

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

NIKE, INC.,
Petitioner,

v.

VALMARC CORPORATION,
Patent Owner.

IPR2022-01404
Patent 8,063,736 B2

Before HYUN J. JUNG, GARTH D. BAER, and AARON W. MOORE,
Administrative Patent Judges.

JUNG, *Administrative Patent Judge.*

DECISION
Granting Institution of *Inter Partes* Review
35 U.S.C. § 314

I. INTRODUCTION

A. *Background and Summary*

Nike, Inc. (“Petitioner”) filed a Petition (Paper 1, “Pet.”) requesting institution of an *inter partes* review of claims 1–34 of U.S. Patent No. 8,063,736 B2 (Ex. 1004, “the ’736 patent”). Valmarc Corporation (“Patent Owner”) filed a Preliminary Response. Paper 6 (“Prelim. Resp.”).

Under 35 U.S.C. § 314, an *inter partes* review may not be instituted “unless . . . there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” Upon consideration of the Petition and for the reasons explained below, we determine that Petitioner has shown a reasonable likelihood of prevailing with respect to at least one of the challenged claims.

Thus, we institute an *inter partes* review of claims 1–34 of the ’736 patent on all presented challenges. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1359–60 (2018).

B. *Real Parties in Interest*

The parties only identify themselves as real parties in interest. Pet. 1; Paper 5, 1.

C. *Related Matters*

The parties identify *Valmarc Corp. v. Nike, Inc.*, 3:21-cv-01556-IM (D. Or.) and IPR2022-01403 as related matters. Pet. 1; Paper 5, 1. Petitioner states that the related litigation concerns “alleged trade secret misappropriation that is not expected to address any issue related to the Challenged Patent.” Pet. 1.

Petitioner challenges U.S. Patent No. 7,852,195 B2 (Ex. 1001, “the ’195 patent”) in IPR2022-01403. *Nike, Inc. v. Valmarc Corp.*, IPR2022-01403, Paper 1 (PTAB Sept. 2, 2022) (Petition).

D. The '736 Patent (Ex. 1004)

The '736 patent issued on November 22, 2011 from an application filed on October 9, 2010 that is a division of an application filed on March 27, 2007. Ex. 1004, codes (22), (45), (62); *see also* Ex. 1005 (Examiner stating that “a restriction was not made nor are the inventions different as evidenced by the [obviousness-type double patenting] rejection below” and that “Applicant needs to change this to a Continuation application”).

The '736 patent “relates primarily to authentication of the ‘source’ of Branded goods and services,” by “providing such Branded goods and services with a readily observable and authenticat[.]able identifier of at least Brand ‘source’ authenticity.” Ex. 1004, 1:12–17. Figure 1 of the '736 patent is reproduced below.

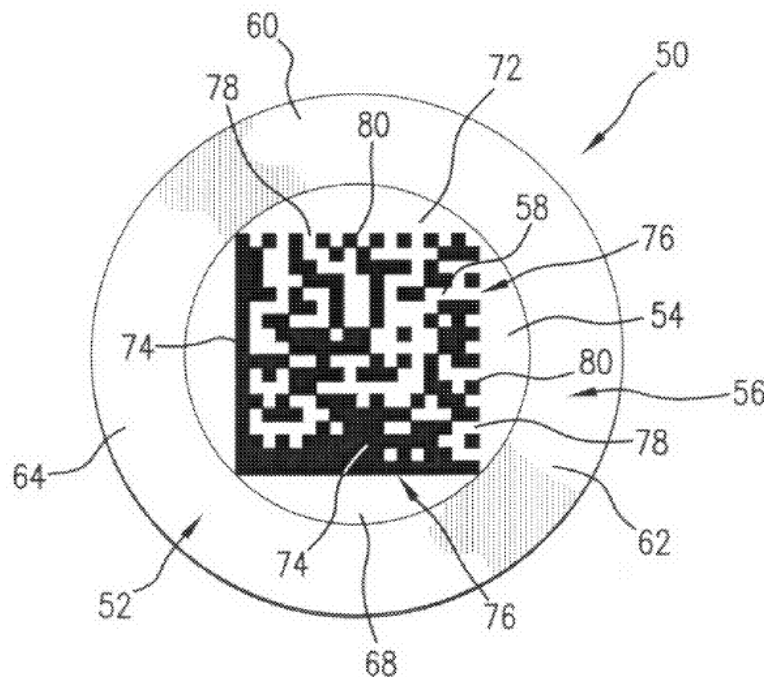


FIG. 1

Figure 1 is a plan view of a Brand “source” indicator. Ex. 1004, 4:36–37. Authenticator 50 is made from authenticator blank 50 that has surface 56. *Id.* at 5:58–59. Data field 54 with encoded symbology 58 is on

surface 56. *Id.* at 6:2–3. Encoded symbology 58 is shown as a 2–D, Data Matrix type, symbology that represents alphanumeric characters. *Id.* at 6:29–30, 6:34–37. It can include data storage field 72 with an arrangement of white data cells 78 and black data cells 80 with solid border 74 or broken border 76. *Id.* at 6:39–44. The encoding of symbology 58 includes, at least, the Brand of the “source” for an article and a unique identifier for the article. *Id.* at 7:8–12.

Authentication data 68 in authentication field 54 is also preferably in encoded symbology 58. Ex. 1004, 6:26–28. Brand fields 60, 62, 64 for displaying the Brand of the authentication system provider or the Brand “source” of the authenticator are also on surface 56. *Id.* at 6:12–13.

E. Illustrative Claim

The ’736 patent includes 34 claims, all of which Petitioner challenges. Claims 1, 7, 13, 21, and 26 are independent, and reproduced below is claim 1.

1. A method for preparing an article for Brand “source” authentication; comprising
 - a) obtaining at least one Brand “source” authenticator for the article; wherein
 - (i) said at least one Brand “source” authenticator has previously had applied thereto Brand “source” authentication symbology including encoded indicia unique to the article, and wherein;
 - (ii) said at least one Brand “source” authenticator’s unique indicia is to differ from the indicia of all other Brand “source” authenticators; and further wherein;
 - (iii) said Brand “source” authentication symbology including said unique indicia had been previously applied to said at least one Brand “source” authenticator by a party other than the article’s Brand “source”;
 - b) applying said at least one Brand “source” authenticator to the article so that said indicia thereon is readily visible.

Ex. 1004, 15:2–21.

F. Asserted Prior Art and Proffered Testimonial Evidence

Petitioner identifies the following references as prior art in the asserted grounds of unpatentability:

Name	Reference	Exhibit
Moore-778	US 6,246,778 B1, issued June 12, 2001	1015
Hudson	WO 01/95249 A2, published Dec. 13, 2001	1014

Petitioner contends that Hudson, and Moore-778 are prior art under §§ 102(a) and (b).¹ Pet. 20, 54. According to Petitioner, Moore-778 is also prior art under § 102(e). *Id.* at 54. Petitioner also provides a Declaration of Dr. Daniel Lopresti. Ex. 1007.

G. Asserted Grounds

Petitioner asserts that claims 1–34 are unpatentable on the following grounds:

Claims Challenged	35 U.S.C. §	Reference(s)/Basis
1–4, 6–10, 12–14, 16–24, 26, 27, 29–34	103(a)	Hudson
5, 11, 15, 25, 28	103(a)	Hudson, Moore-778

Pet. 3. Petitioner adds the knowledge of a person of ordinary skill in the art to each of the alleged ground of unpatentability. *Id.* at 3, 20, 54. Because obviousness is determined from the perspective of the ordinary skilled artisan, we leave out the express inclusion of the general knowledge of a person of ordinary skill in the art.

¹ The relevant sections of the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112–29, 125 Stat. 284 (Sept. 16, 2011), took effect on March 16, 2013. Because the ’736 patent issued from an application filed before that date, our citations to 35 U.S.C. §§ 102 and 103 in this Decision are to their pre-AIA versions.

II. 35 U.S.C. § 325(d)

Institution of *inter partes* review is discretionary. *See Harmonic Inc. v. Avid Tech, Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) (“[T]he [Office] is permitted, but never compelled, to institute an [*inter partes* review] proceeding.”). Pursuant to 35 U.S.C. § 325(d), in determining whether to institute an *inter partes* review, “the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.” In evaluating the exercise of discretion to deny institution under § 325(d), the Board uses the following two-part framework: (1) determining whether the same or substantially the same art previously was presented to the Office or whether the same or substantially the same arguments previously were presented to the Office; and (2) if either condition of the first part of the framework is satisfied, determining whether the petitioner has demonstrated that the Office erred in a manner material to the patentability of challenged claims. *Advanced Bionics, LLC v. Med-El Electromedizinische Geräte GmbH*, IPR2019-01469, Paper 6, 8 (PTAB Feb. 13, 2020) (precedential).

In applying the two-part framework, we consider several non-exclusive factors, including:

- (a) the similarities and material differences between the asserted art and the prior art involved during examination; (b) the cumulative nature of the asserted art and the prior art evaluated during examination; (c) the extent to which the asserted art was evaluated during examination, including whether the prior art was the basis for rejection; (d) the extent of the overlap between the arguments made during examination and the manner in which Petitioner relies on the prior art or Patent Owner distinguishes the prior art; (e) whether Petitioner has pointed out sufficiently how the Examiner erred in its evaluation of the asserted prior art; and (f) the extent to which additional evidence and facts

presented in the Petition warrant reconsideration of the prior art or arguments.

Becton, Dickinson & Co. v. B. Braun Melsungen AG, IPR2017-01586, Paper 8 at 17–18 (PTAB Dec. 15, 2017) (precedential as to Section III.C.5, first paragraph) (“*Becton, Dickinson*”).

Factors (a), (b), and (d) of the *Becton, Dickinson* factors relate to whether the art or arguments presented in the Petition are the same or substantially the same as those previously presented to the Office. *Advanced Bionics*, Paper 6 at 10. Factors (c), (e), and (f) “relate to whether the petitioner has demonstrated a material error by the Office” in its prior consideration of that art or arguments. *Id.* Only if the same or substantially the same art or arguments were previously presented to the Office do we then consider whether petitioner has demonstrated a material error by the Office. *Id.* “At bottom, this framework reflects a commitment to defer to previous Office evaluations of the evidence of record unless material error is shown.” *Id.* at 9.

We first consider whether Petitioner asserts the same or substantially the same art or arguments as those previously presented to the Office. *Advanced Bionics*, Paper 6 at 8.

Petitioner contends that “[n]one of the prior art asserted herein was considered during prosecution of the Challenged Patent either alone or in the relied-upon combination(s), and none is believed to be cumulative of prior art that was considered.” Pet. 4 (citing Ex. 1007 ¶ 163). Petitioner also notes its testimonial evidence “was also not considered during prosecution.” *Id.*

Patent Owner argues that Hudson “is substantially similar to:
(1) several prior art references cited by the examiner during the prosecution

of the '195 and '736 Patents; and (2) a patent cited and discussed on the face of the patent.” Prelim. Resp. 13. Patent Owner asserts that (1) Lubow² applied during prosecution is not meaningfully different from Hudson and (2) Wood³ described in the '736 patent is substantially similar to Hudson. *Id.* at 13–15; *see also* Ex. 1004, 2:61–64 (describing Wood).

The face of the '736 patent lists Lubow and two other references. Ex. 1004, code (56). Hudson and Moore-778, the references relied on by Petitioner, are not listed on the face of the patent. *See id.* The Office did not consider previously any of Petitioner’s asserted prior art or the grounds raised in the Petition. Ex. 1001, code (56); Ex. 1005, 47–51 (Office action mailed Feb. 17, 2011), 52 (Notice of References Cited); *see generally* Ex. 1002 (no filing of any Information Disclosure Statement during prosecution of the '195 patent); Ex. 1005 (no filing of any Information Disclosure Statement).

Furthermore, Petitioner argues that the claims would have been obvious based on Hudson. Pet. 20–54. The Examiner rejected the then pending claims on the ground of nonstatutory obviousness-type double patenting. Ex. 1005, 49. The claims were not rejected as being rendered obvious by any of Petitioner’s asserted prior art. *See* Pet. 47–51.

Patent Owner also does not address whether the same or substantially similar arguments were previously addressed by the Office. *See* Prelim. Resp. 11–16. Petitioner’s challenges cannot be based on substantially the same arguments as previously presented during prosecution because the prosecution history only shows that the claims were considered for

² US 2005/0273434 A1, published Dec. 8, 2005 (Ex. 2001).

³ US 6,533,180 B1, issued Mar. 18, 2003 (Ex. 2002).

nonstatutory obviousness-type double patenting. *See generally* Ex. 1005. Moreover, Petitioner’s testimonial evidence was not before the Examiner during prosecution. Pet. 4.

Thus, for the reasons above, the record does not persuade us that Petitioner asserts the same or substantially the same art or arguments as those previously presented to the Office. *Advanced Bionics*, Paper 6 at 8.

We need not proceed further under *Advanced Bionics*, but even if we agreed with Patent Owner that Hudson is substantially the same as Lubow or Wood (and, thus, meets the first prong of the framework), we would find that the Office erred in a manner material to the patentability of the challenged claims. The prosecution history does not indicate that any prior art, including the five patents discussed at column 2, lines 40–67 of the ’736 patent, were substantively considered or, if they were considered, we would determine that the Office must have made an error in finding the claims patentable over the prior art, in view of Petitioner’s arguments based on references asserted to be substantially the same. *See generally* Ex. 1005; *see also* Pet. 13 (arguing that there is no indication that these references were considered); Prelim. Resp. 15 (arguing that the references should be presumed to have been considered).

For the reasons set forth above, we conclude that the circumstances of this proceeding do not warrant exercise of our discretion to deny institution based on § 325(d).

III. ANALYSIS

A. Legal Standards

“In an [*inter partes* review], the petitioner has the burden from the onset to show with particularity why the patent [claim] it challenges is

unpatentable.” *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1363 (Fed. Cir. 2016). This burden of persuasion never shifts to Patent Owner.

Dynamic Drinkware, LLC v. Nat’l Graphics, Inc., 800 F.3d 1375, 1378 (Fed. Cir. 2015). The Board may authorize an *inter partes* review if we determine that the information presented in the Petition shows that there is a reasonable likelihood that Petitioner will prevail with respect to at least one of the claims challenged in the petition. 35 U.S.C. § 314(a).

Petitioner contends that the challenged claims of the ’736 patent are unpatentable under § 103. Pet. 3. A claim is unpatentable under § 103 if the differences between the claimed subject matter and the prior art are such that the subject matter, as a whole, would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations, including: (1) the scope and content of the prior art; (2) any differences between the claimed subject matter and the prior art; (3) the level of skill in the art; and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966). When evaluating a combination of teachings, we must also “determine whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue.” *KSR*, 550 U.S. at 418 (citing *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006)). Whether a combination of elements produces a predictable result weighs in the ultimate determination of obviousness. *Id.* at 416–417.

B. Level of Ordinary Skill in the Art

Petitioner argues that one of ordinary skill in the art “would have had at least a bachelor’s degree in mechanical engineering, electrical

engineering, computer science or an equivalent field and two years of industry experience working with coded symbologies and networked data systems.” Pet. 13 (citing Ex. 1007 ¶ 51). Petitioner also argues that “[a]n increase in experience could compensate for less education, and vice-versa.” *Id.* (citing Ex. 1007 ¶ 51).

Patent Owner “reserves the right to dispute” Petitioner’s proposed level of ordinary skill, but argues that Petitioner’s arguments fail under its proposal. Prelim. Resp. 16 (citing Pet. 13). Patent Owner also states that it “believes that the definition of a [person of ordinary skill in the art] is not material to the outcome of this Petition.” *Id.*

Based on the preliminary record, we adopt Petitioner’s asserted level of ordinary skill only to determine whether there is a reasonable likelihood that Petitioner would prevail with respect to at least one of the claims challenged in the Petition.

C. Claim Construction

In an *inter partes* review, the claims are construed:

using the same claim construction standard that would be used to construe the claim in a civil action under 35 U.S.C. [§] 282(b), including construing the claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent.

37 C.F.R. § 42.100(b) (2021); *see Phillips v. AWH Corp.*, 415 F.3d 1303, 1312–13 (Fed. Cir. 2005) (en banc).

“Petitioner does not believe any claim terms need formal construction for purposes of evaluating the prior art in this Petition but reserves the right to propose formal constructions in other forums where the issues in dispute

may differ, or in response to Patent Owner’s arguments in this proceeding.”
Pet. 14.

Patent Owner responds that, even though Petitioner does not propose any interpretation, “Petitioner’s obviousness arguments appear to be based on an exceedingly broad interpretation of the claims that is inconsistent with the ’736 Patent’s specification.” Prelim. Resp. 17. Patent Owner also proposes interpretations that below we address.

1. “Authenticator” (Claims 1–20)

Patent Owner proposes interpreting “authenticator” to mean “a durable device, made of a natural or synthetic material suitable to accept direct part marking, to be attached to an article that is capable of displaying authentication system data about that article.” Prelim. Resp. 18. Patent Owner argues that Petitioner erroneously interprets the term to be anything that could be attached to an article and display authentication system data and that Petitioner ignores the Specification because it “cannot be just a label.” *Id.*

According to Patent Owner, the authenticator distinguishes the claimed invention, and the ’736 patent describes that self-adhesive decals are insufficient because they are so commonplace and cost little to replicate. Prelim. Resp. 18 (citing Ex. 1004, 2:9–18). Patent Owner contends that the authenticator of the ’736 patent is “unique and difficult to replicate” because of its described special design, information dependent configuration, and durable material able “to accept direct part markings of encoded symbology.” *Id.* at 18–19 (citing Ex. 1004, 3:11–12, 5:57–6:8). Patent Owner also points to described examples of such carriers. *Id.* at 19 (citing Ex. 1004, 4:18–21, 12:47–67).

Patent Owner further argues that the '736 patent “does not contemplate” using a printed substrate alone and, when a label is used, it is affixed to the surface of an authenticator. Prelim. Resp. 19–20 (citing Ex. 1004, 6:8–11, 6:48–51, 10:43–46). According to Patent Owner, using a label affixed to a substrate “is disfavored” because, “if direct part marking is used to apply the encoded symbology, the encoded symbology is not visible to the human eye,” thereby making it “harder to subvert.” *Id.* at 20 (citing Ex. 1004, 6:50–7:3, 10:44–47). Patent Owner contends that the '736 patent “talks about applying the label *to the carrier/authenticator*” so that it confirms that the authenticator is more than just a label. *Id.* (citing Ex. 1004, 6:8–12, 6:48–50, 10:43–46). Patent Owner also contends that the authenticator has “a human observable surface” for displaying the authentication data and a “portion” for “attach[ing] the carrier to the article.” Prelim. Resp 20–21 (citing Ex. 1004, 6:12–13, 6:17–28, 7:4–7, Fig. 2).

Turning first to the language of the claims, independent claims 1 and 7 recite a “Brand ‘source’ authenticator” or “Brand ‘source’ authenticators” with “Brand ‘source’ authentication symbology.” Ex. 1004, 15:4–8, 15:44–49. Independent claim 13 recites “a Brand ‘source’ authenticator indicating that the article is authenticateable [sic], including Brand ‘source’ authentication symbology” and that the authenticator is “readily visible.” *Id.* at 16:15–17, 16:22. Independent claims 21 and 26 do not recite “authenticator.” *Id.* at 16:51–62, 17:9–25. The express language of the independent claims does not require any particular material for the “authenticator.” *See id.* at 15:4–8, 15:44–49, 16:15–16, 16:22.

None of their dependent claims recites any material for the “authenticator.” Ex. 1004, 15:22–41, 15:62–16:13, 16:33–50, 16:63–17:8, 18:1–23. Dependent claims 16 and 17 recite “wherein said authentication

indicia is applied to its respective authenticator by the use of a laser” or “is direct part marked onto its respective authenticator.” *Id.* at 16:37–41.

Dependent claims 29 and 30 recite “wherein said unique identifier indicia is applied to its respective identifier by the use of a laser” or “is direct part marked onto its respective identifier.” *Id.* at 18:6–10. These dependent claims indicate that the scope of “authenticator” encompasses more than “a durable device, made of a natural or synthetic material suitable to accept direct part marking.” *See id.* at 16:37–41, 18:6–10.

Turning to the Specification, Patent Owner refers to a portion of the Specification that indicates that holographs may be “in the form of a self-adhesive decal” and are not effective because they can be counterfeited. Ex. 1004, 2:9–18. Another cited portion states that an object of the ’736 patent is to provide “a specially designed authenticator to be carried by an article.” *Id.* at 3:11–12.

Other cited portions describe that “the Brand ‘source’ authenticator is a relatively thin, circular disk” (Ex. 1004, 4:18–21), and that authenticator blank 52 can be “of predetermined configuration, size and thickness” (*id.* at 5:59–60) and “is *preferably* fabricated from good quality steel or other metal, or combinations or compounds of metal” (*id.* at 5:67–6:2) (emphasis added). The ’736 patent states that “[c]eramics, glass, plastics and other materials, natural and/or synthetic, suitable to accept direct part markings of encoded symbology 58, may just as well be utilized for authenticator blanks 52.” *Id.* at 6:5–8.

Patent Owner also refers to portions that state “[g]enerally encoded symbols, such as symbol 58, are so applied to a carrier strip such as a pressure sensitive label which could then be applied to authenticator 50” but “[i]t is preferable for the instant invention to apply symbology 58 by direct

part marking.” Ex. 1004, 6:48–52; *see also id.* at 6:8–11 (stating that authenticator 50 “may just as well have its encoded symbology 58 applied onto a substrate and the substrate affixed to surface 54 of authenticator 50”), 10:43–46 (stating that “[w]hile symbology 58 is preferably direct part marked onto or into its surface 56 it may also be first applied to a substrate which is thereafter secured to surface 56 of authenticator blank 52”).

As shown above, the Specification indicates that an “authenticator” does not have to be “a durable device, made of a natural or synthetic material suitable to accept direct part marking” because it indicates that may or “preferably” be such materials. Prelim. Resp. 18; Ex. 1004, 5:67–6:2, 6:5–8. The Specification also does not exclude adhesive labels as being part of authenticator 50. *See id.* at 6:8–11, 6:48–52, 10:43–46.

At this stage, we do not adopt Patent Owner’s proposed interpretation of “authenticator” to mean “a durable device, made of a natural or synthetic material suitable to accept direct part marking, to be attached to an article that is capable of displaying authentication system data about that article.” Prelim. Resp. 18.

2. “Brand” (*Claims 2, 3, 8, 9, 19, 20, 22, 23, 32, 33*)

Patent Owner argues that “Brand” “is used in its trademark sense” and expressly defined by the ’736 patent. Prelim. Resp. 21 (citing Ex. 1004, 1:34–40). Patent Owner also argues that the ’736 patent describes two brands, one for the article source and another for the authenticator source. *Id.* at 21–22 (citing Ex. 1004, 3:21–28, claims 2, 3). Patent Owner further argues that “Brand” has the functions of displaying the Brand of the authentication system to ensure accurate decoding and to indicate the source to distinguish the source from others. *Id.* at 22 (citing Ex. 1004, 1:40–48).

To fulfill those functions, according to Patent Owner, the “Brand must be unencoded and recognizable by the user.” *Id.* at 23.

Turning first to the language of the claims, claims 2, 8, 19, 22, and 32 recite “a Brand of the party providing the authenticator.” Ex. 1004, 15:22–23, 15:62–63, 16:46–47, 16:63–64, 18:15–16. Claims 3, 9, 20, 23, and 33 recite “a Brand of the ‘source’ of the article.” *Id.* at 15:24–27, 15:64–67, 16:48–50, 16:65–67, 18:17–19. The language of these claims supports Patent Owner’s argument that two brands are recited, one for the article source and another for the authenticator. Prelim. Resp. 22. The claims alone, however, do not expressly support Patent Owner’s asserted functions of the “Brand.” *See id.*

Turning to the Specification of the ’736 patent, based on the record at this stage, we agree with Patent Owner that the Specification defines “Brand” because it states

A *Brand* (or trademark, or service mark, as they are often referred to), *as referred to herein*, is any word, name, phrase, symbol, design or device or any combination of words, names, phrases, symbols, designs or devices which identifies and distinguishes the ‘source’ (such as the manufacturer, retailer, provider, etc.) of the goods or services of one party from those of another party.

Ex. 1004, 1:34–40 (emphases added). The Specification supports that Brand “is used in its trademark sense,” as argued by Patent Owner. Prelim. Resp. 22.

Patent Owner also points to a portion of the Specification that states “the authenticator carries an obviously observable Brand ‘source’ of the authenticator and authentication system” and “may also include a trademark of the Brand owner.” Prelim. Resp. 21–22; Ex. 1004, 3:21–28. The cited portion of the Specification supports Patent Owner’s position that “Brand” is

unencoded and recognizable by a user to ensure accurate decoding by displaying the brand of the authentication system and to indicate the source to create good will. *See* Ex. 1004, 3:21–28.

The Specification, however, does not appear to exclude “Brand” from being encoded yet still recognizable by a user. Ex. 1004, 1:34–37 (“[a] Brand . . . is any . . . symbol, design or device”), 3:23–24 (“an obviously observable Brand ‘source’ of the authenticator and authentication system”).

Based on the present record, we preliminarily adopt the Specification’s definition of “Brand.” Ex. 1004, 1:34–40. Also, claims 2, 3, 8, 9, 19, 20, 22, 23, 32, and 33 require there to be “a Brand of the party providing the authenticator” and “a Brand of the ‘source’ of the article.”

The parties should develop further whether the term “Brand” as used in the claims requires the “Brand” to be unencoded and recognizable by the user for the functions of ensuring accurate decoding, as argued by Patent Owner and possibly indicated by the Specification, or the “Brand” can be encoded (but still recognizable in that encoded form). *See* Prelim. Resp. 22, 23.

3. *Other Terms*

At this preliminary stage, because determining whether Petitioner shows a reasonable likelihood of prevailing does not depend on a particular interpretation for any other claim term, we determine that no other claim term requires express interpretation. *Realtime Data, LLC v. Iancu*, 912 F.3d 1368, 1375 (Fed. Cir. 2019) (“The Board is required to construe ‘only those terms that . . . are in controversy, and only to the extent necessary to resolve the controversy.’”) (quoting *Vivid Techs., Inc. v. Am. Sci. & Eng’g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999)).

D. Asserted Obviousness Based on Hudson

Petitioner argues with citations to record evidence that claims 1–4, 6–10, 12–14, 16–24, 26, 27, 29–34 would have been rendered obvious in view of Hudson. Pet. 20–54. Patent Owner responds that Petitioner has not shown that Hudson discloses an “authenticator” and has not shown that the asserted authenticator includes a “Brand of the party providing the authenticator” or “a Brand of the ‘source’ of the article.” Prelim. Resp. 23–30.

For the reasons below, Petitioner shows a reasonable likelihood of prevailing on this challenge.

1. Hudson (Ex. 1014)

Hudson relates to an “authentication system designed to protect government agencies or brand owners from losses of tax revenues . . . from the effects of product counterfeit” and “to protect the consumer from the dangers of consumption of counterfeit products.” Ex. 1014, 1:3–8.⁴

Hudson provides a “product verification system for use with products” that “includ[es] machine readable product data, and compris[es] product data storage means for storing data corresponding to the machine readable product data applied to the products.” Ex. 1014, 3:19–20, 3:22–24. Hudson’s “product data can be unique.” *Id.* at 15:8.

The product verification system in a preferred embodiment incorporates in the label visual security devices “in the form of diffractive or holographic security devices.” Ex. 1014, 14:1–3. The visual security device can be incorporated “with machine readable product data in order to secure the machine readable data against unauthorised copying and reproduction, to

⁴ We cite to Hudson’s page numbering, not the exhibit page numbers.

provide both a visual security device and a machine readable potentially uniquely encoded security device within the same label.” *Id.* at 14:28–15:2. “[A] single tracking label applied to an article provides a secure diffraction based visual security device for product and label authentication and protection against counterfeit,” and “a machine readable portion preferably a bar code (possibly 1-D or of the 2-D high density format such as PDF-417) [that] carr[ies] product authentication and tracking data potentially unique.” *Id.* at 16:1–6.

Hudson’s “label is coupled to a product tracking and tracing system,” and the end consumer can access parts of the system to “check for authenticity.” Ex. 1014, 11–21. Figures 3 and 8 of Hudson are below reproduced.

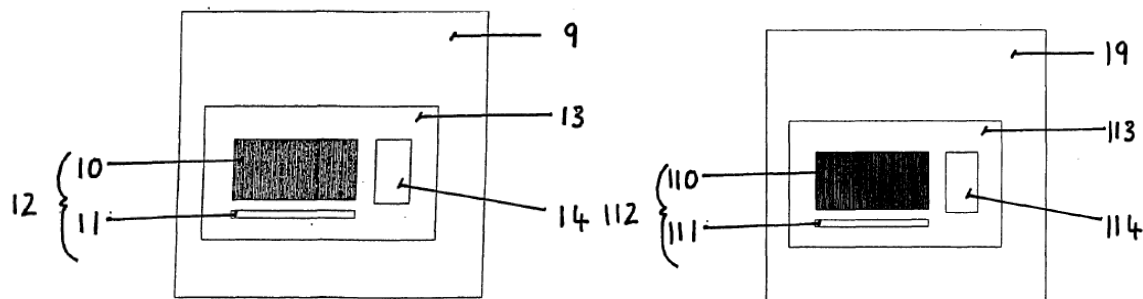


FIGURE 3

Figure 8

Figures 3 and 8 show “product data and a visual security device applied to a product / product packaging by means of a security label” according to different embodiments. Ex. 1014, 20:1–3, 20:17–19. “A producer / importer 1 applies to an administrator 2 for issue of labels 13 for the number of units of a product 9 that he intends to be introduced,” and “labels 13 are generated by the administrator 2 and contain product data 12 comprising a bar-code 10 and an alphanumeric reference code 11.” *Id.* at 22:9–12. “Corresponding product data to that applied to the labels 13 is

stored in a database 3,” and “labels 13 are supplied to the producer / importer 1 who attaches them to each unit of a product 9.” *Id.* at 22:13–15. Label 113 “can be adhered to the product 19” because of “an adhesive.” *Id.* at 30:2–4.

“[O]ptical security device 14 (see Figure 3) can be applied to the label 13 or the product 9 directly” and “provides a means of visual verification and helps to prevent illegal copying.” Ex. 1014, 25:6–8. It can be “a holographic device.” *Id.* at 25:8–10. “The optical security device 14 can also be arranged to store machine readable product data 10 in a suitable format.” *Id.* at 25:23–25. “During an inspection the inspector 7 can visually verify the optical security device 14.” *Id.* at 25:28–30; *see also id.* at 29:16–17 (describing the “visual diffractive security device” as “allow[ing] the label to be visually verified as genuine”), 30:27–30 (stating that “[a]t the point of sale the customer can also visually verify the optical diffractive security device . . . and later access the database using the optional product identification number to further authenticate the genuineness of the product”), 32:5–8 (stating that “[t]he purpose of the visual security devices 114 is to provide a visual authentication means in addition to the encoded product identification data 110 and product identification number 111, to authenticate product and authenticate genuineness of label”).

“The owner 11 and / or the administrator 12 are responsible for encoding products 19 with secure product identification data 112 on either individual product 19 or product packaging as appropriate,” and “[p]roduct data 112 is a combination of encoded product identification data 110 and a product identification number 111.” Ex. 1014, 28:29–29:2. “The identification data describes the product and can identify the unit or

consignment, the entities or owners that introduced the product into commercial circulation and the place of origin.” *Id.* at 29:9–12.

2. *Claim 1*

For “[a] method for preparing an article for Brand ‘source’ authentication,” Petitioner argues that Hudson teaches a method for use in a product authentication system that uses a label with machine readable product data and product data storage means. Pet. 20–21 (citing Ex. 1014, 1:3–11, 3:19–20, 11:26–12:1, 20:21–22, 3:22–24, 19:17–21). Petitioner also argues that the embodiments shown in Hudson’s Figures 1 and 6 each show the unpatentability of the claims. *Id.* at 22 (citing Ex. 1007 ¶ 167).

For “a) obtaining at least one Brand ‘source’ authenticator for the article,” Petitioner argues that Hudson’s producer/importer 1 obtains labels 13 from administrator 2 and that labels 13 are attached to products 9. Pet. 22–24 (citing Ex. 1014, 20:21–26, 20:32–21:3, 22:9–15, 26:8–9, Figs. 1, 3). Petitioner also argues that one of ordinary skill in the art would have understood producer 1 to be a brand source. *Id.* at 24 (citing Ex. 1007 ¶ 171). Petitioner further argues that Figure 6 shows owner 11 and that one of ordinary skill in the art would have understood that owner 11 obtains labels from authority 12. *Id.* at 24–26 (citing Ex. 1014, 28:10–16, 28:20–27, 31:5, 32:10, Fig. 6), 27 (citing Ex. 1007 ¶ 174). According to Petitioner, one of ordinary skill in the art would have understood that encoded product identification data 110 on a label uniquely identifies the product. *Id.* at 26–27 (citing Ex. 1007 ¶ 173; Ex. 1014, 28:31–29:1, 29:6, 29:8–12, 29:31, Fig. 8).

For “wherein (i) said at least one Brand ‘source’ authenticator has previously had applied thereto Brand ‘source’ authentication symbology including encoded indicia unique to the article,” Petitioner argues that one of

ordinary skill in the art would have understood that “Hudson’s label (authenticator) had previously applied thereto the authentication symbology (bar-code, security device and alphanumerics).” Pet. 28 (citing Ex. 1007 ¶ 175; Ex. 1014, 22:11–12, 22:22–23, Figs. 1, 6). Petitioner also argues that Hudson’s barcode 10, 110 and optical security device 14, 114 each teach the “encoded indicia.” *Id.* at 28–29 (citing Ex. 1007 ¶ 176; Ex. 1014, 25:10, 25:17–18, 25:23–25, 25:29–30, 32:24–25, Figs. 3, 8). Petitioner further argues that Hudson teaches machine readable product data 10, 110 is unique to each article. *Id.* at 29 (citing Ex. 1007 ¶ 177; Ex. 1014, 14:31–15:2, 15:8, 16:1–7, 25:23–25, 28:31–29:1, 29:9–12, Figs. 3, 8).

As for “‘Brand’ source,” Petitioner contends that Hudson’s machine readable product data identifies the “Brand” source, if the claim is interpreted to require such identification. Pet. 30–31 (citing Ex. 1007 ¶ 178; Ex. 1014, 23:1–18, 26:26–27:2, 27:8–11, 28:20, 28:22–23, Figs. 6, 8). If Hudson is not understood in the manner asserted by Petitioner, Petitioner alternatively contends that it would have been obvious to implement the Figure 6 embodiment with bar code 110 unique to each article. *Id.* at 31–32 (citing Ex. 1014, 29:10). Petitioner also contends that one of ordinary skill in the art would have been motivated to do so due to Hudson’s suggestion to uniquely identify each article, manufacturer’s desire to have customers satisfied that they have authentic articles, and “‘good business sense.’” *Id.* at 32. Petitioner further contends that one of ordinary skill in the art would have been motivated to identify the source in the encoded indicia so that inspectors can verify the brand of articles using the portable reader. *Id.* (citing Ex. 1007 ¶ 180).

For “wherein; (ii) said at least one Brand ‘source’ authenticator’s unique indicia is to differ from the indicia of all other Brand ‘source’

authenticators,” Petitioner argues that Hudson teaches using encoded indicia to identify uniquely each article. Pet. 32 (citing Ex. 1014, Figs. 1, 6).

Petitioner also argues that one of ordinary skill in the art would have understood that “each label (authenticator) bears authentication indicia/symbology that is different from all other labels.” *Id.* (citing Ex. 1007 ¶ 181).

For “further wherein; (iii) said Brand ‘source’ authentication symbology including said unique indicia had been previously applied to said at least one Brand ‘source’ authenticator by a party other than [sic] the article’s Brand ‘source,’” Petitioner argues that Hudson teaches that a party other than producer 1 attaches labels 13 with bar code 10, alphanumeric reference code 11, and security device 14, 114. Pet. 33 (citing Ex. 1014, 14:2–3, 14:28–15:4, 17:29–30, 22:11–12, 22:14–15, 30:1–5, 32:20–25, 34:12–14). Petitioner also argues that one of ordinary skill in the art would have understood that “the indicia on the labels of the embodiments of Figures 1 and 6 [are] applied by the administrator rather than the article’s brand source because of the systems’ similar architectures.” *Id.* (citing Ex. 1007 ¶ 182).

For “(b) applying said at least one Brand ‘source’ authenticator to the article so that said indicia thereon is readily visible,” Petitioner argues that one of ordinary skill in the art would have understood that “Hudson’s labels (authenticators) [are] applied to respective articles in each embodiment (Figure 1 and Figure 6) because of their similar architecture.” Pet. 33–34 (citing Ex. 1007 ¶ 183; Ex. 1014, 13:25–27, 22:14–15). Petitioner also argues that labels are applied so that the indicia is readily visible so that one of ordinary skill in the art would have understood “Hudson’s producer (brand source) to apply each label so that its indicia is readily visible.” *Id.* at

34–35 (citing Ex. 1007 ¶ 186; Ex. 1014, 25:17–18, 25:28–30, 27:20–23, 29:14–18, 31:29–32:2).

a) Preliminary Response

Patent Owner responds that Petitioner has not shown that Hudson discloses the recited “authenticator.” Prelim. Resp. 23–26. In particular, Patent Owner argues that Petitioner relies on Hudson’s label for teaching an authenticator, but Hudson’s label would not meet Patent Owner’s proposed interpretation of “authenticator” or the authenticator as described by the ’736 patent. *Id.* at 23–25 (citing Pet. 23–24, 32–34; Ex. 1004, 2:10–16, 2:28–33, 4:22–25, 5:67–6:6, 6:9–11, 6:48–50, 6:54–56, 10:35–38, 12:50–51, 12:64–65); *see also id.* at 25–26 (arguing Petitioner’s broad interpretation ignores the Specification) (citing Ex. 1004, 2:6–15). Patent Owner also argues that Petitioner does not explain sufficiently why Hudson’s label is an authenticator. *Id.* at 24 (citing Pet. 23–24, 32–34, 39). Patent Owner further argues that Hudson’s label is not as durable as the claimed authenticator. *Id.* at 25 (citing Ex. 1014, 14:25–26, 15:12, 30:2–5).

For the reasons described above in Section III.C.1., on the record presented thus far, we do not adopt Patent Owner’s interpretation of “authenticator” to mean “a durable device, made of a natural or synthetic material suitable to accept direct part marking, to be attached to an article that is capable of displaying authentication system data about that article.” Therefore, at this stage, Petitioner’s reliance on Hudson’s label for teaching “authenticator” is sufficient for institution. *See* Pet. 22–26.

b) Reasonable Likelihood of Prevailing

Based on the arguments presented in the Petition and the evidence cited in the record, Petitioner shows a reasonable likelihood of prevailing in its obviousness challenge to claim 1 based on Hudson.

3. *Claims 2 and 3*

Claim 2 depends from claim 1 and recites “wherein the indicia also includes a Brand of the party providing the authenticator.” Ex. 1004, 15:22–23. Petitioner argues that Hudson teaches that its label can be “visually verified as genuine.” Pet. 35 (quoting Ex. 1014, 29:16–17) (citing also Ex. 1014, 30:27–30, 32:5–8). Petitioner also argues that one of ordinary skill in the art would have been motivated “to include the administrator’s identity (the claimed Brand of the authenticator) in human-readable form and encoded in Hudson’s bar-code 10/110 and security device 14/114” because doing so would have “provide[d] further confirmation to inspectors and customers that the label is genuine and the product authentic.” *Id.* at 35–36 (citing Ex. 1007 ¶ 188; Ex. 1014, 21:1–5).

Claim 3 depends from claim 2 and recites “wherein said authenticator indicia also includes a Brand of the ‘source’ of the article to which the authenticator is to be applied.” Ex. 1004, 15:24–27. Petitioner argues that Hudson teaches its machine readable product data identifies the brand source of the article. Pet. 36–37 (quoting also Ex. 1014, 26:26–27:2). Petitioner also argues that one of ordinary skill in the art would have understood the recited brand of the article is also encoded in bar-code 10, 110 or device 14, 114. *Id.* at 37 (citing Ex. 1007 ¶ 190). Petitioner further argues that one of ordinary skill in the art would have been motivated to include “human-recognizable brand information in Hudson’s label, such as a brand logo” with a reasonable expectation of success because it would have provided “further confirmation to inspectors and customers that the label is genuine and the product authentic.” *Id.* (citing Ex. 1007 ¶ 191).

Patent Owner responds for claims 2 and 3 that Petitioner has not shown that Hudson discloses an authenticator displaying the “Brand of the

party providing the authenticator” or “the Brand of the ‘source’ of the article to which the authenticator is to be applied.” Prelim. Resp. 26 (citing Ex. 1014, 15:22–37). Patent Owner argues that the recited Brands are “not part of the encoded symbology” but are trademarks or “human-readable text mark[s] of the brand’s name, identifying symbol, or related trademark.” *Id.* at 26–27 (citing Ex. 1004, 1:34–40).

Patent Owner argues that “the Brand of the ‘source’ of the article” “must be shown in a human-readable format” and cannot be met by Hudson’s machine-readable product data which are “encoded in the bar code, holograph, or alphanumeric code” and are “not recognizable by the user without the aid of a scanner.” Prelim. Resp. 27 (citing Pet. 35–37; Ex. 1014, 4:25–26, 22:23–24). Patent Owner also argues that Petitioner relies on the “producer/importer” being in the encoded information, but “‘producer/importer’ is not synonymous with brand source” and could be a third party, not the actual brand owner. *Id.* at 28 (citing Pet. 36–37; Ex. 2003).

Regarding Petitioner’s obviousness argument for including authenticator brand, Patent Owner contends that Petitioner’s rationale for including the brand of the party providing the label is insufficient because (1) “Hudson provides a fully implemented system that includes multiple ways to confirm that the label is genuine and the product authentic, (2) Petitioner fails to identify a missing feature, and (3) the missing “features are already present in Hudson.” Prelim. Resp. 28–29 (citing Pet. 35–36, 37). According to Patent Owner, “Hudson does not indicate that its label could or should contain any non-encoded information” and “describes its label as including only three different types of data: encoded data about the article, a product identification number, and a visual security device as part of a

“tamper evident label,” all of which are encoded. *Id.* at 30 (citing Ex. 1014, 30:11–18).

As discussed above in Section III.C.2., we adopt the asserted definition of “Brand” in the Specification of the ’736 patent. *See* Ex. 1004, 1:34–40. Petitioner does not cite to any portion of Hudson that teaches or suggests a brand as defined by the ’736 patent. Pet. 35–37.

Petitioner, instead, relies on modifying Hudson for the required brands. *See* Pet. 35–37. On the present record, however, merely including the “administrator’s identity (the claimed Brand of the authenticator) in human-readable form,” as argued by Petitioner (Pet. 35–36), does not appear to address brand as defined by the ’736 patent. Furthermore, as discussed above for the interpretation of “Brand,” the parties should consider addressing whether an encoded brand meets the asserted definition.

Given what has been presented so far, the dispute regarding claims 2 and 3 would benefit from further development during trial.

4. Claims 4, 6, and 10

Claim 4 depends from claim 1 and recites “wherein the party providing the Brand ‘source’ authenticator maintains a data storage file of the respective authentication symbology including said unique indicia.” Ex. 1004, 15:28–31. Petitioner argues that Hudson’s database 3 teaches the limitation and that one of ordinary skill in the art would have understood it would include maintaining data storage files. Pet. 37–38 (citing Ex. 1007 ¶ 192; Ex. 1014, 21:5–7).

Claim 6 depends from claim 1 and recites “providing a printer for printing an authentication certificate upon a positive comparison of said encoded symbology carried by the article and said data stored in said data storage.” Ex. 1004, 15:38–41. Petitioner argues that Hudson teaches a

printer and that one of ordinary skill in the art would have understood a printed receipt to operate as an authentication certificate. Pet. 38–39 (citing Ex. 1007 ¶ 193; Ex. 1014, 13:14–17, 22:22–25, 33:17, 34:29–35:26).

Claim 10 depends from claim 1 and recites “wherein the party providing the Brand ‘source’ authenticators maintains a data storage file of the respective authentication symbology including said unique indicia.” Ex. 1004, 16:1–4. As noted by Petitioner, “[c]laim 10 is duplicative of claim 4 except for claim 10’s ambiguously plural ‘authenticators.’” Pet. 38 n.6. Petitioner argues claims 4 and 6 together. *See id.* at 37–38.

Patent Owner does not present any arguments specifically for claims 4, 6, and 10, other than the arguments presented for claim 1. Prelim. Resp. 23–30. For the reasons stated above, at this stage, Petitioner shows a reasonable likelihood of prevailing in its challenge to claim 1 based on Hudson

Accordingly, on the present record, Petitioner shows a reasonable likelihood of prevailing in its challenge to claims 4, 6, and 10 based on Hudson.

5. *Claims 7–9 and 12*

Independent claim 7 recites “[a] method for preparing multiple articles for Brand ‘source’ authentication” with steps substantially similar to the steps recited by claim 1. *Compare* Ex. 1004, 15:2–21, *with id.* at 15:42–61. Petitioner combines its arguments for claim 7 with claim 1. Pet. 20–32.

Claim 8 depends from claim 7 and recites “wherein said unique indicia also includes a Brand of the party providing the authenticator.” Ex. 1004, 15:62–63. Claim 9 depends from claim 8 and recites “wherein said authenticator indicia also includes a Brand of the ‘source’ of the article to which the authenticator is to be applied.” *Id.* at 15:64–67. Claim 12

recites that “[t]he method of claim 7 include[es] providing a printer for printing an authentication certificate upon a positive comparison of said authentication encoded symbology and said data stored in said data storage.”

Id. at 16:10–13. Petitioner argues claims 2 and 8 together, and those arguments are summarized above. Pet. 35–36. Petitioner also argues claims 3 and 9 together and claims 6 and 12 together. *Id.* at 36–37, 38–39.

Patent Owner also responds with the same arguments summarized above, and for the reasons stated above, those arguments do not provide a reason to deny institution. *See* Prelim. Resp. 23–26 (presenting the same arguments for claims 1–20), 26–30 (presenting arguments for claims 2, 3, 8, 9, 19, 20, 22, 23, 32, 33). Thus, on the present record, Petitioner shows a reasonable likelihood of prevailing in its challenge to claims 7–9 and 12 based on Hudson.

6. *Claims 13, 14, and 16–20*

The preamble of independent claim 13 recites:

A method for authenticating the Brand “source” of Branded articles wherein there is a Brand “source” authenticator indicating that the article is authenticateable, including Brand “source” authentication symbology including encoded indicia unique to each Branded article, associated with the article and wherein at least the encoded unique indicia are stored in an appropriate data storage;

Ex. 1004, 16:14–21. Petitioner refers to its arguments for claims 1 and 7 and contends that Hudson teaches the preamble. Pet. 39–40 (citing Ex. 1007 ¶ 194).

For “(a) observing the article to see if there is a readily visible Brand ‘source authenticator upon which there is symbology indicating that the Brand ‘source’ of the article is authenticateable,” Petitioner argues that “Hudson’s label is intended to be readily visible” and Hudson’s bar code and

security device indicate that the brand source is authenticatable. Pet. 41 (citing Ex. 1007 ¶ 198; Ex. 1014, 26:26–27:2, 28:20).

For “(b) imaging the symbology,” Petitioner argues that Hudson teaches using a device to image the security device and bar code. Pet. 42–44 (citing Ex. 1007 ¶ 202; Ex. 1014, 5:25–29, 5:31–6:2, 16:4–5, 27:25–27, 31:29–31).

For “(c) decoding the encoded indicia,” Petitioner argues that one of ordinary skill in the art would have understood reading the bar code or security device decodes the label’s encoded indicia. Pet. 44–45 (citing Ex. 1007 ¶ 204; Ex. 1014, 31:5–15, 31:29–30, 34:17–26).

For “(d) transmitting the image or decode or the symbology, or both, to the data storage whereat the image of the symbology or its decode may be compared with the stored data,” Petitioner argues that Hudson teaches information decoded from its symbology is transmitted to its database for comparison. Pet. 45 (citing Ex. 1014, 31:11–12, 34:22–23).

For “(e) providing an indication of the comparison,” Petitioner argues that Hudson teaches comparing information from inspection points with information in its database. Pet. 46 (citing Ex. 1014, 11:11–12, 31:16–19). Petitioner also argues that one of ordinary skill in the art would have understood that the database provides an indication of the comparison. *Id.* (citing Ex. 1007 ¶ 207; Ex. 1014, 35:7–9, 37:16–17).

Claim 14 depends from claim 13 and recites “wherein said unique authentication indicia is different for each individual article.” Ex. 1004, 16:33–34. Petitioner argues with reference to contentions for claims 1 and 7 that Hudson teaches its bar code and security device uniquely identify each unit, and, thus, one of ordinary skill in the art would have understood that

each label has different authentication indicia for each article. Pet. 46–47 (citing Ex. 1007 ¶¶ 208, 209; Ex. 1014, Figs. 1, 6).

Claim 16 depends from claim 13 and recites “wherein said authentication indicia is applied to its respective authenticator by the use of a laser.” Ex. 1004, 16:37–39. Petitioner argues that Hudson teaches applying its machine readable product data by using a laser or other methods. Pet. 47–48 (citing Ex. 1014, 4:27–31, 16:25–30, 24:22–31, 32:18–24, 34:10–12).

Claim 17 depends from claim 13 and recites “wherein said authentication indicia is direct part marked onto its respective authenticator.” Ex. 1004, 16:40–41. Petitioner argues with reference to contentions for claim 16 that Hudson teaches marking its labels directly with authentication indicia. Pet. 48.

Claim 18 depends from claim 13 and recites “wherein said authentication indicia also includes encoded symbology with additional characterizations of the article to which the authenticator is to be applied.” Ex. 1004, 16:42–45. Petitioner asserts that what the “additional characterizations” can be is unclear. Pet. 48. Petitioner nevertheless argues that Hudson’s bar code includes other information about the product. Pet. 48–49 (citing Ex. 1014, 16:4–6, 21:24–28, 29:10–12). Petitioner also argues that one of ordinary skill in the art would have included additional characterizations in the bar code as suggested by Hudson and because providing additional information would ensure authenticity. *Id.* at 49 (citing Ex. 1007 ¶ 213). Petitioner further argues Hudson teaches making the label before applying it to a product. *Id.* (citing Ex. 1007 ¶ 214).

Claim 19 depends from claim 13 and recites “wherein said authenticator indicia includes a Brand of the authenticator.” Ex. 1004,

16:46–47. Petitioner argues with reference to contentions for claims 2 and 8 that Hudson’s label is visually verified as genuine. Pet. 50 (citing Ex. 1014, 26:16–17, 30:27–30, 32:5–8). Petitioner also argues that it would have been obvious “to include the administrator’s identity (the claimed Brand of the authenticator or identifier provider) in Hudson’s security device 14/114 as well as in the bar-code data 10/110” because it would provide further confirmation that “the label is genuine and the product authentic.” *Id.* (citing Ex. 1007 ¶ 216; Ex. 1014, 21:1–5).

Claim 20 depends from claim 19 and recites “wherein said authenticator indicia also includes a Brand of the ‘source’ of the article to so which the authenticator is to be applied.” Ex. 1004, 16:48–50. Petitioner argues with reference to contentions for claims 1, 3, 7, and 9 that Hudson’s machine readable product data identifies the source of the article. Pet. 51. Petitioner also argues that one of ordinary skill in the art would have understood that owner-identifying data is sent to Hudson’s database. *Id.* (citing Ex. 1007 ¶ 219; Ex. 1014, 26:26–27:2, 27:8–11, 29:9–12).

Patent Owner responds with the same arguments summarized above, and for the reasons stated above, those arguments do not provide a reason to deny institution. *See* Prelim. Resp. 23–26, 26–30. For dependent claim 19, the issues identified above for claim 2 also apply and would benefit from development of the record.

Thus, at this preliminary stage, Petitioner shows a reasonable likelihood of prevailing on at least one claim in its obviousness challenge to claims 13, 14, and 16–20 based on Hudson.

7. Claims 21–24

The preamble of independent claim 21 recites “[a] method of establishing communication between a provider of an article, or articles, and

a party seeking information about such article, or articles.” Ex. 1004, 15:51–53. Petitioner argues that the preamble is not limiting because no claim limitation recites or results in “establishing communication.” Pet. 52 (citing Ex. 1007 ¶ 221).

For “a) obtaining at least one unique identifier pertinent to the article, or articles, for which information from the provider of the article, or articles is desired,” Petitioner refers to arguments for claims 1 and 7 and argues that Hudson’s producer 1 obtains unique identifiers pertinent to an article. Pet. 52 (citing Ex. 1007 ¶ 222).

For “wherein b) said at least one unique identifier having previously had applied thereto symbology including encoded indicia unique to the article, or articles, and/or the provider of such article or articles,” Petitioner refers to arguments for claims 1 and 7 and argues that Hudson’s labels have “indicia unique to each article and indicia identifying the producer 1.” Pet. 53 (citing Ex. 1007 ¶ 223).

For “wherein said unique identifier may have been applied to an article, or articles for which such information is desired,” Petitioner refers to arguments for claims 1 and 7 and argues that Hudson’s labels are applied to articles. Pet. 53 (citing Ex. 1007 ¶ 224). Petitioner also notes that the word “may” makes claim 21 and its dependent claims ambiguous. *Id.* at n.8.

Claim 22 depends from claim 21 and recites “wherein the indicia may also include a Brand of the party providing the unique identifier.” Ex. 1004, 16:63–64. Petitioner refers to arguments for claims 2, 8, and 19. Pet. 53. Petitioner also argues that one of ordinary skill in the art would have been motivated to add “the administrator’s identity (the claimed Brand of the party providing the unique identifier) in Hudson’s security device 14/114 and bar-code 10/110.” *Id.* (citing Ex. 1007 ¶ 225).

Claim 23 depends from claim 22 and recites “wherein said unique identifier may also include a Brand of the ‘source’ of the article, or articles for which information is desired.” Ex. 1004, 16:65–67. Petitioner refers to arguments for claims 1 and 7 and argues that Hudson’s labels have indicia identifying provider 1, the asserted brand source of the articles. Pet. 54 (citing Ex. 1007 ¶ 226).

Claim 24 depends from claim 21 and recites “wherein the party providing the unique identifier may maintain a data storage file of the respective information pertinent to the provider of the article, or articles.” Ex. 1004, 17:1–4. Petitioner refers to arguments for claims 1 and 7 and argues that Hudson teaches database 3. Pet. 54 (citing Ex. 1014, 21:5–7). Petitioner also argues that administering the database would have been understood to include maintaining its data storage files. *Id.* (citing Ex. 1007 ¶ 227).

Patent Owner responds that Petitioner refers to arguments for claims 1 and 7 for limitations regarding a “unique identifier,” but claims 1 and 7 do not recite a “unique identifier.” Prelim. Resp. 30–31 (citing Pet. 52; Ex. 1007 ¶ 222). Patent Owner, thus, argues that Petitioner’s arguments are flawed and “it is not clear what section of those arguments meets the ‘unique identifier’ limitation.” *Id.* at 31.

Based on Petitioner’s reference to arguments found at pages 22–32 of the Petition, we understand Petitioner to be asserting that Hudson’s label 13 teaches the recited “unique identifier.” *See* Pet. 52 (“As explained for limitations 1[a]/7[a] and 1[a1]/7[a1] . . .”), 53 (“As explained for limitations 1[a1]/7[a1] . . .”). For dependent claim 22, the issues identified above for claim 2 also apply and would benefit from development of the record.

Thus, at this preliminary stage, Petitioner shows a reasonable likelihood of prevailing on at least one claim in its obviousness challenge to claims 21–24 based on Hudson.

8. *Claims 26, 27, and 29–34*

Petitioner argues with reference to contentions for claims 1 and 7 that Hudson teaches the preamble of independent claim 26, “[a] method of establishing communication between a provider of an article, or articles, and a party seeking information about such article, or articles.” Pet. 39–40 (citing Ex. 1007 ¶ 194). Petitioner also argues that Hudson teaches applying labels to each product, thereby teaching “article” and “articles.” *Id.* at 40 (citing Ex. Ex. 1007 ¶ 195; Ex. 1014, 4:18–21).

For “(a) providing a unique identifier visually indicating that information pertinent to the article, or articles is readily obtainable,” Petitioner argues that dependent claims 29–31 indicate that “identifier” is a physical item. Pet. 40. Petitioner also argues that, if the recited identifier is applied directly to the article, Hudson teaches such application. *Id.* at 40–41 (citing Ex. 1007 ¶ 196; Ex. 1014, 4:27–29, 5:21–22, 15:29–30). Petitioner further argues with reference to contentions for claims 1 and 7 that Hudson’s label indicates information pertinent to the article by way of bar code 10, 110 and security device 14, 114. *Id.* at 41 (citing Ex. 1007 ¶ 197).

For “(a) observing an article, or articles, to see if there is a readily visible article information provider unique indicia upon which there is symbology indicating that communications with the provider of the article is readily attainable,” Petitioner presents the same arguments for this limitation and a similar limitation recited by claim 13. Pet. 41 (citing Ex. 1007 ¶ 198; Ex. 1014, 26:26–27:2, 28:20). Petitioner understands the recited “article

information provider unique indicia” to be the indicia on the identifier and taught by Hudson’s bar code, security device, and identification number. *Id.*

Petitioner alternatively argues that if the indicia is the “identifier,” then Hudson’s label 13, 113 teaches it. Pet. 41–42 (citing Ex. 1007 ¶ 199). Petitioner further argues that one of ordinary skill in the art would have understood communication with database 3, 13 teaches “communications with the provider of the article.” *Id.* (citing Ex. 1007 ¶ 200; Ex. 1014, 19:17–21, 21:5–7, 28:23–25).

For “(b) imaging the unique identifier,” Petitioner asserts the same arguments for this limitation and a similar limitation recited by claim 13. Pet. 42–43 (Ex. 1007 ¶ 202; Ex. 1014, 5:25–29, 5:31–6:2, 16:4–5, 27:25–27, 31:29–31). For “unique identifier,” Petitioner contends that Hudson’s label teaches the identifier and it would be understood or obvious that a part or all of the label is captured by an image reader. *Id.* at 43–44 (citing Ex. 1007 ¶ 203)

For “(c) decoding the symbology,” Petitioner asserts the same arguments for this limitation and a similar limitation recited by claim 13. Pet. 44–45 (citing Ex. 1007 ¶ 204; Ex. 1014, 31:5–15, 31:29–30, 34:17–26).

Petitioner presents the same argument for claim 13’s and claim 26’s “(d) transmitting the image or decode or the symbology, or both, to a data storage whereat the image of the symbology or its decode may be compared with stored data.” Pet. 45. Petitioner also presents the same argument for claim 13’s and claim 26’s “(e) providing an indication of the comparison.” *Id.* at 45–46.

Claims 27 and 29–32 depend from claim 26 and recite limitations similar to dependent claims 14 and 16–19. *Compare* Ex. 1004, 18:1–3,

18:6–16, *with id.* at 16:33–34, 16:37–47. Petitioner argues these claims together. *See* Pet. 46–50.

Claim 33 depends from claim 32 and recites “wherein said unique identifier indicia also includes a Brand of the ‘source’ of the article to which the identifier is to be applied.” Ex. 1004, 18:17–19. Petitioner also presents the same arguments for this claim and claim 20. The issues identified above for claim 2 also apply to claim 33.

Claim 34 depends from claim 26 and recites “wherein communications between the party seeking information and the provider of the article, or articles, for which such information is being sought includes utilization of the internet.” Ex. 1004, 18:20–23. Petitioner argues that Hudson’s product tracking and tracing system can be accessed through an internet site to check authenticity. Pet. 51–52 (citing Ex. 1014, 13:3–9, 15:16–18, 17:3–6, 19:17–21, 26:17–20, 37:23–24, claim 81).

Patent Owner responds that “Petitioner does not address whether Hudson’s label contains any symbology ‘indicating that communications with the provider of the article is readily attainable.’” Prelim. Resp. 31 (citing Pet. 42). Patent Owner argues that Petitioner’s argument does not assert that “Hudson’s symbology itself ‘indicat[es] that communications with the provider of the article is readily attainable’” and “[t]he fact that symbology can lead to communication does not mean that symbology indicates that communication is readily attainable.” *Id.* at 32 (addressing Pet. 41).

Patent Owner’s responsive argument appears to implicate a particular interpretation of “readily attainable”; however, no interpretation of “communications with the provider of the article is readily attainable” has yet been proposed. Petitioner appears to be arguing that, because Hudson

teaches communicating with its systems via an internet site, communication is “readily attainable.” Pet. 42 (citing Ex. 1007 ¶ 200; Ex. 1014, 19:17–21, 21:5–7, 28:23–25). At this stage, Petitioner’s argument is sufficient for institution. After the record has been developed, we will revisit whether Hudson’s internet site would have rendered obvious “communications with the provider of the article [being] readily attainable.”

Based on the preliminary record, Petitioner shows a reasonable likelihood of prevailing on at least one claim in its obviousness challenge to claims 26, 27, and 29–34 based on Hudson.

E. Asserted Obviousness Based Hudson and Moore-778

1. Moore-778 (Ex. 1015)

Moore-778 “relates to an authenticating, anti-counterfeiting, and anti-diversion tracking system” and, particularly, “a system for controlling and enabling the marking and controlling the marking of goods, such as basic materials or articles of manufacture during the manufacturing process, with a unique mark, symbol, or pattern for subsequent detection.” Ex. 1015, 1:16–22. “The marks, symbols, or patterns suitable for use . . . can include, without limitation, codes such as UPC symbols, data matrix symbols, graphic symbols such as logos, pictures, images, and the like.” *Id.* at 19:20–23.

An “identifiable mark is placed on the goods, products, packages of goods, or on materials out of which the goods are to be made, which enables subsequent inspection.” Ex. 1015, 4:40–43. “The goods or packages can be field inspected with a field reader to determine the authenticity of the goods or to track the distribution of the goods and to determine the final point of distribution of the goods or packages of goods.” *Id.* at 4:43–46; *see also id.*

at 6:4–9 (“[M]arked products or package modules can be identified and verified through the use of field readers.”).

Moore-778’s system includes “(1) a control computer which enables the entire system; (2) a host computer located at a specified central location; (3) a marking system; and (4) a portable field reader.” Ex. 1015, 9:55–61. “In operation, the control computer contacts a host computer and enables a specific number of imprints.” *Id.* at 5:57–59. “The host interfaces with an encryption unit” that provides “an ID matrix symbol,” and “then downloads the digital symbol to the CPU controlling the marker.” *Id.* at 5:61–64; *see also id.* at 8:24–33 (describing that Moore-778 provides “a means for entering input data comprising at least a unique destination identifier and/or a unique owner identifier and/or a unique manufacturer identifier into a CPU, a means for encoding the data in a machine readable format, a means for storing the data in a mass storage device accessible to the CPU, a means for generating a unique pattern incorporating the encoded input data”), 17:41–43 (“Once the code is selected and entered, it is encrypted into the form of a data matrix which resembles a crossword puzzle or a checker board”), Figs. 3, 3a, 3b.

“The host also establishes marker start/stop serialized numbers.” Ex. 1015, 5:64–65. There is “a continuous validation step” to ensure “an appropriate symbol is being printed onto the product.” *Id.* at 5:66–6:2. The marking system can be “a printer or etching laser.” *Id.* at 5:44. Also, “[t]he symbol can be imprinted, etched, embossed or otherwise placed preferably directly on the package module or, alternately, can be imprinted or etched on a fixture.” *Id.* at 6:10–14; *see also id.* at 8:30–33 (describing that Moore-778 provides “a means for applying the unique pattern to goods or the

package modules of goods or to a fixture attached thereto by etching, painting, embossing or by printing using an ink formulation”).

“The host computer receives the data from the field reader, interfaces with the encryption unit where the message is decoded” and “then searches the database to validate the identifying message.” Ex. 1015, 6:21–24.

“Once validated, the host computer sends a message back to the field reader which displays the decoded message and any other pertinent information pertaining to this specific product.” *Id.* at 6:25–28.

2. *Claims 5, 11, 15, 25, and 28*

Claim 5 depends from claim 4, and claim 11 depends from claim 10. Ex. 1004, 15:32–36, 16:5–9. Each recites “wherein the respective authentication symbology with each said unique identifier is entered into said data storage after its Brand ‘source’ authenticator is applied to an article preferably by the party applying the authenticator to the article.” *Id.* at 15:32–36, 16:5–9. Claim 25 depends from claim 24 and recites “wherein the respective symbology with each said unique identifier is entered into said data storage after has been is applied to an article preferably by the party applying the unique identifier to the article.” *Id.* at 17:5–8.

Petitioner argues that Hudson teaches database 3, 13 for receiving, storing, and updating product information that is applied on products via secured data carrier. Pet. 56 (citing Ex. 1014, 21:5–7, 22:11–15, 36:20–23). Petitioner also argues that the product information is downloaded into Hudson’s database. *Id.* (citing Ex. 1014, 22:11–15, 36:20–23).

According to Petitioner, “Hudson does not specify the time when product data is entered into the database relative to the time when the label is applied to an article.” Pet. 56–57. Petitioner contends that one of ordinary skill in the art would have understood that the “database should only contain

data for products whose labels have actually been used on an article, and should exclude data for unused labels.” *Id.* at 57 (citing Ex. 1007 ¶ 235).

Petitioner also contends that Moore-778 teaches a product verification system with an imprinted or etched identifiable mark placed on products. Pet. 57 (citing Ex. 1015, 4:40–46, 5:44, 6:10–14; Ex. 1007 ¶ 236).

Petitioner further contends that Moore-778 teaches enabling a specific number of unique markings and that after manufacturing and marking, the actual number of markings used is sent to host computer 14. *Id.* at 57–58 (citing Ex. 1015, 5:57–6:2, 6:4–9, 6:21–31, 8:25–33, 11:1–24, 16:8–11, 16:27–28, 16:38–41). Petitioner, thus, contends that one of ordinary skill in the art “would have been motivated by Moore-778’s monitoring of the actual number of labels used in a manufacturing run, to load a particular article’s data into the database 3/13 only upon receiving a report identifying which labels have been applied to Hudson’s articles, i.e., after the label is applied to its article” so that “database 3/13 contains information only for those labels that have actually been applied to articles.” *Id.* at 59 (citing Ex. 1007 ¶ 241).

Claim 15 depends from claim 14 and recites “wherein said authentication indicia is of the 2D Data Matrix type.” Ex. 1004, 16:35–36. Claim 28 depends from claim 26 and similarly recites “wherein said unique identifier symbology includes indicia is of the 2D Data Matrix type.” *Id.* at 18:4–5.

Petitioner refers to its arguments for independent claims 13 and 26, from which claims 15 and 28 ultimately depend. Pet. 59–60. Petitioner also argues that Moore-778 uses a 2D data matrix symbology with data similar to Hudson’s system. *Id.* at 60 (citing Ex. 1015, 6:60–64, 12:9–12, 15:36, 17:29, 17:42–55, 19:20–25, Figs. 3, 3a, 3b). Petitioner further argues that

one of ordinary skill in the art would have been motivated to use Moore-778's 2D data matrix for Hudson's bar code 10, 110. *Id.* (citing Ex. 1001, 6:45–47; Ex. 1003, 6:44–46; Ex. 1007 ¶ 242); *see also id.* at 54–56 (arguing that Hudson and Moore-778 are in the same field of endeavor and directed to solving the same problem using similar techniques and that one of ordinary skill in the art would have had a reasonable expectation of success) (citing Ex. 1014, 1:14–22, 15:17–22, 26:17–20; Ex. 1015, Abstr., 1:16–31, 27:15–52; Ex. 1007 ¶¶ 229–232).

Patent Owner responds that Petitioner fails to show Hudson would have rendered obvious the independent claims from which claims 5, 11, 15, and 25 and 28 depend. Prelim. Resp. 32. For the reasons stated above, on the preliminary record, Petitioner shows a reasonable likelihood of prevailing in its challenge to claims from which claims 5, 11, 15, and 25 and 28 depend.

Patent Owner also responds that Petitioner's motivation to combine Hudson and Moore-778 is insufficient. Prelim. Resp. 32–35. In particular, Patent Owner argues that Petitioner's contention that Hudson and Moore-778 are in the same field of endeavor and use similar techniques are each insufficient to provide a motivation to combine. *Id.* at 32–33 (citing Pet. 54–55, 60). Patent Owner also argues that one of ordinary skill in the art “would have no motivation to add a component already present in the original reference.” *Id.* at 33.

According to Patent Owner, Petitioner asserts that combining Hudson and Moore-778 is a “predictable combination yielding predictable results with a reasonable expectation of success . . . without further explanation” and “does not identify any deficiency in Hudson's approach that makes it ‘ready for improvement.’” Prelim. Resp. 34. Patent Owner also contends

that Petitioner relies on the references having similar components but that is insufficient for motivating the references' combination. *Id.* Patent Owner further contends that Petitioner asserts that Hudson lacks implementing details but does not explain what implementation detail is missing and relies on assertedly the same authentication solution which would not be a motivation to combine. *Id.* Patent Owner additionally contends that Petitioner's reasonable expectation of success arguments are also insufficient to be a motivation to combine. *Id.* at 35 (citing Pet. 60). In Patent Owner's view, Petitioner's motivations to combine are conclusory and legally insufficient. *Id.*

Pages 54–55 of the Petition, however, appears to be arguing that Hudson and Moore-778 are analogous art and why one of ordinary skill in the art would have had a reasonable expectation of success in modifying Hudson with the teachings of Moore-778 that relate to similar subject matter. *See* Pet. 54–55. Petitioner's asserted rationale for combining the two references is presented in its arguments for claims 5, 11, and 25. *See id.* at 59. Patent Owner does not address this asserted rationale. *See* Prelim. Resp. 32–35.

For claims 15 and 28, Petitioner argues that Hudson teaches a 2D bar code, but not the specific recited format, which Petitioner argues is taught by Moore-778. *See* Pet. 59–60. Petitioner contends that Moore-778's particular bar-code format would have been used because it was known in the art. Petitioner's declarant provides support that Moore-778's format was usable in Hudson. *See* Ex. 1007 ¶ 242.

Based on the preliminary record, Petitioner shows a reasonable likelihood of prevailing in its obviousness challenge to claims 5, 11, 15, 25, and 28 based on Hudson and Moore-778.

IV. CONCLUSION

After considering the evidence and arguments presented in the Petition and the cited evidence, we determine that Petitioner has demonstrated a reasonable likelihood of prevailing in proving that at least one of claims 1–34 of the '736 patent is unpatentable, and thus, we institute an *inter partes* review of all challenged claims on all presented challenges. *SAS*, 138 S. Ct. at 1359–60.

At this stage of the proceeding, the Board has not made a final determination as to the patentability of any challenged claim or any underlying factual and legal issues.

V. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that, pursuant to 35 U.S.C. § 314(a), an *inter partes* review of claims 1–34 of U.S. Patent No. 8,063,736 B2 is instituted with respect to all grounds set forth in the Petition; and

FURTHER ORDERED that, pursuant to 35 U.S.C. § 314(c) and 37 C.F.R. § 42.4(b), *inter partes* review of U.S. Patent No. 8,063,736 B2 shall commence on the entry date of this Order, and notice is hereby given of the institution of a trial.

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Patent 8,063,736 B2

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