UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS CO., LTD.,
Petitioner,

v.

CARDWARE INC.,
Patent Owner.

Case IPR2023-00219
Patent 11,176,538 B2

PETITIONER'S REPLY TO
PATENT OWNER'S PRELIMINARY RESPONSE

EXHIBITS

SAMSUNG-1001 U.S. Patent No. 11,176,538 to Wyatt ("the '538 Patent")

SAMSUNG-1002 Excerpts from the Prosecution History of the '538 Patent ("the Prosecution History")

SAMSUNG-1003 Declaration and Curriculum Vitae of Dr. Michael Ian Shamos

SAMSUNG-1004 U.S. Patent Publication No. 2010/0185545 to Royyuru et al. ("Royyuru")

SAMSUNG-1005 U.S. Patent Publication No. 2012/0310760 to Phillips et al. ("Phillips")

SAMSUNG-1006 U.S. Patent No. 8,255,323 to Casey et al. ("Casey")

SAMSUNG-1007-1010 [RESERVED]

SAMSUNG-1011 U.S. Patent Publication No. 2008/0017704 A1 to VanDeburg et al. ("VanDeburg")

SAMSUNG-1012 RESERVED

SAMSUNG-1013 U.S. Patent Publication No. 2008/0319905 to Carlson ("Carlson")

SAMSUNG-1014 U.S. Patent Publication No. 2007/0278291 to Rans et al. ("Rans")

SAMSUNG-1015 U.S. Patent Publication No. 2012/0150750 to Law et al. ("Law")

SAMSUNG-1016-1021 [RESERVED]

SAMSUNG-1022 PCI Data Security Standard (PCI DSS), Information Supplement: PCI DSS E-commerce Guidelines (January 2013)

SAMSUNG-1023-1024 [RESERVED]

SAMSUNG-1025 Kadambi et al., *Near-Field Communication-Based Secure Mobile Payment Service*, ACM 11th International Conference on Electronic Commerce 2009

SAMSUNG-1026 PCI Data Security Standard, Navigating PCI DSS: Understanding the Intent of the Requirements, Version 2.0 (October 2010)

SAMSUNG-1027-1028 [RESERVED]

SAMSUNG-1029 Todd Wasserman, *New Credit Card has LCD Screen, Touch-Sensitive Buttons*, The Sydney Morning Herald (Nov. 9, 2012)

SAMSUNG-1030 PCI Data Security Standard (PCI DSS), Information Supplement: PCI DSS Tokenization Guidelines, Version 2.0 (August 2011)

SAMSUNG 1031-1099 [RESERVED]

SAMSUNG-1100 Complaint for Patent Infringement, *Cardware Inc. v. Samsung Electronics Co., Ltd. et al.*, Case No. 2:22-cv-00141 (E.D. Tex. May 11, 2022)

SAMSUNG-1101 Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation (June 21, 2022)

SAMSUNG-1102 Exhibit A to CardWare Inc.'s P.R. 3-1 Disclosure of Asserted Claims and Infringement Contentions, *Cardware Inc. v. Samsung Electronics Co., Ltd. et al.*, Case No. 2:22-cv-00141 (E.D. Tex. (Sept. 8, 2022)

SAMSUNG-1103 United States District Courts National Judicial Caseload Profile, *available at* https://www.uscourts.gov/sites/default/files/fcms_na_distprofile0630.2022_0.pdf (retrieved November 11, 2022)

SAMSUNG-1104 Sample Docket Control Order for Patent Cases, *Cardware Inc. v. Samsung Electronics Co., Ltd. et al.*, Case No. 2:22-cv-00141 (E.D. Tex.)

SAMSUNG-1105 Plaintiff CardWare Inc.'s Disclosure of Asserted Claims and Infringement Contentions, *Cardware Inc. v. Samsung Electronics Co., Ltd. et al.*, Case No. 2:22-cv-00141 (E.D. Tex. (Sept. 8, 2022)

SAMSUNG-1106 Board Email Authorizing Petitioner's Reply to Preliminary Response and Patent Owner's Sur-Reply to Petitioner's Reply to Preliminary Response (April 11, 2023)

SAMSUNG-1107 Order Denying Motion to Stay, *Cardware Inc. v. Samsung Electronics Co., Ltd. et al.*, Case No. 2:22-cv-00141 (E.D. Tex.) (Feb. 16, 2023)

SAMSUNG-1108 Memorandum Order Denying Motion to Transfer, *Cardware Inc. v. Samsung Electronics Co., Ltd. et al.*, Case No. 2:22-cv-00141 (E.D. Tex.) (April 8, 2023)

SAMSUNG-1109 United States District Courts National Judicial Caseload Profile (December 2022 Reporting Period), *available at* https://www.uscourts.gov/sites/default/files/data_tables/fcms_na_distprofile1231.2022.pdf (retrieved April 13, 2022)

SAMSUNG-1110 Samsung's Updated *Fintiv* Stipulation in *Cardware Inc. v. Samsung Electronics Co., Ltd. et al.*, Case No. 2:22-cv-00141 (E.D. Tex.) (April 18, 2023)

I. Developments Related to the E.D. Texas Litigation Since Petition Filing

In the nearly five months since the Petition was filed on November 28, 2022, circumstances related to the co-pending litigation in E.D. Texas (2:22-cv-00141) have developed that bear on evaluation of the *Fintiv* factors. Petitioner moved to stay the litigation on Feb. 1, 2023. The motion was denied as premature, but the denial was without prejudice and the motion may be renewed after institution. SAMSUNG-1107. The court also recently denied Petitioner's motion to transfer the litigation from E.D. Texas to N.D. California. SAMSUNG-1108. Further, the median time-to-trial for civil litigation in E.D. Texas decreased to 19.0 months in the latest available reporting period (December 2022). SAMSUNG-1109, 35.

In view of the foregoing developments and the current posture of the litigation, Petitioner is strengthening its stipulation from the *Sand Revolution* stipulation originally presented in the Petition. Specifically, concurrent with the filing of this Reply, Petitioner served a new stipulation that, if this IPR is instituted, Petitioner will not pursue an invalidity defense in the E.D. Texas litigation with respect to the claims of the '538 Patent in the instituted IPR based on (i) any of the same grounds in the instituted IPR or (ii) any prior art reference that forms the basis of any ground in the instituted IPR. SAMSUNG-1110; *see also* SAMSUNG-1106 (authorizing updated stipulation); IPR2021-00545, Pap. 11 at 8-9 (PTAB Sept. 8, 2021) (permitting updated stipulation after POPR).

II. The *Fintiv* Factors Strongly Favor Institution on the Merits

A holistic view of the *Fintiv* factors overwhelmingly supports institution.

Regarding **Factor 1**, Petitioner maintains all rights to move for a stay of the E.D. Texas litigation at a later time. Petitioner's earlier motion to stay was not considered on the merits. It was rather denied as premature, without prejudice. SAMSUNG-1107 ("In this district, courts usually deny motions for stay when the PTAB has not acted on a petition for *inter partes* review."). This factor remains, at worst, neutral. IPR2019-01393, Pap. 24 at 7 (PTAB June 16, 2020) (informative).

Regarding **Factors 2** and **4**, the POPR arguments with respect to these factors and the recent decrease in median time-to-trial in E.D. Texas are negated by Petitioner's strengthened stipulation. SAMSUNG-1110. To this point, Petitioner first notes that the scheduled trial date in E.D. Texas remains unchanged and is set to commence no sooner than February 2024, i.e., just about four months before the projected FWD deadline in this IPR (June 2024). SAMSUNG-1104. The scheduled trial date is already later than the median time-to-trial and should be used for *Fintiv* evaluation. IPR2022-01304, Pap. 11 at 11 (PTAB Mar. 22, 2023) ("The Director's Memo does not state that median time-to-trial statistics are themselves a trial date, or otherwise replace consideration of a trial date …").

The Board has consistently found stipulations scoped similarly to Petitioner's updated stipulation here compelling to justify institution with similar

(and even larger) gaps between the scheduled trial date and the projected FWD deadline. Indeed, Petitioner's updated stipulation is modeled after the stipulation offered in IPR2022-00079, which the Board expressly found "mitigates any concerns of duplicative efforts between the district court and the Board"—despite an even larger 8-9 month gap there. IPR2022-00079, Pap. 9 at 11-13 (PTAB May 25, 2022). The Board has repeatedly accepted similar stipulations in declining to exercise discretion under *Fintiv*. *See, e.g.*, IPR2020-00859, Pap. 13 at 14-16 (PTAB Nov. 5, 2020) ("weigh[s] strongly against exercising discretion"); IPR2021-01306, Pap. 10 at 10-11 (PTAB Jan. 7, 2022) (stipulation "alleviates concerns" and "weighs against exercising [] discretion"); IPR2021-01333, Pap. 9 at 9-10 (PTAB Feb. 22, 2022), IPR2021-01081, Pap. 15 at 9 (PTAB Jan. 11, 2022); IPR2021-0272, Pap. 13 at 11-13 (PTAB July 1, 2021). Petitioner's updated stipulation in fact leaves only meaningfully different prior art available for use in the E.D. Texas litigation (e.g., Mullen-876, Hathaway, Assora, Google Wallet).

Regarding **Factor 3,** Petitioner's undisputed diligence in filing the Petition just 2.5 months after Patent Owner's service of preliminary infringement contentions and identification of asserted claims heavily favors institution. *See* Pet., 72-74; IPR2022-00079, Pap. 9 at 11, IPR2021-01306, Pap. 10 at 8-10.

Regarding **Factors 5** and **6**, the former is neutral while the latter strongly favors institution based on compelling merits, unshaken by the POPR. Pet., 88-89.

Respectfully submitted,

Dated April 18, 2023

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CERTIFICATE OF SERVICE

Pursuant to 37 CFR §§ 42.6(e)(4) and 42.205(b), the undersigned certifies that on April 18, 2023, a complete and entire copy of this Petitioner's Reply to Patent Owner's Preliminary Response and accompanying exhibits were provided by email to the Patent Owner by serving the correspondence address of record as follows:

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