. This patent (the '547 Patent) claims ownership of a transaction flow whereby the shopper signs the signature capture pad prior to the order being finalized. As you likely know, WinEPS customers have been able to configure their systems to operate in this fashion for many years.

To notify customers of Target's claim and possible actions, it is important that dealers provide the attached letter to your WinEPS customers as soon as possible. Here are some questions and answers regarding the situation. (The [letter is available separately](#) on the dealer Web site.)

What exactly does the '547 Patent cover? – The claims of the '547 Patent appear to require, *inter alia*, that the shopper be able to sign the signature capture device and approve the transaction during the order, before the amount of the sale is finalized, and if the shopper refuses to sign and approve the transaction before the amount of the sale is finalized, to again prompt the shopper at the end of the order.

When was the '547 Patent approved? – The '547 Patent issued on March 31 of this year.

Is the '547 patent valid? – While all patents are assumed valid, legal counsel has advised MTXEPS that there are several legal problems with the patent. One likely problem is that of "prior use" since many retailers have used this process well before the '547 Patent was granted.

Does WinEPS or Connected Payments fall within the scope of the claims of the patent? – No. The '547 patent is not a "composition" patent involving technology or software. Instead, it is a "process" or "method" patent regarding the procedure a merchant uses to complete signature capture transactions.

Is Target doing anything regarding this patent? – Target has apparently taken some type of action with at least one retailer, claiming that this retailer is using the signature capture process covered by the '547 Patent.

Has Target taken any legal action against MTXEPS or StoreNext? – No. Again, this is a "method" patent that is intended to cover merchant procedures, not a patent regarding software or technology. Legal counsel from both MTXEPS and StoreNext agree that the WinEPS and Connected Payments products are clear of the '547 patent.

What is the point of contacting users? – Some WinEPS or Connected Payments users may be using a method similar to that which is claimed in the '547 patent. Whether or not the patent is valid, users may want to verify their configurations against the claim.

Will MTXEPS be making any changes to the WinEPS and Connected Payments products? – Yes. A future release will ensure that users do not choose a signature capture method that could conflict with the '547 patent, regardless of its validity, until this issue is settled.

When will the issue be settled? – There is no way to know how long this will take.

You say we should contact WinEPS users. What about Connected Payments users? – StoreNext is contacting Connected Payments users via e-mail and the Connected Payments site.

This document and information are supplied to StoreNext Retail Technologies personnel and third parties to assist them in doing business with StoreNext. They are not to be used or distributed for any other purpose.

StoreNext Retail Technologies LLC endeavors to ensure that the information in this document is correct and fairly stated, but does not accept liability for any error or omission.



StoreNext Retail Technologies LLC
6100 Tennyson Parkway, Suite 130
Plano, TX 75024
Tel.: 972-265-4800
Fax: 972-265-4801

August 12, 2009

Re: User Notification, Target Brands, Inc. '547 Patent

StoreNext has been informed by MTXEPS, Inc. that Target Brands, Inc. owns a patent concerning the electronic payments capability of prompting for a signature before the amount of the sale is finalized when using a signature capture device. This is U.S. Patent No. 7,512,547 ("the '547 Patent").

The purpose of this letter is to make merchants aware of Target's position, and to provide advice by which WinEPS or Connected Payments users can avoid concerns about the '547 Patent.

The '547 Patent describes a process where the shopper has the option to sign the signature capture device and approve the transaction during the order, before the amount of the sale is finalized, and if the shopper refuses to sign and approve the transaction before the amount of the sale is finalized, to again prompt the shopper at the end of the order.

Legal counsel for MTXEPS has advised it that the patent may be invalid because of several legal issues. Regardless of the validity of the '547 Patent or Target's claims, MTXEPS recommends that merchants make sure their transaction flows steer clear of Target's ownership claim of this process.

WinEPS' setup enables this configuration change to be completed in a few minutes. Connected Payments sites can be updated via the Connected Payments Remote Configuration facility: changes can be specified once and then broadcast to all a chain's stores simultaneously without physical store visits. To verify your configuration follow the steps below:

- Go to Configuration, then Terminal Configuration, then OpenEPS, and select the configuration that you wish to change
- Select the Transaction Sequence tab and choose Credit
- Drag the "O" Signature Capture TAC so that it is *after* the ">" Send Transaction TAC
- Save the change
 - For WinEPS, the change will automatically take effect at end-of-day. Stopping and restarting the engine will force the change to take immediate effect if desired.
 - For Connected Payments, select the desired schedule to download the change, or choose the option that brings about an immediate download.

Future WinEPS and Connected Payments releases will limit the timing of signatures and/or final approvals to take place only at end-of-order. This would ensure that users do not inadvertently use a signature capture process that could make them a target of litigation.