

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

INTERACTIVE COMMUNICATIONS INTERNATIONAL, INC.,
Petitioner

v.

BLACKHAWK NETWORK, INC.
Patent Owner

Case: PGR2020-00084
U.S. Patent No. 10,769,894

PATENT OWNER'S RESPONSE

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Exhibit No.	Description of Document
2001	Declaration of Stacy Friedman
2002	Declaration of Anthony Molica
2003	Microsoft Press Computer Dictionary (3d ed. 1997)
2004	Deposition Transcript of Michael Hutton
2005	Deposition Transcript of Scott Loftesness
2006	Man-in-the-middle definition (available at https://web.archive.org/web/20160105000628/https://internetofthingsagenda.techtarget.com/definition/man-in-the-middle-attack-MitM)
2007	The VLT Bounce, Global Gaming Business Magazine (available at https://web.archive.org/web/20170225031222/https://ggbmagazine.com/article/the-vlt-bounce/)
2008	Dealing with Constraints in Software Architecture Design (available at https://web.archive.org/web/20150226151056/https://www.neverletdown.net/2014/10/dealing-with-constraints-in-software-architecture.html)
2009	The Geography, Economics, and Politics of Lottery Adoption
2010	California State Lottery Powerball Winning Numbers Dec. 18, 2019 (available at https://web.archive.org/web/20191220002850/https://www.calottery.com/draw-games/powerball)
2011	Glossary of Lottery Terms (available at https://web.archive.org/web/20161005204140/https://www.naspl.org/glossaryoflotteryterms)
2012	ClearGate Transaction API Specification (available at https://www.cleargate.com/wp-content/uploads/2019/09/ClearGate-Transaction-WebService-Specs-V.28-Dev-L2.pdf)

I. INTRODUCTION

InComm has not proven the unpatentability of claims 1-28, 31, or 33-53 for the following reasons:

First, Ground 1 fails as to every claim that requires a transaction processor because the claims require a third-party processor separate from the retailer and lottery administration system, and Ground 1 identifies only Szrek's retailer back office to satisfy the limitation. *See* Ex. 1001 at claim 7 (“receiving, by a transaction processor, a transaction request from a retailer point of sale (POS) to activate a pre-printed lottery ticket” and “receiving, by the transaction processor or retailer, from the lottery administration system, indication that draw information has been associated with the pre-printed lottery ticket”), claim 33 (same), claim 1 (a “transaction processor system” that “receive[s], from a lottery administration system, a determined draw information”), claim 6 (“transaction processor system”).

Second, Ground 2 fails because InComm's proposed modification of Llach's ad hoc value differentiation system to activate Szrek's lottery tickets was not obvious, and persons skilled in the art would not have expected the combination of Llach and Szrek to be successful: (1) to meet system constraints imposed by state laws and regulations, central lottery administration systems—not transaction processors—retain sole control over price determinations; (2) online draw-type lottery games are pari-mutuel pools, and the frequent recalculation of the size of the

jackpot that is a feature of these types of games would be unworkable if third-party transaction processors like Llach had authority to make ad hoc decisions about game pricing and bonus eligibility; (3) lottery administration systems impose accounting controls on online lottery games, and those controls would not allow transaction processors to make independent pricing or bonus eligibility decisions; and (4) allowing transaction processors to make pricing and bonus eligibility decisions would unacceptably increase network security risks, exposing lottery administration systems to fraud.

Third, Ground 3 fails because a skilled artisan would not have been motivated to modify Szrek with Gilmore to generate lottery draw numbers at the time of purchase because Szrek and Gilmore are incompatible. Szrek's invention is premised on the elimination of lottery hardware in checkout lanes, whereas Gilmore requires such lottery hardware for printing lottery draw numbers on ticket stock. *Compare* Ex. 1007 at Abstract ("The main advantages of the proposed method are that using this approach does not require additional gaming equipment, such as a secure printer or a special gaming terminal at the cash register) with Ex. 1009 at ¶ 46 ("The lottery game system includes a pre-printed ticket dispenser assembly 19, and/or a separate on-line lottery game ticket printer 20, each of which is stationed at a respective ones of the POS terminals 8").

Finally, in addition to the defects identified above, InComm’s conclusory assertions with respect to dependent claims 2, 4, 5, 8-11, 18, 20-22, 41, and 43-45 fail to establish the obviousness of these claims by a preponderance of the evidence. *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1363 (Fed. Cir. 2016) (citing 35 U.S.C. § 312(a)(3) (requiring *inter partes* review petitions to identify “with particularity . . . the evidence that supports the grounds for the challenge to each claim”)).

II. TECHNOLOGY BACKGROUND

The ’894 patent relates to “draw-based” or “online” lottery systems that provide an interface through which tickets can be activated in a lottery administration system to place a wager on a “subsequently occurring event.” Ex. 1001 at 1:28-38. For example, the lottery administration system may activate a ticket for a particular set of lottery numbers, and that “ticket may be a winner depending on if one or more of the selected numbers were [subsequently] drawn or generated.” *Id.*

Lottery computer systems and networks in the United States are designed to comply with regulatory requirements established by the laws of individual states and territories such as Puerto Rico and the United States Virgin Islands. *See, e.g.*, CAL. GOV’T CODE § 8880 *et seq.* (West 1984) (establishing the California State Lottery); WASH. REV. CODE ANN. § 67.70 *et seq.* (West) (establishing the Washington State

Lottery); 61 PA. CODE § 800 *et seq.* (West) (establishing the Pennsylvania Lottery). Although each state with a lottery has enacted its own lottery laws and regulations, certain aspects of lottery system designs are universal, including the establishment of a central lottery commission (or other governing body) in each state that oversees all lotteries for that state. Ex. 2002 at ¶ 6. Lottery computer system and network designs are specifically tailored to a multitude of specific constraints imposed by these regulatory frameworks. For example, the lottery commission established by the California Lottery Act is responsible for “specifying the retail sales price for each ticket or share for each Lottery Game” (*see, e.g.*, CAL. GOV’T CODE § 8880.31), “specify[ing] the method for determining winners in each lottery game” (*id.* at § 8880.30), “specify[ing] the number and value of prizes for winning tickets or shares in each lottery game,” (*id.* at § 8880.29(a)), the allocation of revenue from ticket sales (*id.* at § 8880.4), and “the manner of distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or directly to the public” (*id.* at § 8880.33(a)). In addition, the lottery commission itself is subject to oversight through independent audits of its computer systems and finances. *Id.* at §§ 8880.46, 8880.46.5. Thus, to meet the system constraints imposed by the laws and regulations enacted in any particular state, tickets for that state’s lotteries must be issued, activated, and redeemed through a sole corresponding lottery administration system, which establishes the requirements for any ticket transaction, including the protocols

defining how retailers' systems can communicate with the central lottery administration's system. Ex. 2002 at ¶ 11 (explaining that "a draw-based lottery ticket is not valid unless it is entered in the central lottery administration system's records"), ¶ 12 (explaining that "retailers and other entities must design their systems to transmit messages to the lottery administration system according to the communications protocols defined by the lottery administration, and to likewise accept messages from the lottery administration system according to those protocols"); *see also* 16 TEX. ADMIN. CODE § 401.304(e)(G) ("The ticket data shall have been recorded on the central computer system prior to the drawing, and the ticket data must match the computer record data in every respect."). As Blackhawk explains in more detail below, the requirements imposed by lottery administration system computers and networks would be a major consideration for any person skilled in the art who was designing a transaction processor system for activating pre-printed lottery tickets. It would not be obvious to design an incompatible system, or to attempt to persuade a lottery administration system to alter its computer systems or networks in a manner that violated state laws or regulations.

III. LEVEL OF ORDINARY SKILL IN THE ART

A skilled artisan as of January 2015 would have a working knowledge of lottery systems *and* point of sale systems. Designing and implementing the claimed systems for activating lottery tickets would have required an understanding of how

to interface with the central lottery administration system created by each state's lottery commission or other central authority. Lottery system computers and networks are designed to meet a specific set of constraints imposed by the corresponding regulatory framework. For example, the California lottery commission is responsible for "specifying the retail sales price for each ticket or share for each Lottery Game" (*see, e.g.*, CAL. GOV'T CODE § 8880.31), "specify[ing] the method for determining winners in each lottery game" (*id.* at § 8880.30), "specify[ing] the number and value of prizes for winning tickets or shares in each lottery game" (*id.* at § 8880.29(a)); the allocation of revenue from ticket sales (*id.* at § 8880.4), and "the manner of distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or directly to the public" (*id.* at § 8880.33(a)). As a result, the typical lottery system has a centralized architecture in which a central lottery administration system controls lottery operations, and other systems must communicate with that central lottery administration system according to its requirements for all lottery transactions. Ex. 2002 at ¶ 11 (explaining that "[t]o meet its responsibilities to oversee the state lotteries . . . a typical draw-based lottery system design includes a central lottery administration system (also referred to as a central gaming system) that maintains the official record of valid tickets and communicates with all lottery terminals in retail locations"), ¶ 12 (explaining that "the lottery administration defines the communications protocols for interfacing

with the lottery administration system, including the form and content of ticket activation requests”); Ex. 2001 at ¶ 17 (explaining that “[c]entral systems, including central systems that determine gaming outcomes, are widely-used in gaming operations across many sectors of the industry”).

Thus, experience with lottery systems was needed to design a functional lottery system in 2015 that could be used for its intended purpose. For example, as InComm expert Hutton explains, “the lottery system recording [a] bet is the single source of truth,” “where you can determine whether or not the bet was placed and whether or not it was a winner.” Ex. 2004 at 78:2-13. Accordingly, as Hutton explained, lottery systems would not allow any third-party transaction processor to be the “single source of truth” for a state’s lottery operations. *Id.* at 78:14-19; *see also id.* at 78:20-79:5 (explaining that “by definition, [the lottery administration system] doesn’t allow other systems to be the single source of truth”), 79:8-80:7 (same); *see also* Ex. 2001 at ¶ 17 (explaining that it would not make sense to distribute the generation of lottery numbers across multiple systems, because “[t]he mathematics of a lottery draw require the *same* numbers to be drawn and compared to all tickets purchased for a given drawing”). Because the lottery administration system retains sole control as the “single source of truth” over “whether or not the bet was placed and whether or not it was a winner,” Ex. 2004 at 78:2-13, a system designer could not implement a transaction processor that sets its own rules or makes

determinations about promotions on online lottery draws. *Id.* at 80:8-81:17; *see also id.* at 81:18-15 (explaining that Hutton had never seen a lottery system in which a transaction processor could set promotions “on a stand-alone basis”).

As another example of the constraints imposed on lottery system designers, InComm expert Hutton explained that “a method to securely print the bet data on any receipt” is “a prerequisite for a lottery accepting printing bet data on a cash register receipt.” *Id.* at 111:9-20; *see also id.* at 111:2-8 (explaining that lotteries customarily “use a secure lottery printer to print online tickets”), 112:3-13 (explaining that the lottery landscape at the time of Gilmore “would have a secure lottery printer”), 115:10-116:1 (explaining that “no lottery was interested” in a system which printed bets on a cash register receipt due to security concerns); *see also* Ex. 1007 at 1:57-60 (“Also, regular cash register paper stock does not meet requirements for lottery tickets because it is insecure, non-durable, and non-uniform from manufacturer to manufacturer.”).

Without understanding the lottery-specific constraints on computer system and network design, including the lottery administration system’s position in the overall system as “the single source of truth” and the lottery system’s minimum security requirements, a system designer could not confidently design a transaction processor for activating lottery tickets with the lottery administration system. Thus, a skilled artisan would have a working knowledge of lottery computer systems and

networks, as well as point of sale systems, gained through training and/or work experience.

InComm’s proposed definition of the person of ordinary skill in the art, which makes knowledge of lottery systems *optional* in lieu of knowledge of point of sale activation systems, is incorrect because lottery systems have different design constraints than point of sale activation systems—so knowledge of both is required.

IV. SUMMARY OF THE ‘894 PATENT AND RELEVANT PROSECUTION HISTORY

A. ‘894 Patent [Ex. 1001]

The ‘894 patent describes various systems for “the sale and activation of pre-printed draw based lottery tickets through the retailers Point of Sale without the need for additional lottery hardware.” Ex. 1001 at 1:15-18. At the time of the invention, “[t]ickets for draw based lotteries [were] typically printed at the time of purchase on special ticket paper by a printing device approved by the lottery administering body,” *id.* at 1:39-41, which was not only “cost prohibitive and not an effective use of capital as not all points of payment are open at all times,” but also made in-lane lottery ticket sales infeasible due to the limited space at checkout and the burdens imposed on the “cashier[s] who must operate the hardware,” *id.* at 1:61-2:2. Thus, the ‘894 patent discloses various solutions “for selling draw based tickets through the retailers POS without the use of additional hardware to generate or print the

tickets.” *Id.* at 2:19-20.

The independent claims, with the exception of claim 29, are directed exclusively to solutions employing a transaction processor as an intermediary system that facilitates the activation of pre-printed lottery tickets with the lottery system. *Id.* at claims 1, 6, 7, 33. As the specification explains, this third party processor “may process transactions and exchange data from a plurality of different retailers to a single lottery system.” *Id.* at 8:62-64.

Fig. 7, reproduced below, illustrates how a third party transaction processor 630 can interface between a retailer’s POS terminal 202 and the central lottery system 220 to request activation of a pre-printed lottery ticket. The transaction processor receives information from the POS terminal that uniquely identifies the pre-printed lottery ticket (e.g., from a scan of the pre-printed ticket’s barcode) and, in turn, communicates the ticket’s identifier to the central lottery system for activation. *Id.* at 9:4-13. Upon activation, the third party processor receives the ticket’s draw information, including at least the assigned draw date. *Id.* at 9:4-15.

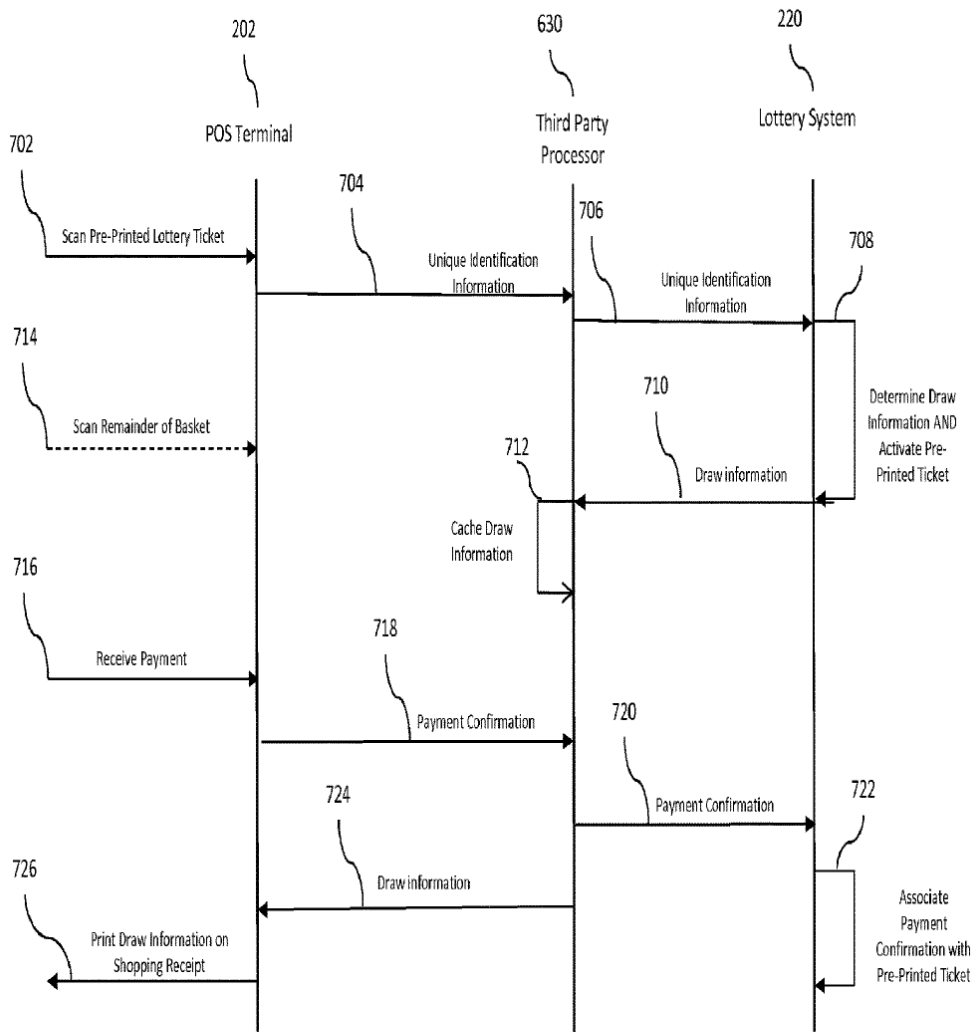


Figure 7

The third-party transaction processor can also receive confirmation that a customer has paid for the ticket at the POS terminal, and communicate that payment confirmation to the lottery system. *Id.* at 9:18-24. The transaction processor may transmit the ticket's unique identification information for ticket activation to the lottery system separate and prior to payment confirmation, *see, e.g., id.* at Fig. 7

(steps 706, 708, 720, 722), such that ticket activation is conditioned on receipt of payment confirmation at the lottery system, *see, e.g., id.* at Fig. 8 (steps 812, 814), or can “transmit the pre-printed ticket information to the lottery system only once the payment has been confirmed,” *id.* at 4:61-64.

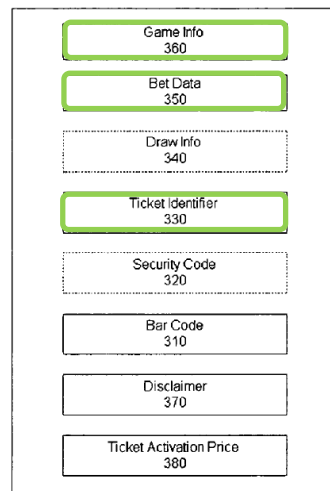
After a preprinted ticket is activated and payment confirmation is associated with the preprinted ticket, the transaction processor communicates the ticket’s draw information to the POS terminal to be printed on a customer’s receipt. *Id.* at Fig. 7 (steps 724, 726). “Until purchased and activated, the pre-printed tickets have no value” and “cannot be used for validation or redemption purposes prior to purchase.” *Id.* at 3:11-13. However, after activation and payment confirmation, “the pre-printed lottery ticket is the legal instrument for validation and prize redemption,” *id.* at 3:19-22, whereas “[t]he printed receipt with the lottery information is for informational purposes only,” *id.* at 4:57-60.

V. BRIEF SUMMARY OF THE ALLEGED PRIOR ART CITED IN PETITION

A. Szrek [Ex. 1007]

Szrek describes a system for activating lottery tickets at a retailer’s checkout lane where, to avoid specialized in-lane lottery hardware, “[a]ll tickets are ‘preloaded’ in the game provider’s system, and during ticket activation, the game provider system merely recognizes from the ticket identifier what transaction is activated (e.g., lotto, 6 specific boards known to the system and the player).” *See*

Ex. 1007 at 3:46-50, 1:34-36 (“Ideally one would want to allow for sales in lanes w/o any additional lottery equipment required in lane and with minimal additional overall cost.”). Szrek’s tickets are “printed ahead of the ticket sale by a commercial printer capable of printing lottery tickets or on a wagering terminal, self-service lottery terminal, or at a lottery kiosk,” *id.* at 3:22-28, and each printed ticket identifies the “preloaded” transaction—including bet selections that the lottery administration system has already assigned to that ticket’s identifier:



300

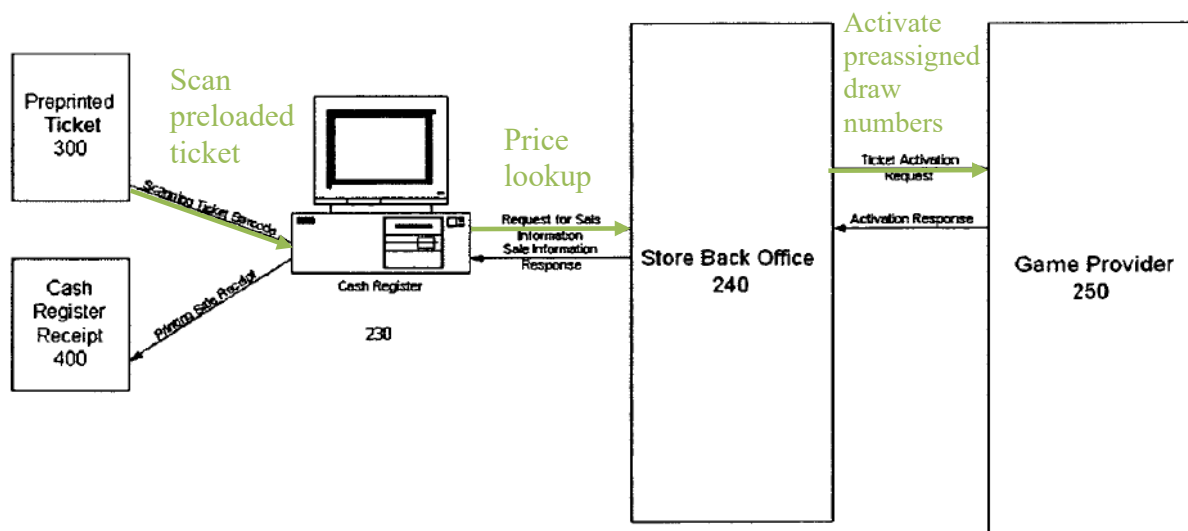
Preprinted Ticket
Figure 3

Id. at Fig. 3 (depicting “Game Info 360,” “Bet Data 350,” and “Ticket Identifier 330”); *see also id.* at 5:65-6:3.

To activate Szrek’s preloaded ticket at a retail store, the store’s checkout register scans the preloaded ticket’s barcode to perform a price lookup, causing the store’s back office to send a ticket activation request to the lottery administration

system. *Id.* at Fig. 2 (transmitting a “Request for Sale Information” from cash register 230 to store back office 240 and a “Ticket Activation Request” from store back office 240 to lottery administration system 250), 4:56-60 (“After the barcode information has been scanned, cash register originates a transaction to the game provider requesting ticket activation. This is usually done by requesting the product type and price. This request is usually transformed into an activation request by the store back office software.”). The lottery administration system “merely recognizes from the ticket identifier what transaction is activated,” *id.* at 3:46-50, and “sends back lottery product description, price, and activation receipt identifier, usually with some security code.” *Id.* at 4:60-64.

Figure 2 200



If the customer “decide[s] not to buy” an already-activated lottery ticket, then the store must initiate “an ‘undo’ or ‘cancel’ transaction” to deactivate the ticket in

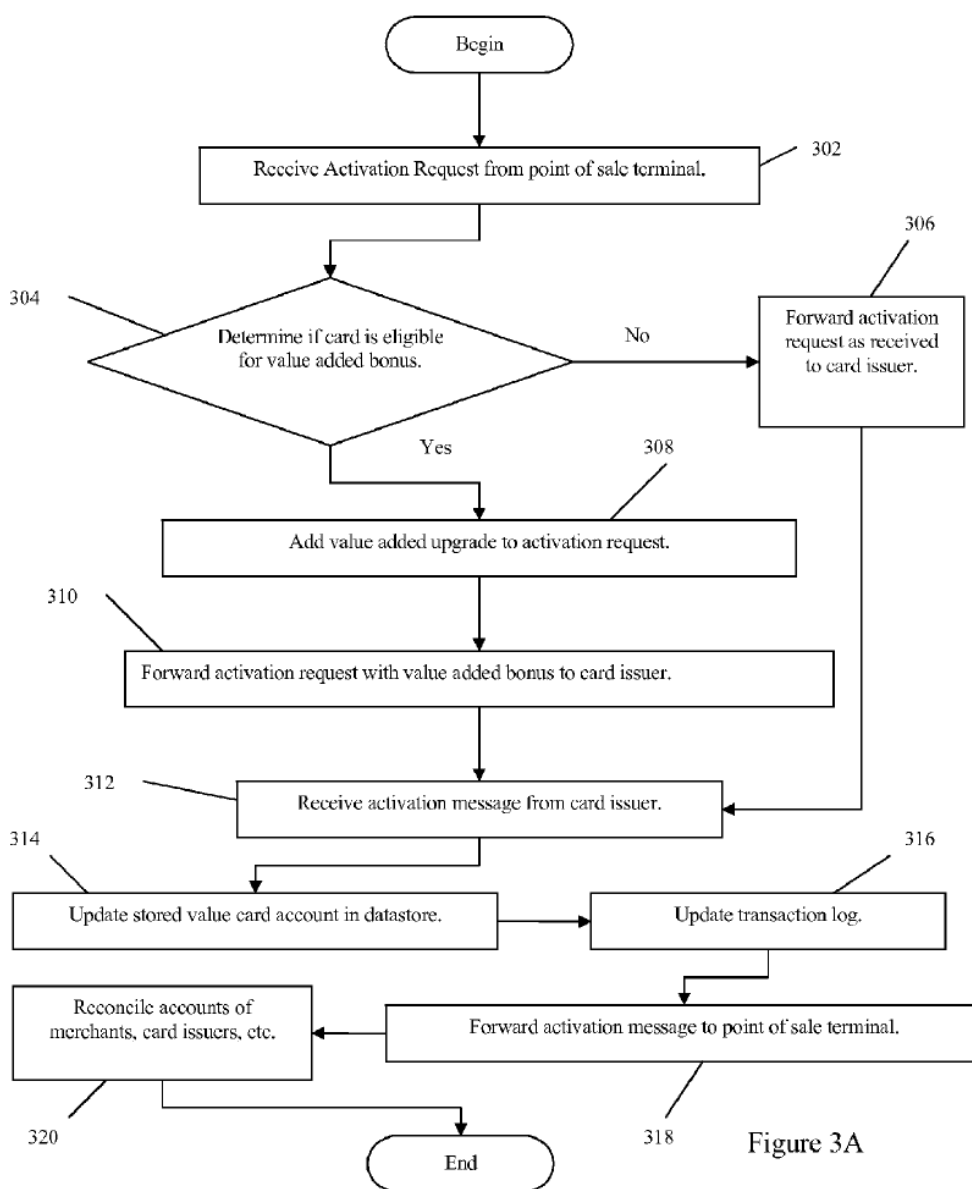
the lottery administration system. *Id.* If the customer does pay for the ticket, the store's cash register prints a sale receipt to the customer. *Id.* at 4:65-67. To redeem a winning ticket, Szrek explains that the customer must present both the sale receipt and the preprinted ticket. *Id.* at 6:62-63 ("For claiming or payment of lottery prize preprinted ticket 300 needs to be presented along with the cash register receipt . . ."). "In a case of any dispute, the cash register receipt 400 with ticket activation information such as price 450, the activation/authorization code needs to be presented 430. Cash register receipt 400 will allow identifying the activation transaction." *Id.* at 6:64-7:1.

B. Llach [Ex. 1008]

Llach describes a system that enables stored value card merchants, vendors, and card issuers to promote themselves to customers by "offer[ing] incentives to purchase and/or redeem a card." Ex. 1008 at ¶ 15-17; *see also id.* at ¶15 ("Customers may be offered incentives to purchase and/or redeem a card (or cards) via value differentiation between the purchase and redemption values of said card (or cards)."), ¶ 83 ("There has been described herein a stored value card transaction system that allows stored value card vendors to add additional value to a card at the time the card is purchased or redeemed in order to provide incentives to customers to purchase or redeem a particular card."). To provide such value differentiation, Llach's "system provid[es] consumers with the ability to purchase a stored value

card, i.e., a gift card, of various affiliated or non-affiliated service providers with additional value added beyond the purchase price.” Ex. 1008 at ¶ 2. Thus, “a card with a face value of \$25 may be purchased by a customer for \$25, but the card may be activated for \$30—the \$25 purchase price plus an additional \$5 added as an incentive to purchase the card.” *Id.* at ¶ 16.

To enable such value differentiation between merchants, vendors, and card issuers, Llach’s system discloses a transaction computer that modifies card activation and redemption requests to inject promotional value, when eligible. As shown in Fig. 3A, when a POS requests activation of a stored value card (step 302), the transaction computer determines if the card is eligible for “value added bonus” and, if so, modifies that request to “[a]dd value added upgrade” (step 308) before forwarding the modified request to the card issuer (step 310).

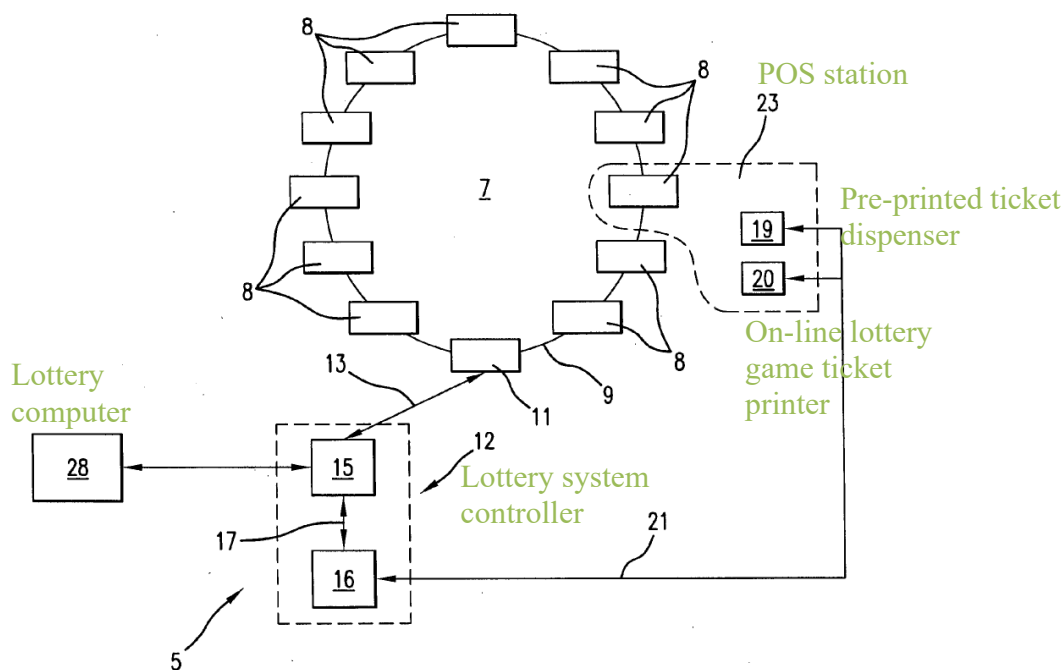


In support of its function to provide promotional value differentiation, Llach's transaction computer maintains a datastore of the stored value card accounts (step 314) and a transaction log recording the transactions processed (step 316). The transaction log includes information identifying "an amount of the card activation" (also described as "the monetary amount ascribed to card activations" or "amount to

be credited to an account associated with the stored value card”) and how much promotional value was injected (“the value added amounts”). *Id.* at ¶ 26, ¶ 34, ¶ 46. The transaction log enables Llach’s transaction computer to “reconcile[] the accounts of the various vendors, merchants, and card issuers, the stored value card transaction system administrator, and other entities involved with issuing, selling, and marketing the stored value card” (step 320). *Id.* at ¶ 55, ¶ 39. For example, Llach discloses that “payment reports” can be generated from “[t]he information contained in the transaction log.” *Id.* at ¶ 27.

C. Gilmore [Ex. 1009]

Gilmore describes a system for selling lottery tickets at a retailer’s checkout lane, in which a lottery system controller passively “listens to the traffic on the POS network” to detect when a POS terminal scans a lottery game identification code. Ex. 1009 at ¶¶ 43-44. Fig. 1 illustrates the lottery system controller 12, which monitors POS stations 23 through a network connection 13. *See id.* at ¶ 42.



Each of Gilmore's POS stations 23 includes a POS terminal 8 and lottery hardware in the form of a "pre-printed ticket dispenser assembly 19" and an "on-line lottery game ticket printer 20" that is connected to the lottery system through a lottery system controller 12. *Id.* at ¶ 46.

VI. CLAIM CONSTRUCTION¹

A. Transaction Processor/Transaction Processor System

Independent claims 1 and 6 recite "transaction processor system," and independent claims 7, 29, and 33 recite "transaction processor." The claims do not

¹ The construction of "data package" is only relevant to claim 2 and is addressed in Section VII.D.3.

permit any interpretation of a “transaction processor” that encompasses a retailer or the lottery administration system, which are separately recited elements of the claims. Read in light of the specification, a skilled artisan would understand “transaction processor” and “transaction processor system” to refer to a “third party processor [system] that processes transactions between a lottery administration system and a retailer.” *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (“Importantly, the person of ordinary skill in the art is deemed to read the claim term not only in the context of the particular claim in which the disputed term appears, but in the context of the entire patent, including the specification.”).

Beginning with the claim language itself—claims 7, 29, and 33 recite the performance of certain functionality “by the transaction processor or retailer.” For example, claim 29 recites “providing, by a transaction processor or retailer, to a lottery administration system unique identification information associated with pre-printed lottery ticket information received from a retailer POS without the use of lottery hardware.” Because “transaction processor” and “retailer” are recited in the alternative, these terms must be given different meaning. *Merck & Co. v. Teva Pharms. USA, Inc.*, 395 F.3d 1364, 1372 (Fed. Cir. 2005) (“A claim construction that gives meaning to all the terms of the claim is preferred over one that does not do so.”). As InComm expert Hutton confirms, a skilled artisan

would understand the transaction processor in this context to be separate from the retailer:

Q: And it would follow, wouldn't it, that the transaction processor in this claim is separate from the retailer or else you wouldn't need a reference to the transaction processor or retailer?

A. Based on that one particular paragraph, that would follow, yes.

Ex. 2004 at 25:7-13. Likewise, Mr. Hutton agrees that to interpret the transaction processor to encompass the retailer would render the “or retailer” language superfluous:

Q. So don't you find, Mr. Hutton, the term "or retailer" would be redundant if you interpret transaction processor as broad enough to encompass retailer?

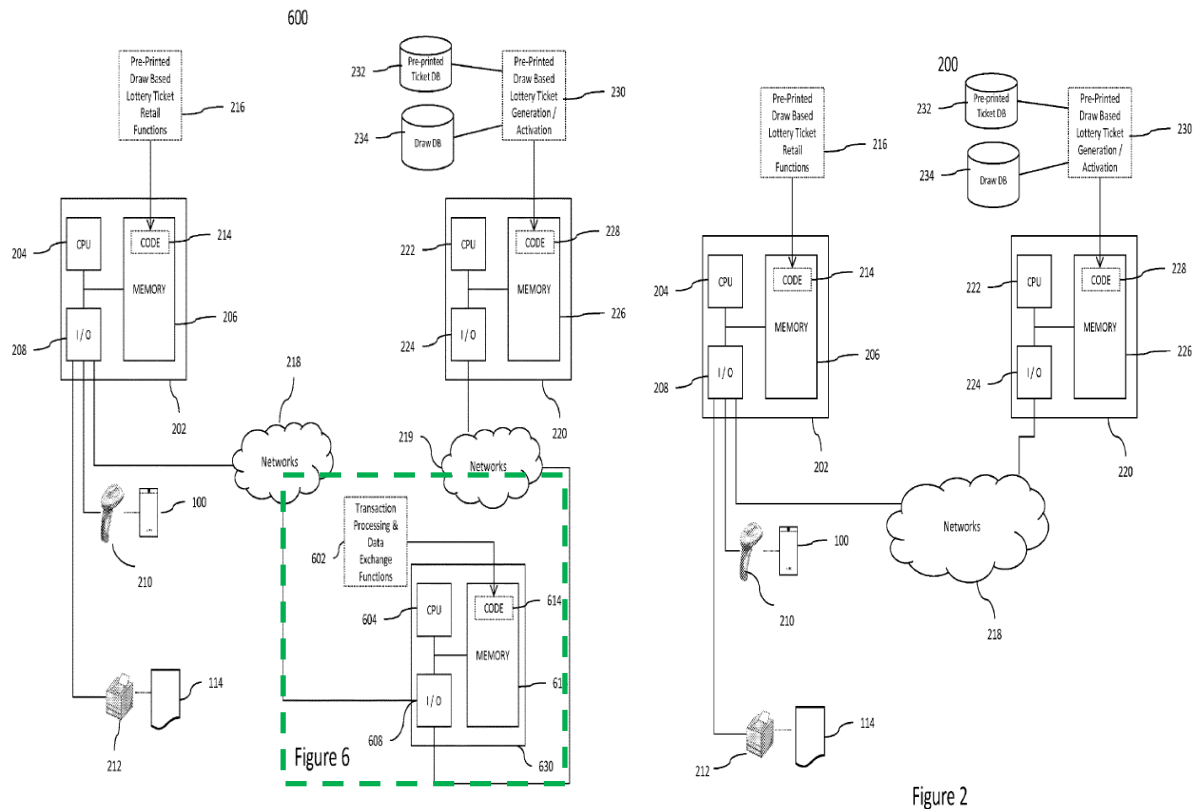
A. Again, I do, in fact, believe that that's redundant in that case. It's basically -- again, I'm reading this to say that the important information being conveyed in that paragraph is that a unique identifier is conveyed from the point of sale and either directly from the retailer or through some intermediating system, but the important point is that it is conveyed, and that's how I read that.

Id. at 26:21-27:8 (emphasis added). That the transaction processor is separate and distinct from the retailer is emphasized by dependent claims 30 and 31, which respectively recite that “the unique identification information is provided by the retailer” and “the unique identification information is provided by the transaction processor.”

Nor does the structure of the claims permit the transaction processor to encompass the lottery administration system, else the requirement that the transaction processor “provid[e] . . . to a lottery administration system unique identification information” would be rendered superfluous. *See* Ex. 1001 at claims 7, 33; *Merck*, 395 F.3d at 1372; *see also* Ex. 1001 at claim 1 (“provide, to the lottery administration system, payment confirmation for the pre-printed lottery ticket”). As a straightforward matter of plain English and the doctrine of claim differentiation, the “transaction processor” cannot be the same as the claimed “retailer” or “lottery administration system.” *Seachange Int’l, Inc. v. C-COR Inc.*, 413 F.3d 1361, 1368 (Fed. Cir. 2005) (“The doctrine of claim differentiation stems from ‘the common sense notion that different words or phrases used in separate claims are presumed to indicate that the claims have different meanings and scope.’”) (quoting *Karlin Tech. Inc. v. Surgical Dynamics, Inc.*, 177 F.3d 968, 971-72 (Fed. Cir. 1999)).

That the claims exclude any interpretation of the transaction processor as encompassing the retailer or lottery administration system is consistent with the ’894

specification, which repeatedly describes the transaction processor [system] as a third party processor. The specification discloses two distinct system architectures: (1) where POS terminals interface directly with a lottery system to activate preprinted lottery tickets, *see* Ex. 1001 at Figs. 2-5, and (2) where the POS terminals interface indirectly with a lottery system through a third party transaction processor, *see id.* at Figs. 6-8. The difference is illustrated by a comparison of Fig. 6 (with the third party processor annotated by a green rectangle) and Fig. 2 (omitting any third party processor):



The transaction processor is not controlled by the POS terminal requesting lottery ticket activation or the lottery system granting activation, but is instead a third party

system. *See id.* at 3:35-40 (“Alternatively, the communication and data transfers between the POS and lottery system may be facilitat[ed] by a transaction processor system. This may be effective where a third party system is already integrated with the retailers POS for the purpose of interchanging data and transactions.”) Because of its role as a third party, the transaction processor “may process transactions and exchange data from a plurality of different retailers to a single lottery system,” *id.* at 8:62-64.

The specification interchangeably refers to the transaction processor as a third party processor. *Edwards Lifesciences LLC v. Cook Inc.*, 582 F.3d 1322, 1329 (Fed. Cir. 2009) (explaining that “the specification consistently uses the words ‘graft’ and ‘intraluminal graft’ interchangeably,” which is “is akin to a definition equating the two”). “FIG. 7 depicts a process for providing a ticket for a random draw through a transaction processor,” *id.* at 9:1-2, and that transaction processor is labeled in Fig. 7 as a “third party processor,” *id.* at Fig. 7. Likewise, Fig. 8 illustrates a “third party processor” that is repeatedly referred to in the specification as a “transaction processor.” *Id.* at Fig. 8, 9:45-55.

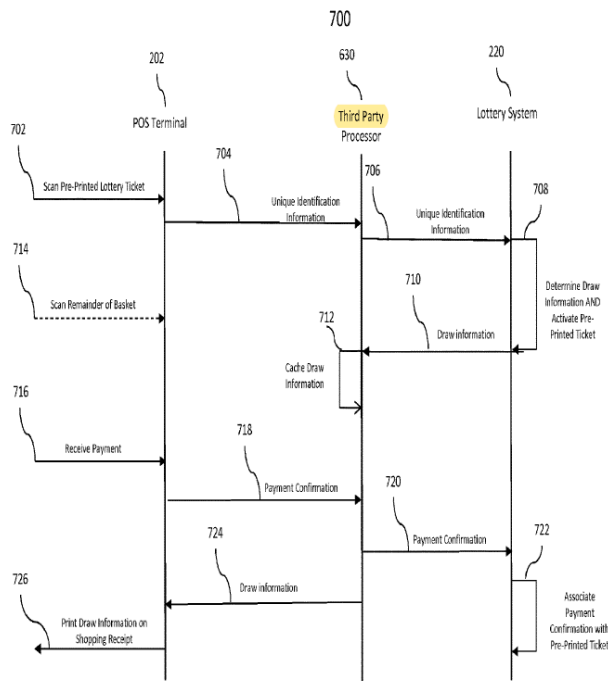


Figure 7

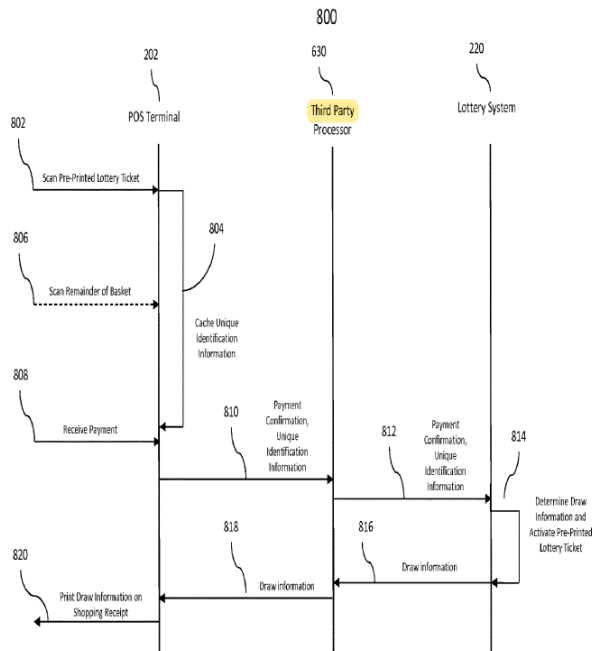


Figure 8

Although not every claim recites “transaction processor system” in the alternative to a retailer (*see, e.g., id.* at claims 1, 6), the term should be construed to have the same meaning across the claims, as it is consistently used throughout the claims and specification to exclude the retailer and lottery administration system. *See Phillips*, 415 F.3d at 1314 (“Because claim terms are normally used consistently throughout the patent, the usage of a term in one claim can often illuminate the meaning of the same term in other claims.”).

Because the claims preclude any interpretation of “transaction processor” that encompasses the retailer or lottery administration system, and because the

specification repeatedly and interchangeably refers to the same processor that interfaces between a point of sale and a lottery administration system as both a “transaction processor” and a “third party processor,” a skilled artisan would have understood the claimed “transaction processor” or “transaction processor system” to refer to a third party processor or third party system, respectively, that is neither the retailer nor the lottery administration system. Ex. 2001 at ¶ 34.

VII. THE CHALLENGED CLAIMS ARE NOT UNPATENTABLE

InComm challenges claims 1-19, 21-42, and 44-53 of the ‘894 patent as obvious over Szrek (Ground 1²), claims 1-19, 21-29, 31-42, and 44-53 as obvious over Szrek in view of Llach (Ground 2), and claims 20 and 43 as obvious over Szrek in view of Gilmore (Ground 3). For the reasons discussed below, InComm has not met its burden of showing unpatentability of claims 1-28, 31, and 33-53 by a preponderance of the evidence.

² Although the petition lists claims 1-19 and 21-53 under Ground 1 and claims 1-19, 21-29, and 31-53 under Ground 2, it does not substantively address claim 43 in its analysis under Grounds 1 or 2. Counsel for InComm confirmed at the deposition of Mr. Hutton that claim 43, like claim 20, is solely addressed by Ground 3. Ex. 2004 at 14:17-21.

A. Szrek fails to disclose a transaction processor. [Claims 1-28, 31, 33-53]

Claims 1, 6, 7, 31, and 33 require a “transaction processor” or “transaction processor system” that performs claimed functionality relating to transactions involving a pre-printed lottery ticket. *See* Ex. 1001 at claim 1 (reciting instructions stored on at least one memory unit that, when executed, causes “the transaction processor system” to perform various functions), claim 6 (similar), claim 7 (reciting “receiving, by a transaction processor, a transaction request from a retailer point of sale (POS) to activate a pre-printed lottery ticket”), claim 33 (same), claim 31 (“wherein the unique identification information is provided by the transaction processor” “to a lottery administration system” as recited in claim 29).

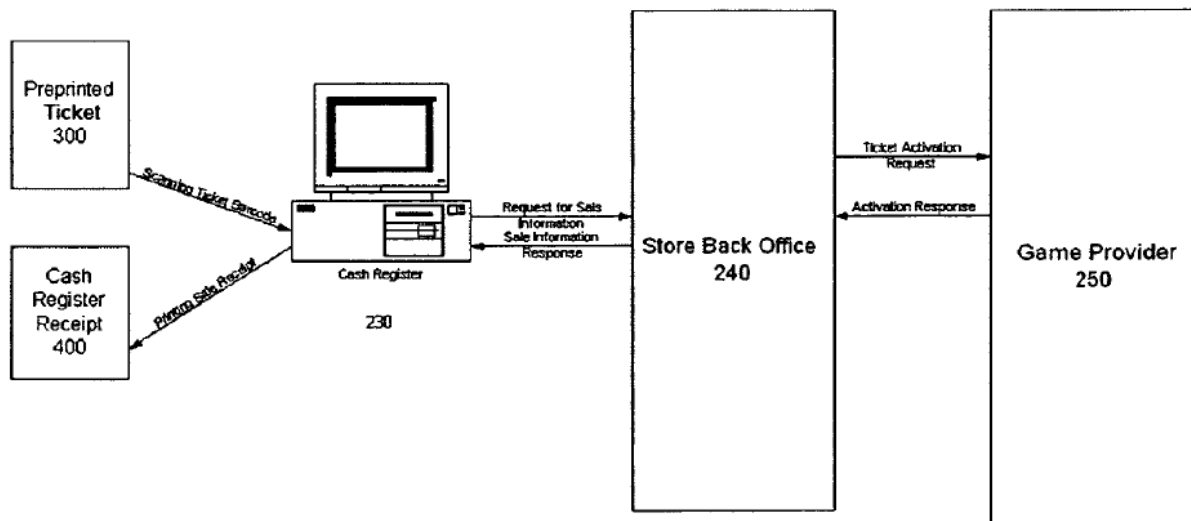
As explained above in section VI.A, the claims, which recite “retailer” and “transaction processor” in the alternative, do not permit InComm’s interpretation of Szrek’s retailer back office as a transaction processor. *See, e.g., id.* at claims 7, 29, and 33. Rather, a skilled artisan would have understood, in light of the ’894 claims and specification, that a transaction processor refers to a third party processor. Szrek fails to disclose any such third party processor.

Instead, Szrek’s ticket activation requests involve only the retail store requesting activation from the lottery administration system—without any third party transaction processor. While the store includes both a cash register 230 and a

store back office 240, neither is a third party to the activation transaction between the retail store and the lottery administration system. Both the cash register and back office are part of the retail store. *See* Ex. 1007 at 1:37-38 (“store cash registers”), 2:36-37 (“Stores sell merchandise at the cash register”), 2:49-50 (“store back office”), 4:22-25 (“store ‘back office’”), 4:35-39 (“store back office”), 4:58-60 (“store back office software”), 4:64 (“store back office”), 6:30-31 (explaining that a “store clerk scans ticket 300 like any product” at “cash register 230”), claim 15 (“store back office system”).

The cash register and store back office are integral aspects of a retail store because, as Szrek explains, “[n]ormally when a barcode 310 is scanned for any merchandise, the checkout register 230 application looks up the merchandise price in [a] database or checks the price by using some algorithmic interface.” *Id.* at 6:31-34. As shown in Fig. 2, reproduced below, the cash register looks up this price—i.e., sales information—from store back office 240.

Figure 2 200



Thus, the cash register and store back office operate together to price and sell all of the retail store's merchandise.³ See Ex. 2001 at ¶ 35. Only when ticket 300 is scanned does the store generate a ticket activation request to lottery administration system 250. *Id.* at 6:34-38, Fig. 2. Unlike a third party processor, Szrek's store back office could not interface between lottery administration system 250 and other retailers selling pre-printed lottery tickets because Szrek's store back office only

³ As Mr. Friedman explains, Szrek discloses what would have been a typical retailer system in the form of a POS and a back office, as evidenced by Gilmore's cash register which likewise communicates with a store back office system. Ex. 2001 at ¶ 36; Ex. 1009 at ¶ 42, 99, 101.

issues ticket activations on behalf of a single retail store. *Compare* Ex. 1001 at 8:62-64 (“The functionality 602 [of transaction processor system 630] may process transactions and exchange data from a plurality of different retailers to a single lottery system.”). Szrek fails to disclose any third party processor that interfaces between the retail store and the lottery administration system. Thus, under the correct construction of a “transaction processor [system]” as a “third party processor [system] that processes transactions between a lottery administration system and a retailer,” Szrek’s store back office 240 fails to disclose the claimed transaction processor. Therefore, InComm has not met its burden to prove unpatentability of claims 1, 6, 7, 31, and 33 (and their dependent claims) under Ground 1.

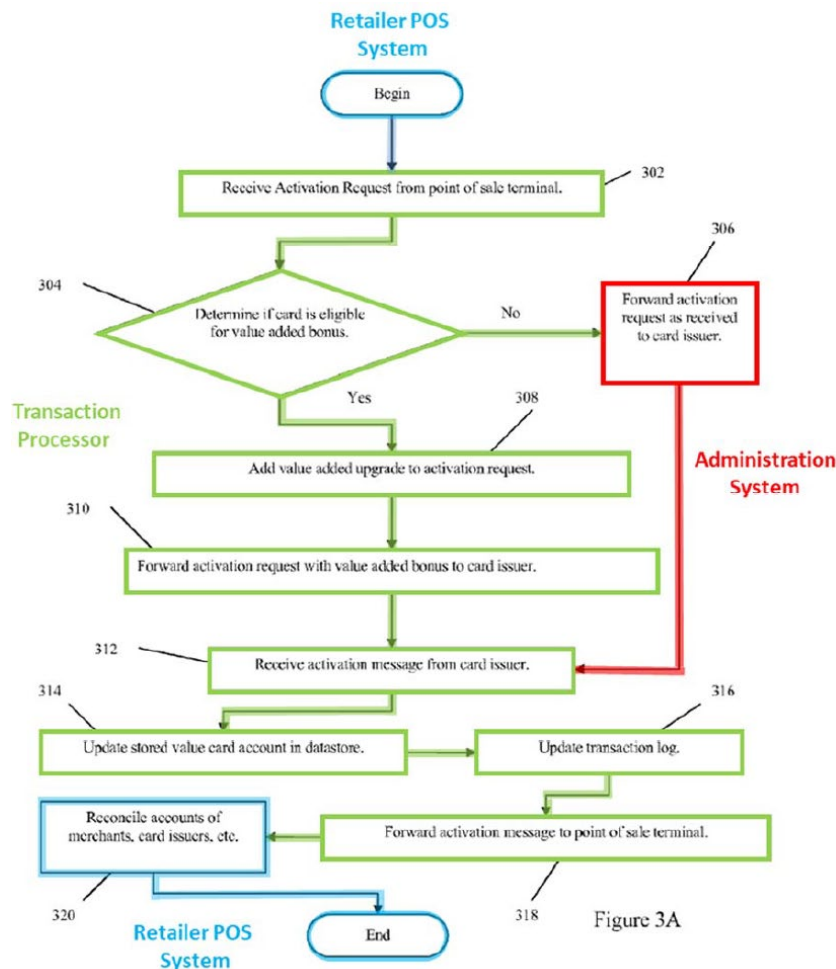
B. InComm’s proposed combination of Llach and Szrek would not have been obvious because the proposed combination is incompatible with lottery systems

InComm’s conclusory assertion that it would have been obvious to use Llach’s stored value card system to “similarly activate pre-printed lottery tickets” (Pet. at 98) is deeply flawed because no lottery administration system would permit Llach’s transaction computer to determine value differentiation by selectively injecting promotional value into lottery ticket activation requests.

As the Petition concedes, Llach does not disclose any lottery system. Pet. at 97. Instead, Llach describes the use of a stored value card transaction computer to enable merchants, vendors, and card issuers to promote themselves to customers by

“offer[ing] incentives to purchase and/or redeem a card.” Ex. 1008 at ¶ 15-17; *see also id.* at ¶ 83 (“There has been described herein a stored value card transaction system that allows stored value card vendors to add additional value to a card at the time the card is purchased or redeemed in order to provide incentives to customers to purchase or redeem a particular card.”). For example, Llach’s transaction computer can add a bonus value of \$5 to an activation request of a card with a \$25 face value, resulting in a card worth \$30. *Id.* at ¶ 16.

The Petition acknowledges that “Llach describes a computer implemented method for adding value to a stored value card (Gift Card, Phone Card, etc.) in excess of the purchase price for the stored value card.” Pet. at 82. As InComm’s own annotation of Llach’s transaction processor flow chart highlights in green, Llach’s transaction processor determines whether to add value differentiation (steps 304, 308, 310, 314, 316, and 320) to eligible card activation requests:



Pet. at 87; *see also* Ex. 2004 at ¶ 141. Under InComm’s theory, a skilled artisan would begin with Llach’s system of providing value differentiation, and (1) replace the preprinted card with a preprinted lottery ticket; (2) replace the card issuer with a lottery administration system; and (3) replace the type of information exchanged to relate to a preprinted lottery ticket rather than a stored value card. Pet. at 89.

Q. Okay. And so just to make sure I’m understanding your proposed combination, the Llach system has three changes that are a result from Szrek’s teaching, and the

first change is that we're using a unique identifier of a pre-printed lottery ticket instead of a pre-printed card; the second is that we have a lottery administrative system rather than a card issuer; and the third is the details that are being exchanged relate to the lottery ticket and not to the pre-printed card?

A. Correct.

Ex. 2004 at 102:9-20. InComm expert Hutton further confirmed that the proposed modification would include the promotional value functionality performed by the transaction processor:

Q. Okay. Anything else that goes with the combination?

A. There's one thing in Llach that talks about promotional -- the adding promotional value to the stored value transaction and that that would be done in the Llach transaction processor. I believe that same sort of promotional thing was addressed in the '894 patent as well. So I believe we had that in mind as well.

Id. at 102:21-103:4; see also 99:9-100:2 (same); 101:8-102:20 (same).

InComm's proposed modification would render Llach's transaction computer inoperable for its intended purpose of adding promotional value. *In re Gordon*, 733 F.2d 900, 902 (Fed. Cir. 1984) (affirming the Board's determination that it would not have been obvious to turn a prior art strainer upside down because it would have

rendered the strainer inoperable for its intended purpose of filtering). No lottery administration system would permit a third party transaction computer to decide which tickets are eligible for promotions, for four reasons: (1) the central lottery administration system retains sole control over price and bonus value determinations; (2) lottery prize winnings are controlled by pari-mutuel mathematics making ad hoc decision-making on bonus value by a third party transaction computer unworkable; (3) accounting difficulties would result from the independent bonus value decisions of transaction processors; and (4) security and fraud concerns dictate that bonus value decisions are made by the central lottery administration system. Ex. 2002 at ¶¶ 8-9 (explaining that the lottery commission sets the price at which tickets must be sold, and other systems are not permitted to alter the value of draw-based tickets); Ex. 2004 at 82:8-15 (explaining that a transaction processor “would never be able to decide what promotions were being sold over the Internet”), 80:21-81:17 (explaining that pari-mutuel pools preclude independent pricing decisions by transaction processors), 83:6-84:6 (same), 80:21-81:17 (same), 88:18-91:12 (explaining accounting and security concerns); 103:8-104:21 (same). Moreover, Llach’s system cannot be used for its purpose of “adding value” in the context of lottery tickets that have an indeterminate future value rather than a stored value. Ex. 2001 at ¶¶ 43-44.

First, the Petition’s proposed modification of Llach’s ad hoc value differentiation system to activate Szrek’s lottery tickets was not obvious; nor would skilled artisans have expected such a combination to be successful. Lottery systems are designed with a centralized architecture, in which a central lottery administration system retains sole control over ticket pricing. Ex. 2002 at ¶¶ 8-9 (explaining that “entities such as retailers’ systems that interface with the lottery administration system are not permitted to alter lottery tickets or ticket prices set by the lottery commission”); *see also* Ex. 2001 at ¶ 17, 40 (explaining that state-run video lottery terminals were likewise designed with centralized architectures). This centralized architecture enables the central lottery administration system to meet the specific system constraints imposed by state regulatory frameworks, including that the lottery commission—not transaction processors—must “specify[] the retail sales price for each ticket or share for each Lottery Game” (*see, e.g.*, CAL. GOV’T CODE § 8880.31), “specify the method for determining winners in each lottery game” (*id.* at § 8880.30), “specify the number and value of prizes for winning tickets or shares in each lottery game” (*id.* at § 8880.29(a)), the allocation of revenue from ticket sales (*id.* at § 8880.4), and “the manner of distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or directly to the public” (*id.* at § 8880.33(a)). Because the lottery commission is responsible for pricing determinations, it would not make sense from a system design perspective to allow

transaction processors to make pricing decisions on an ad hoc basis. Ex. 2001 at ¶ 40. To do so would introduce needless complexity from maintaining a coherent information state across all of the various systems and undermine the lottery commission's ability to ensure that it fulfilled its responsibilities under the state regulatory framework. *Id.*

Lottery systems at the time of the invention were consistently designed with a centralized architecture in which the lottery administration system of a particular state retains sole responsibility for pricing determinations. Ex. 2002 at ¶ 9 (explaining that, in over 35 years of experience in the lottery industry, Mr. Molica has “never seen any lottery system in which the lottery commission permitted retailers or other entities to alter lottery tickets, alter ticket prices, or offer independent promotions changing the value of draw-based tickets, such as by adding bonus value to draw-based tickets”). InComm expert Hutton confirmed that a transaction processor “would never be able to decide what promotions were being sold over the Internet”:

Q. So not set by the transaction processor on a stand-alone basis?

A. No, not set by the transaction processor on a stand-alone basis. They may offer multiple ways to market their online tickets, and that would be a value add to their

Internet support system for the lottery, but they would never be able to decide what promotions were being sold over the Internet.

Ex. 2004 at 82:8-15 (emphasis added).

Second, online draw-type lottery games are pari-mutuel pools, and the frequent recalculation of the size of the jackpot that is a feature of these games would be unworkable if third-party transaction processors like Llach's had authority to make ad hoc decisions about bonus eligibility. As InComm expert Hutton explained during cross-examination:

Q. Are individual transaction processor, if they're not the single source of truth, are they able to make determinations about, say, giving a two-for-one special on online lottery draws?

A. Again, that would be something that would need to be engineered, reviewed for legality, and, you know, built out. It wouldn't be something that would just be allowed on an ad hoc basis. It's not like I'm selling, you know, a roll of Charmin, and I sent it over to my merchant for price X and he can do whatever he wants to with pricing, and I might supply him incentives. It doesn't work that way. Anything to do with the -- and it's because of the parimutuel pools that are used in many of these games. The actual amount of money in the pool has to be real

money in a lottery system by law, unlike, you know, Vegas games where you can, you know, give free plays and things like that.

Q. So --

A. There are promotions, but those are all engineered into the lottery central processing system.

Ex. 2004 at 80:21-81:17 (emphasis added). As InComm expert Hutton further explained, the calculation of payout for “online lottery games” is a “very sophisticated” endeavor because the winnings are derived from a pari-mutuel pool based on actual bet money that was collected. *Id.* at 83:6-15. Thus, “promotions are always done in the lottery central processing system that sells the online games because it needs to know how to deal with promotional money versus real cash in the pool”:

Q. Okay. And, sir, if a promotion is offered, such as a -- I don't know -- the example I gave, a two-for-one promotion on online lottery tickets, where does the determination that a given customer gets the two-for-one offer occur? Is that in the lottery system or in the transaction processor?

A. In the case of online lottery games where, again, you've got a parimutuel pool that needs to be accounted for, those promotions are always done in the lottery

central processing system that sells the online games
because it needs to know how to deal with promotional
money versus real cash in the pool.

Id. at 82:16-83:3 (emphasis added); *see also id.* at 80:21-81:17. Mr. Hutton testified that he had never seen any system in which the lottery administration system permitted “the point of sale itself or anywhere in between the point of sale and the lottery system” to determine whether a player was granted an extra bet. Ex. 2004 at 88:18-89:20. As Mr. Friedman explains, because pari-mutuel pool prizes are calculated based on collective pooled wagers, as a matter of mathematics any promotions must be accounted for in view of the entire pool. Ex. 2001 at ¶ 41. Thus, it would be unworkable to permit an individual transaction processor, which has only a view of wagers that it processed, to determine any promotions. *Id.*

Third, lottery administration systems impose accounting controls on online lottery games, which precludes independent pricing or bonus eligibility decisions by a transaction processor. As Mr. Hutton testified, “the lottery administration system would have to know that it only collected a dollar for those two bets that it recorded against the system, again, for accounting and auditing purposes.” Ex. 2004 at 88:18-89:12; *see also id.* at 89:13-90:6 (explaining that promotional determinations are “only done by the central system” for accounting, security, and auditing purposes), 90:7-91:8 (explaining that the central administration system is “the only one who

really understands” how to handle accounting for how commissions are calculated differently for promotional sales), 91:9-12 (explaining that he had never seen a hypothetical nontraditional lottery in which a retailer management intermediation system could handle the accounting); Cal. Gov’t Code §§ 8880.4 (making the lottery commission responsible for the allocation of revenue from ticket sales), 8880.46.5 (requiring “an annual audit of all accounts and transactions of the lottery”).

Fourth, in addition to the logistical constraints of calculating prize money in a pari-mutuel pool, Mr. Hutton explained that the lottery administration system would reject such a hypothetical system because of security concerns:

Q. You say hypothetically. Have you ever -- have you ever implemented a system that way?

A. No. It's always been -- because of lottery requirements -- and lotteries are very, very parochial -- they want that to be only done by the central system, again, for the accounting, and because they would see that as a security issue too.

Id. at 89:13-20; *see also id.* at 89:21-90:6 (same), 103:24-104:5 (same). A skilled artisan would not have been motivated to expose the overall lottery system architecture to security and fraud risks from granting third-party transaction processors the power to make independent pricing and bonus eligibility decisions—nor would any lottery administration system accept such a proposal, as it would be

incompatible with existing lottery system computer and network architectures and protocols.

In light of these considerations, Mr. Hutton conceded that the proposed combination of Llach and Szrek would result in an unusable system that would have been rejected by any existing lottery administration system as incompatible:

Q. Now, in Llach, it's Llach's transaction processor that makes a determination if a pre-printed [sic] card is eligible for value-added bonus, correct? That's the big diamond, Number 304?

A. Right.

Q. Now, based upon your earlier testimony, although this might work for a pre-printed [sic] card, this Llach system here would not work for adding bonus to an online lottery ticket, would it?

A. Not without additional engineering on the lottery point of sale end, with the administrative and business issues that I testified to before in mind.

Q. Right. As you said in the real world, given lottery systems' audit concerns, security concerns, and their parochial attitudes, in the United States you wouldn't any time in the last 20 years have a transaction processor

doing bonus decisions as shown here in Llach, would you?

A. You would not, I don't believe.

Q. So although in your proposed combination here between Szrek and Llach you show a decision process where the transaction processor is making a determination of online lottery bonus eligibility, you wouldn't actually be able to build a system that way that any lottery system would accept, would you -- could you?

A. I can't categorically state that. I think you probably could, but it's a hypothetical question.

Q. Right. And based on your real-world experience, you've never seen a system in the United States built that way, have you?

A. No.

Ex. 2004 at 103:8–104:21 (emphasis added).

Finally, Llach's system cannot be used for its purpose of "adding value" in the context of lottery tickets, which do not store any value that Llach's system could modify. Pet. at 82-83 ("Llach describes a computer implemented method of adding value to a stored value card (Gift Card, Phone Card, etc.) in excess of the purchase

price for the stored value card.”). A lottery ticket has an indeterminate future value that depends entirely on a later event and thus, rather than storing any value, has only an “expected value” that is predetermined by the regulatory framework. Ex. 2001 at ¶ 42-43; *see also* CAL. GOV’T CODE § 8880.4(a)(1) (setting the overall expected value of lottery tickets at 0.5: “Fifty percent of the total annual revenues shall be returned to the public in the form of prizes as described in this chapter.”). In addition, unlike Llach’s stored value cards, lottery tickets cannot be “used to transact business,” Ex. 1008 at ¶ 12, and thus InComm’s suggestion that the process of activating a lottery ticket is analogous to Llach’s process of activating a stored value card with additional value is incorrect. *See* Ex. 2001 at ¶ 44; Pet. at 99; Ex. 1004 at ¶ 149; Ex. 1005 at ¶ 150.

Incapable of injecting promotional value to lottery tickets on an ad hoc basis, Llach’s transaction computer offers nothing of value over Szrek’s system, in which the retailer submits activation requests directly to a lottery administration system without the added complexity and expense of an intermediating transaction computer. *See* Ex. 1008 at ¶ 39 (explaining that the “stored value card transaction system administrator” collects a “transaction fee” for card activation); Ex. 2001 at ¶ 45. Moreover, unlike gift card issuers that must compete with other issuers for card sales, a lottery administration system that controls all of its state’s lotteries has no

need to differentiate its tickets from other lottery administration systems—because there only is one lottery administration system per State. Ex. 2002 at ¶ 6.

Ignoring the real-world constraints imposed on all lottery system designers, InComm alleges only that its proposed modification of Llach’s value differentiation system to activate lottery tickets “would merely be the application of the same system/method associated with a particular type of product to a similar type of product” and “[a] POSA would have been motivated to modify Llach to enable the integration into POS system to sale [sic] pre-printed lottery tickets at checkout in a manner transparent to the customer vis à vis other products.” Pet. at 99. This superficial and factually unsupported assertion was merely echoed by InComm experts Hutton and Loftesness without any reasoned analysis or supporting evidence and should not be afforded any weight. See Ex. 1005 at ¶¶ 150-51; Ex. 1003 at ¶108 (opining only that “[t]he process of activation is virtually identical regardless of the nature of the instrument being activated” and that “the process of activating a lottery ticket is very similar to the process of activating, for example, a prepaid phone card”)⁴; *Delta T, LLC v. Dan’s Fan City, Inc.*, No. 8:19-CV-1731-VMC-SPF at 11-

⁴ Mr. Loftesness admitted at his deposition that he has never designed or implemented a lottery system, Ex. 2005 at 7:19-8:3, and that his testimony was based solely upon a “general awareness about the payments industry,” *id.* at 9:20-

12 (M.D. Fla. May 25, 2021) (excluding expert testimony under Fed. R. Evid. 702 because the expert “may not simply repeat counsel’s opinion or analysis”). Mr. Hutton readily admitted on cross-examination that the resulting “hypothetical” ticket activation system would have been rejected by any existing lottery administration system because (1) the “sophisticated” pari-mutuel calculations of prize winnings would have been unworkable; (2) lottery systems’ audit concerns; and (3) security concerns. *See* Ex. 2004 at 103:13-104:19 (agreeing that “in the real world, given lottery systems’ audit concerns, security concerns, and their parochial attitudes, in the United States you wouldn’t any time in the last 20 years have a transaction processor doing bonus decisions as shown here in Llach”), 82:16-83:3 (explaining that “[i]n the case of online lottery games where, again, you’ve got a pari-mutuel pool that needs to be accounted for, those promotions are always done in the lottery central processing system that sells the online games because it needs to know how to deal with promotional money versus real cash in the pool”), 83:4-84:6 (explaining

23 (emphasis added). Mr. Loftesness further conceded that his industry knowledge “does not include lottery system expertise,” *id.* at 10:24-11:3, and that he did not consult any lottery system technical specifications or standards, or check to see if the proposed Llach-Szrek combination would be compatible with any lottery system in the United States. *Id.* at 11:8-12:16.

that “the lottery central processor has to be aware of any promotions on online lottery games so that it can do the pool calculations and accounting and auditing correctly”). Mr. Hutton’s declaration, which fails to acknowledge or address these incompatibilities—which Mr. Hutton identified during deposition—between its proposed modification of Llach’s gift card system and the centralized architectures of all real-world lottery systems, should not be afforded any weight.⁵

⁵ Notably, Mr. Hutton testified that he had spent “less than 20 hours” on this matter, of which “at least 8 hours” were spent preparing and finalizing his 117-page declaration. Ex. 2004 at 12:5-12. Yet, his declaration claims to have “considered and relied on statements in the documents identified” in paragraph 9, totaling 753 pages across 28 documents. Ex. 1005 at ¶ 9. In light of the fact that Mr. Hutton spent only one working day on this matter prior to the filing of the Petition—during which he allegedly analyzed over 750 pages of documents and revised his 117-page declaration—it would appear Mr. Hutton signed on to attorney work product without devoting sufficient time to consider the soundness of the opinions that others wanted him to adopt. The inconsistency between his declaration’s superficial analysis on motivation to combine and his detailed understanding of the incompatibilities between the petitioner’s proposed Llach-Szrek combination and the system requirements of lottery administration systems suggests that Mr. Hutton did not

In view of the incompatibilities between Llach and lottery systems, a skilled artisan would not have been motivated to modify Llach's ad hoc value differentiation system to activate Szrek's lottery tickets, nor would a skilled artisan have expected success. *See Samsung Elecs. Co. v. Elm 3DS Innovations, LLC*, 925 F.3d 1373, 1381 (Fed. Cir. 2019) (upholding the Board's findings of no motivation to combine and no expectation of success where plasma-enhanced chemical vapor deposition (PECVD) of secondary reference was incompatible with the primary reference's integrated circuit); *Activision Blizzard Inc. v. Acceleration Bay, LLC*, IPR2016-00747, Paper 50 at 20-22 (P.T.A.B. Sept. 6, 2017) (finding no motivation to modify token ring network with incompatible messaging from token bus network).

Ultimately, the Petition's superficial argument that "[a] POSA would have been motivated to modify Llach to enable the integration into POS system to sale [sic] pre-printed lottery tickets at checkout in a manner transparent to the customer vis à vis other products," Pet. at 99, reduces to an attempt to reach the claims in hindsight by proposing a modification to Llach that (1) renders Llach's transaction computer inoperable for its intended purpose of providing promotional value; and (2) provides no benefit over Szrek's system. *See Polaris Indus., Inc. v. Arctic Cat*,

"reliably appl[y] the principles and methods to the facts of the case" while preparing his declaration. Fed. R. Evid. 702(d). Accordingly, it should not be given weight.

Inc., 882 F.3d 1056, 1068 (Fed. Cir. 2018) (rejecting as improper hindsight an analysis of “what a skilled artisan would have been *able* to do, rather than what a skilled artisan would have been *motivated* to do at the time of the invention) (emphasis in original); *InTouch Techs., Inc. v. VGO Commc’ns, Inc.*, 751 F.3d 1327, 1352 (Fed. Cir. 2014) (concluding that a party’s expert “succumbed to hindsight bias in her obviousness analysis” where such analysis “primarily consisted of conclusory references to her belief that one of ordinary skill in the art *could* combine these references, not that they *would* have been motivated to do so”) (emphasis in original).

C. The Prior Art fails to disclose “payment confirmation for the pre-printed lottery ticket.” [Claims 1, 6]

Neither Szrek nor Llach under Grounds 1 or 2 disclose any “payment confirmation” provided by a transaction processor system to a lottery administration system. Instead, each of these references describes a fundamentally different approach which relies on the POS, rather than any central administration system, to ensure that customers have paid for goods.

Claims 1 and 6 of the ’894 patent require that the transaction processor provide “payment confirmation for the pre-printed lottery ticket.” As the ’894 specification explains, the lottery system records that payment confirmation, whether as a condition for activating the pre-printed lottery ticket (Ex. 1001 at Fig.

8, Step 814) or as a separate step of associating an activated ticket with the payment confirmation (*id.* at Fig. 7, Step 722). Because the lottery system is informed of payment, a customer can simply present the pre-printed ticket to redeem a winning prize. Ex. 1001 at 7:16-18 (“Once activated, the pre-printed ticket serves as a lottery ticket and may be verified as any regular lottery ticket purchased from a lottery terminal.”), 7:39-42, 7:67-8:2, 9:27-29, 9:58-60.

1. Szrek does not disclose payment confirmation

In contrast, Szrek’s system requires a customer to present both preprinted ticket 300 and a cash register receipt to redeem a prize. Ex. 1007 at 6:62-63 (“For claiming or payment of lottery prize preprinted ticket 300 needs to be presented along with the cash register receipt . . .”). As InComm expert Hutton conceded on cross-examination, the receipt in Szrek is the bearer instrument that provides proof of a lottery wager:

Q. So I take it then that your review -- let me just be clear. In your mind, the receipt in Szrek is the bearer instrument, correct?

A. Correct.

Ex. 2004 at 38:20-23; *see also id.* at 38:8-10 (“The fact that you have a receipt in Szrek is the bearer instrument that provides proof of your lottery wager.”) Szrek’s system requires the receipt to redeem a winning prize because the cash register never

provides an affirmative confirmation of payment to the lottery administration system.

Instead of providing an affirmative confirmation of payment to Szrek's lottery administration system, Szrek's system relies on the opposite: an "undo" message from the cash register after activation occurs but when a customer does not pay:

In some embodiments, it may be necessary for cash register to initiate other lottery related transactions, besides activation. For example, the customer may decide not to buy some items after they are checked. This would apply also to lottery tickets, so there will be a need for a cancellation for tickets that were activated and not paid for. This may be done in many different ways, for example, an "undo" or "cancel" transaction may be initiated for such a ticket, or deactivation for multiple tickets may be sent to the game provider for reconciliation. In some embodiments, ticket cancellations may be done on the standard lottery terminals.

Ex. 1007 at 5:6-16. Stated differently, ticket activation in Szrek's system only requires an activation request; payment confirmation is neither sent nor required, and therefore the retailer POS must send a ticket nullification message if the customer later decides not to pay for the ticket.

Consider if Szrek's customer does pay for a ticket. Instead of providing any confirmation of that payment to the back office or the lottery administration system, Szrek's cash register simply prints an activation receipt that "is used by the ticket holder to prove that the ticket was activated." *Id.* at 4:30-32. Thus, Szrek's system relies on the customer's possession of that receipt to resolve "any dispute" over payment. *Id.* at 6:64-7:17 ("In a case of any dispute, the cash register receipt 400 with ticket activation information such as price 450, the activation/authorization code needs to be presented 430. Cash register receipt 400 will allow identifying the activation transaction."). Szrek's requirement that the customer possess both ticket and receipt is fundamentally different from the '894 patent in which "[t]he printed receipt with the lottery information is for informational purposes only" and only "the pre-printed ticket would be required to validate the lottery numbers or to redeem a winning prize." Ex. 1001 at 4:57-60.

That Szrek's activation request does not include payment confirmation from the cash register or back office to the lottery administration system is confirmed by the fact that Szrek's activation request is sent in response to the initial scan of a ticket's barcode, which occurs prior to customer payment. Ex. 1007 at 3:41-43 ("Activation is done by scanning the ticket barcode or by entering the ticket identifier from the keyboard."); *see also id.* at 4:20-23, 4:56-64, 6:31-38; Ex. 2004 at 42:13-18. Szrek's checkout register "scans ticket 300 like any other product." *Id.* at 6:28-

31. “After the barcode information has been scanned,” the cash register requests activation from the lottery administration system, which is “usually done by requesting the product type and price.” *Id.* at 4:56-59; *see also id.* at 6:31-38. This activation request could not have confirmed customer payment, because the request itself can query what price the customer should pay—in which case the cash register only obtains the price after the lottery administration system “authorizes the activation and sends back lottery product description, price, and activation receipt identifier.” *Id.* at 4:60-64.

Rather than address Szrek’s disclosure, the Petition begins with the premise that payment and activation are necessary conditions to redeem a winning prize, and incorrectly concludes that Szrek’s back office “must have provided” “payment confirmation for the pre-printed lottery ticket” for the lottery administration system to “authorize winner payment” for a winning ticket. Pet. at 48 (emphasis added). InComm expert Hutton repeats this argument verbatim, with no additional analysis or evidence. Ex. 1005 at ¶ 62. InComm’s theory of inherency is not only deficient, but incorrect. *PAR Pharm., Inc. v. TWI Pharm., Inc.*, 773 F.3d 1186, 1195 (Fed. Cir. 2014) (“Inherency . . . may not be established by probabilities or possibilities.”). While Szrek’s lottery administration system can “authorize winner payment,” Ex. 1007 at 6:44-51, that by itself is insufficient to redeem the prize. Instead, the customer must also possess the cash register receipt as proof of payment, because

Szrek's cash register and back office do not provide any payment confirmation to the lottery administration system. *Id.* at 4:30-32, 6:62-63.

InComm's flawed theory is immediately apparent from its attempt to map Fig. 7 of the '894 patent onto Szrek, which entirely fails to account for the "payment confirmation" transmitted at steps 718 and 720 from the POS to the lottery system by the transaction processor (as annotated below via a dashed orange rectangle).

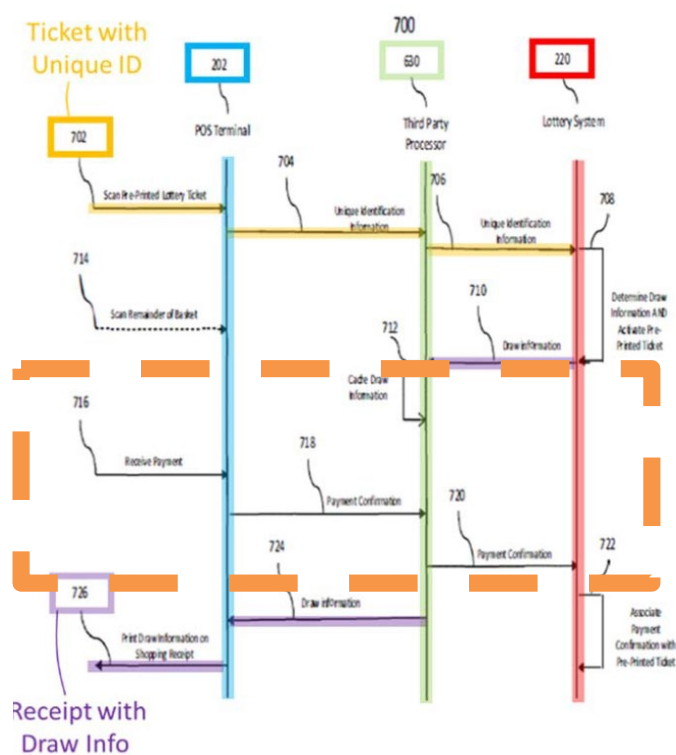
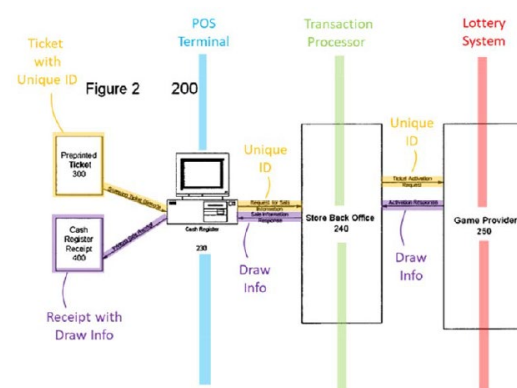


Figure 7



Pet. at 7-8 (omitting any attempt to map payment confirmation transmitted at steps 718 and 720 of '894 Fig. 7 onto Szrek Fig. 2).

2. The Petition has failed to show that the combination of Llach and Szrek would provide payment confirmation to a lottery administration system

To meet the “payment confirmation” limitation, the Petition points to Llach’s “payment reports” generated from a transaction log 170 that records “stored value card” transactions handled by Llach’s transaction computer. Pet. at 94-96. As previously explained in section VII.B, the Petition then proposes to modify Llach to activate lottery tickets rather than stored value cards. Under InComm’s theory, a

skilled artisan would begin with Llach's system of adding promotional value, and (1) replace the preprinted card with a preprinted lottery ticket; (2) replace the card issuer with a lottery administration system; and (3) replace the information exchanged to relate to the preprinted lottery ticket rather than the stored value card. Pet. at 89; *see also* Ex. 2004 at 102:9-20. But the Petition fails to address why, in its proposed system which replaces the card issuer with a lottery administration system, the transaction computer would provide confirmation of payment from a customer for activating a lottery ticket—other than because it is a limitation of the claims.

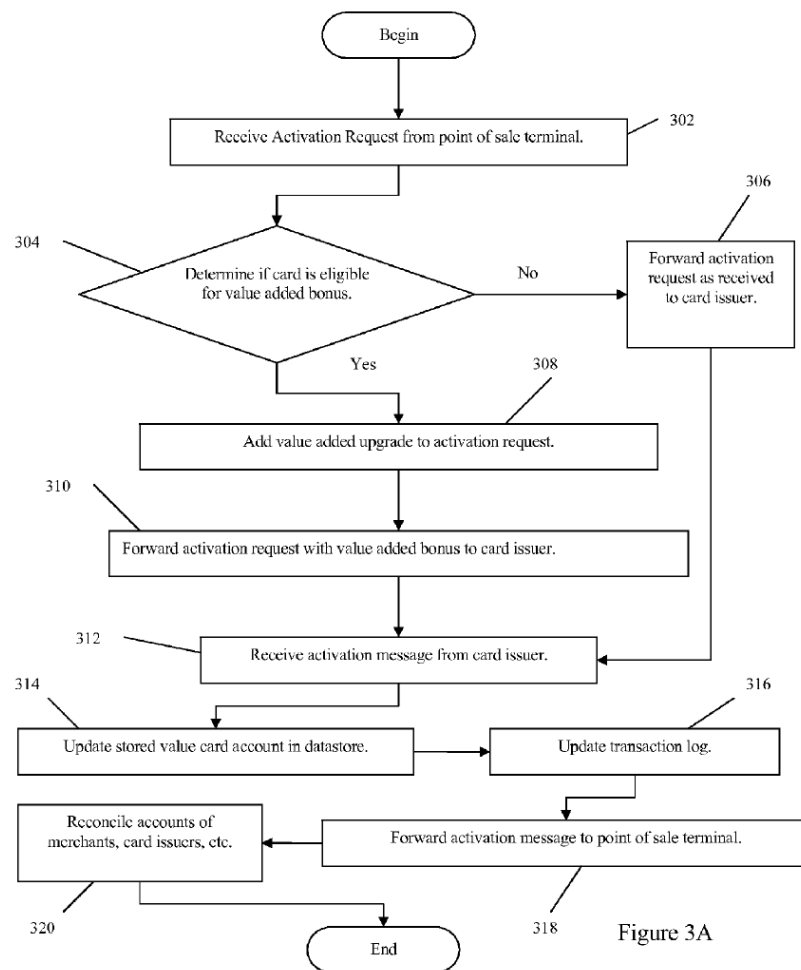
The communications protocols disclosed in Llach between a gift card issuer and a transaction computer are inapplicable in InComm's proposed combination, because, in a lottery system, the central lottery administration system determines the form and content of communications. Ex. 2002 at ¶ 12. Contrary to the Petition's erroneous speculation that lottery ticket activation necessarily involves the transmission of payment confirmation for a lottery ticket from the transaction processor to the lottery administration system, evidence from the lottery industry shows that payment confirmation is not required. *See* Ex. 1007 at 5:6-16; Ex. 2002 at ¶ 12 (explaining that “[b]ased on my over 35 years in the lottery industry and my own search, I am not aware of any lottery administration system that requires, as part

of activating a draw-based lottery ticket, confirmation that a customer has paid for that ticket.”).

3. Llach does not disclose payment confirmation

Even in the context of gift card systems, Llach likewise fails to disclose the transmission of payment confirmation—i.e., confirmation of payment from a customer. InComm misreads Llach, pointing to “payment reports” generated from a transaction log 170 that records transactions handled by Llach’s transaction computer. Pet. at 94-96. Llach’s transaction computer does not receive confirmation from a POS that any customer has paid for a stored value card, and therefore transaction log 170 and the resulting “payment reports” cannot disclose the claimed “payment confirmation.”

Llach’s process for activating a stored value card is illustrated in Fig. 3A, reproduced below:



To activate a stored value card, Llach’s point of sale terminal submits an activation request to Llach’s transaction computer (step 302), which forwards that request to the card issuer with the addition of “bonus” value when eligible (steps 310, 306). After receiving the card issuer’s response, Llach’s transaction computer records the activation transaction in a transaction log 170 (step 316). The recorded details may include “whether the stored value card was activated” and “the amount credited to the stored value card account when activated,” Ex. 1008 at ¶ 54. Llach also describes

the amount credited to the stored value account as “the monetary amount ascribed to card activations,” *id.* at ¶ 26, but this amount simply reflects the transaction computer’s accounting of (1) how much was requested by the POS; and (2) how much “bonus” value was added—not how much a customer actually paid for the card at the POS. Consistent with evidence from the gift card industry, Llach’s transaction computer neither receives payment confirmation from the POS nor forwards payment confirmation to the card issuer. *See* Ex. 2001 at ¶ 49 (explaining that activation requests in Llach’s system, like the analogous ClearGate gift card activation system, merely identify a requested amount without confirming that a customer actually paid that amount); Ex. 2012 at 43 (specifying for the ClearGate system that a card activation request includes a requested “GIFT_CARD_REDEMPTION_AMOUNT” without any payment confirmation variable), 81-82 (specifying response codes indicating why activation requests are unsuccessful, without any code relating to failure to provide payment confirmation).

That Llach’s transaction log 170 does not record whether (or how much) a customer has paid is emphasized by the purpose of the transaction log: to reconcile accounts (step 320) between the vendors selling the stored value cards, the card issuers, the merchants accepting the cards as payment, and the administrator of the transaction computer. Ex. 1008 at ¶ 55 (“At block 320, the stored value card transaction computer 150 reconciles the accounts of the various vendors, merchants,

card issuers, the stored value card transaction system administrator, and other entities involved with issuing, selling, and marketing the stored value card to debit and credit appropriate accounts and, in some embodiments, initiate funds transfers between appropriate bank accounts belonging to the various entities.”); *see also id.* at ¶ 50. Each card transaction involves debits and credits between these entities, for example by “initiat[ing] funds transfers between appropriate bank accounts belonging to the various entities.” *Id.* at ¶ 55. The customer is not one of the entities “involved with issuing, selling, and marketing the stored value card,” and thus the transaction computer has no need to record any amount credited or debited to a customer. *Id.*

Rather than provide any payment confirmation, Llach’s system operates on a background assumption that the vendor’s POS will collect payment from a customer for card activation, but the responsibility for any failure on the vendor’s part to collect payment falls squarely on the vendor at reconciliation—i.e., when Llach’s transaction computer debits the vendor’s account to transfer funds to the card issuer. Stated differently, Llach’s transaction computer will debit the vendor’s account for a successful card activation even if the vendor’s POS erroneously submitted the request to activate that card despite nonpayment by the customer.

Because Llach’s transaction computer does not receive payment confirmation from the vendor’s POS, the “payment reports” generated by Llach’s transaction

computer cannot represent confirmation of payment from a customer, as InComm incorrectly speculates. Rather, as Llach explains, these “payment reports” describe the payments made between merchants, vendors, and card issuers (i.e., the entities “involved with issuing, selling, and marketing the stored value card”), not any payments made by a customer to a vendor’s POS. *See* Ex. 1008 at ¶ 55.

Because neither Szrek nor Llach discloses a transaction processor that provides payment confirmation to a lottery system, InComm has failed to meet its burden to prove unpatentability of claims 1 and 6 (and dependent claims 2-5) by a preponderance of the evidence.

D. Dependent Claims

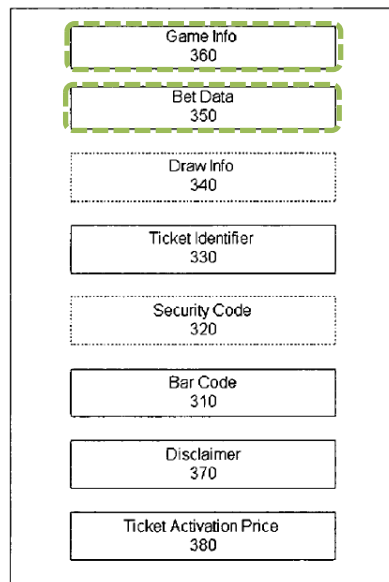
1. [Claims 20, 43] Szrek’s preloaded ticket system is incompatible with random generation of lottery numbers at the time of purchase

Claims 20 and 43 require “wherein the information provided to the lottery administration system includes one or more randomly determined lottery numbers generated at the time the pre-printed lottery ticket is purchased at the POS”). The Petition alleges that it would have been obvious to generate random quick pick numbers at Szrek’s “store back office, or at the cash register, and include the numbers in the activation request to [Szrek’s] lottery administration system, such that the numbers would be associated with the ticket as taught by Gilmore.” Pet. at 124-25. InComm has failed to meet its burden to establish unpatentability for two

reasons. First, the Petition relies solely on Szrek to disclose the claimed transaction processor, but Szrek does not disclose any transaction processor as properly construed (as explained above in Section VII.A). Second, InComm's proposed modification of Szrek with Gilmore is fundamentally incompatible with Szrek's preloaded ticket system. *See Samsung Elecs.*, 925 F.3d at 1381 (upholding the Board's determination that PECVD was incompatible with primary reference's integrated circuit); *Activision Blizzard Inc. v. Acceleration Bay, LLC*, IPR2016-00747, Paper 50 at 20-22 (P.T.A.B. Sept. 6, 2017) (finding no motivation to modify token ring network with incompatible messaging from token bus network).

Szrek's system of activating preprinted tickets is premised on the idea that each ticket is "preloaded" in the lottery administration system, and during ticket activation, the lottery administration system merely recognizes from the ticket identifier what transaction is activated." Ex. 1007 at 3:46-50; *see also* Ex. 2004 at 76:25-77:2 ("Q. And you agree that in Szrek, all tickets are preloaded into the game provider system, correct? A. Yes."). As InComm expert Hutton concedes, no wager or bet selections are sent at the time of purchase. Ex. 2004 at 77:8-12. Before any ticket is printed—whether by a commercial printer, a lottery terminal, or a lottery kiosk—the lottery administration system must have predetermined what lottery transaction (e.g., which game, wager numbers, etc.) corresponds to the unique identifier of that ticket. As shown in Fig. 3, Szrek's preprinted ticket already

contains “game info 360” and “bet data 350” before the customer attempts to purchase the ticket at Szrek’s cash register:



300
Preprinted Ticket
Figure 3

Thus, “[f]rom the player’s point of view, the commercial printer’s tickets are computer generated selections,” because the customer has no choice over the game or draw numbers that are assigned to any particular ticket. *Id.* at 3:32-34.

Even when Szrek’s customer uses a lottery terminal or kiosk to select individualized lottery numbers, no ticket is printed until the lottery administration system has determined which ticket identifier will be assigned to those lottery numbers, for example after the draw numbers are “logged and processed on the game

provider system.” *Id.* at 3:63-66. Thus, the assignment of ticket number to draw numbers must originate from the lottery administration system before activation, whether printed directly by a customer at a lottery kiosk/terminal, or “indirectly from the game provider” via a commercial printer. *Id.* at 3:63-4:1.

The Petition’s proposed modification of Szrek to generate random quick pick numbers at the store back office or cash register and “include the numbers in the activation request to the game provider, such that the numbers would be associated with the ticket,” Pet. at 124-25, is fundamentally incompatible with Szrek’s “preloaded” system. Szrek’s system requires the use of “pre-printed” tickets, i.e., “printed ahead of the ticket sale by a commercial printer capable of printing lottery tickets or on a wagering terminal, self-service lottery terminal, or at a lottery kiosk.” Ex. 1007 at 3:22-28. Indeed, Szrek’s implementation of “pre-printed” tickets whose draw numbers are “preloaded” into the lottery administration system was intentional. Szrek disparaged the “traditional lottery sales model” because it “require[d] [the] cash register to be equipped with custom lottery application for processing lottery transactions and printing lottery tickets.” *Id.* at 1:39-41. Szrek’s goal was “to allow for sales in lanes w/o any additional lottery equipment required in lane and with minimal additional overall cost.” *Id.* at 1:34-36; *see also id.* at Abstract (“The main advantages of the proposed method are that using this approach does not require additional gaming equipment, such as a secure printer or a special gaming terminal

at the cash register, it doesn't require any custom software changes in cash register software, it allows selling of tickets meeting the criteria of bearer's bond without the need of special printing media at the cash register.”).

The Petition’s misunderstanding of Szrek’s preloaded system is highlighted by its attempt to combine the disparate systems of Szrek and Gilmore. The Petition identifies Gilmore’s disclosure of generating quick pick numbers at the checkout line, and simply assumes that it would have been obvious for Szrek’s cash register or store back office to operate in the same way. Pet. at 123-124. But Gilmore’s system relies on lottery hardware at each checkout register in order to print lottery tickets with quick pick numbers. As shown in Fig. 1, each of Gilmore’s POS stations 23 includes a POS terminal and an “on-line lottery game ticket printer 20” that is connected to the lottery system through a lottery system controller 12:

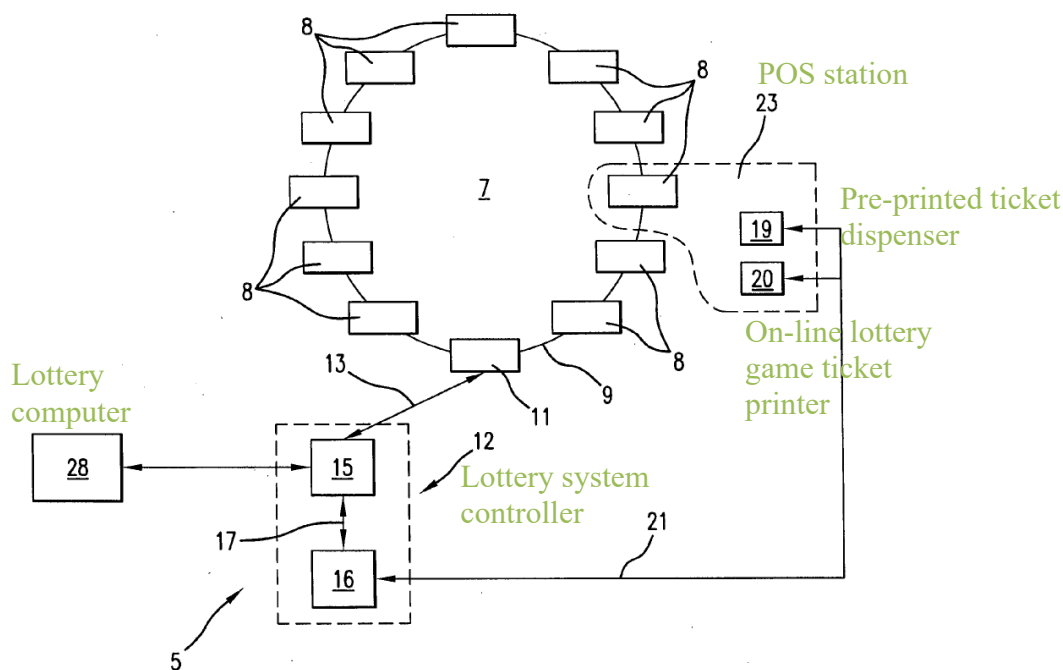
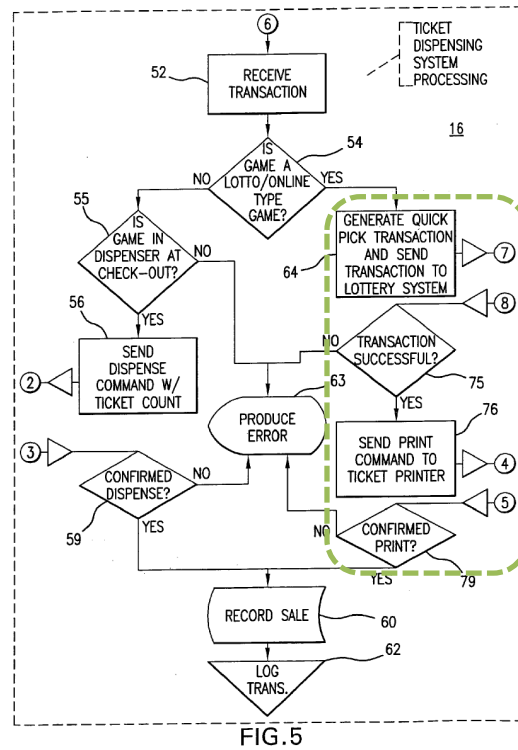


FIG. 1

Ex. 1009 at Fig. 1; see also *id.* at ¶ 47 (“The POS terminal and its associated ticket dispenser assembly and ticket printer together comprises a POS station 23”). Fig. 5 further confirms that Gilmore’s solution requires the lottery ticket to be printed at the checkout counter (step 76) after confirming the quick pick numbers with the lottery system (steps 64, 75):



Id. at Fig. 5. Thus, Gilmore’s “quick pick” solution is incompatible with Szrek’s system design because (1) Gilmore requires a specialized “on-line” lottery printer at the checkout counter⁶; and (2) Gilmore’s tickets cannot be preprinted. Szrek’s

⁶ Mr. Hutton’s suggestion that Gilmore discloses lottery tickets printed on receipt paper is incorrect. Gilmore discloses a “POS terminal receipt printer” separately from the on-line ticket printer and never suggests that the “POS terminal receipt printer” could be used to print lottery tickets. Ex. 1009 at ¶ 72 (disclosing a “POS terminal receipt printer” that may be used to print “shift reports” for reconciliation of ticket sales). Mr. Hutton also conceded that no lottery would have implemented

system relies on the use of preprinted, preloaded tickets specifically to avoid Gilmore's solution. Importantly, Szrek's system already provides a "quick pick" solution, because "[f]rom the player's point of view, the commercial printer's tickets are computer generated selections," i.e., "quick pick." Ex. 1007 at 3:29-34. A skilled artisan would not be motivated to add redundant functionality to Szrek; nor would a skilled artisan add such redundant functionality using specialized lottery hardware at checkout lines that Szrek expressly sought to avoid.

Because Szrek fails to disclose any transaction processor as properly construed, and because a skilled artisan would not have been motivated to modify

such a solution due to security concerns. Ex. 2004 at 115:20-116:1 ("Q. And why was no lottery interested in doing that? A. Because there was nothing in the patent and nothing in Gilmore's offering at the time that the lottery felt was secure enough to print, you know, potentially a million-dollar bearer instrument on a piece of cash register tape."). Moreover, Szrek expressly rejects the use of cash register paper to print tickets, because "regular cash register paper stock does not meet requirements for lottery tickets because it is insecure, non-durable and non-uniform from manufacturer to manufacturer. There is also a lack of Lottery branding when the ticket is printed directly on cash register receipt." Ex. 1007 at 1:57-62.

Szrek with Gilmore, InComm has failed to meet its burden of establishing that claims 20 and 43 are unpatentable by a preponderance of the evidence.

2. [Claims 21, 44] Szrek's lottery administration system cannot receive randomly determined lottery numbers from a retailer or transaction processor

Claims 21 and 44 require that “the information provided to the lottery administration system [by the transaction processor or retailer] includes one or more randomly determined lottery numbers associated with the pre-printed lottery ticket prior to the time the pre-printed lottery ticket is purchased at the POS.” Despite acknowledging that Szrek's store back office receives “a transaction request to activate [a] ticket comprising the unique ticket identifier 330 from the barcode 310,” the Petition then alleges without evidence that Szrek's back office “provides the transaction request including the bet selections” to the lottery administration system. Pet. at 74; *see also* Ex. 1005 at ¶ 117.⁷ But as InComm expert Hutton conceded on cross-examination, Szrek's POS and back office do not send any wager or bet numbers to the lottery administration system:

Q. Right. So Szrek doesn't disclose an embodiment
where the wager or bet numbers are being sent to the

⁷ InComm does not allege that Llach discloses the limitations of claims 21 or 44.

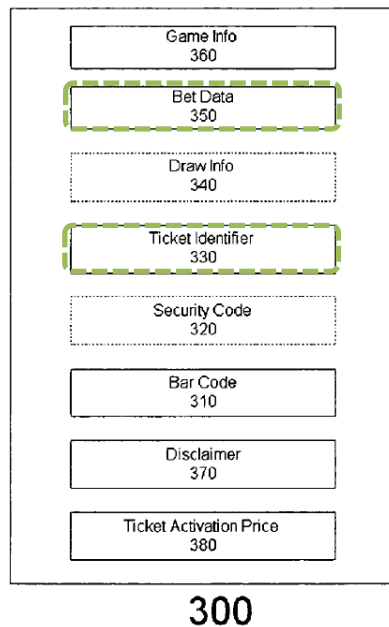
Pet. at 110-11.

lottery administration system at the time of purchase,
does it?

A. I'm just reading my report. No, Szrek doesn't
specifically address that use case.

Ex. 2004 at 75:20-76:1; *see also id.* at 77:8-12 (“Q. So in Szrek, there is no sending
of wager or bet selections at the time of purchase, correct? A. No”).

In Szrek's “preloaded” ticket system, it would make no sense for the cash
register or back office to transmit any bet selection, because the lottery
administration system has already predefined what bet selection corresponds to any
given ticket identifier. *Id.* at 3:46-50 (“All tickets are “preloaded” in the game
provider's system”). Thus, “during ticket activation, the lottery administration
system merely recognizes from the ticket identifier what transaction is activated (e.g.
lotto, 6 specific boards known to the system and the player).” *Id.* Indeed, it is
because the lottery administration system predetermines the correspondence
between ticket identifiers and bet selections that Szrek's tickets can be preprinted
with “bet data 350” and “ticket identifier 330”:



300
Preprinted Ticket
Figure 3

Id. at Fig. 3; *see also id.* at 5:65-6:3 (“preprinted ticket 300 contains many elements of a traditional lottery ticket, including bet selections 350, unique ticket identifier 330”).

3. **[Claim 2] InComm has failed to establish that the prior art discloses a transaction processor system that receives a “data package” from the lottery administration system containing random draw details.**

Claim 2 requires a transaction processor system that “facilitate[s] provision of random draw details” by “receiving, from the lottery administration system, an image or data package containing at least the random draw details.” The Petition asserts that these features are “disclosed by Szrek for the same reasons as set forth with respect to Claim 1(ii)(b),” Pet. at 49, but fails to address the specific

requirement that the draw details are received as “an image or data package containing at least the random draw details.” At best, the Petition in connection with claim 1(ii)(b) refers to Szrek’s “Activation Response” from the lottery administration system. Pet. at 45. The Petition does not suggest that Szrek’s Activation Response is received as an “image,” and InComm has failed to meet its burden of establishing that Szrek discloses a “data package” under its own expert’s understanding of the term. In particular, InComm expert Hutton testified that he understood the term “data package” to mean “some grouping of more than one datum together in some sort of packaging syntax”:

Q. And my question to you is in the 2015 time frame, if someone approached you, Mr. Hutton, and said, "What is a data package," would you agree that this description in the first sentence of Exhibit 2100 is a fair description?

A. Not necessarily. If someone just used the word "data package" to me, I would assume they meant some grouping of more than one datum together in some sort of packaging syntax. That's all it would really mean to me, not having read and seen this.

Ex. 2004 at 29:14-30:1 (emphasis added). Nothing in the Petition explains why the Activation Response sent from Szrek’s lottery administration system to the store

back office contains a “grouping of more than one datum,” let alone having a particular “packaging syntax.” *Id.*

4. **[Claims 4, 9] The prior art fails to disclose a transaction processor [system] that “facilitate[s]” “provision of random draw details” through “delivery of the random draw details in response to entry of the pre-printed lottery ticket's unique identifier into a website.”**

Claims 4 and 9 each require a transaction processor or transaction processor system that “facilitate[s]” “provision of random draw details associated with the pre-printed lottery ticket” through “delivery of the random draw details in response to entry of the pre-printed lottery ticket's unique identifier into a website.” As InComm expert Hutton agrees, the claims require the transaction processor to perform the claimed “facilitat[ing]” step. Ex. 2004 at 49:7-20 (agreeing that the transaction processor is “what’s doing the facilitating in response to the entry of [the] pre-printed lottery ticket unique identifier information into a website”).

The Petition entirely fails to address this claim limitation. Instead, the Petition refers to claim 1(ii)(b)⁸ and also asserts that “the use of websites by lottery

⁸ Claim 1(ii)(b) requires the transaction processor system “receive from a lottery administration system, a determined draw information associated with the unique identification information,” which is an entirely different limitation from claim 1(ii)(d)’s requirement that the transaction processor system that “facilitate[s]

administration systems to provide detailed draw information” was known and “[a] POSA would have been motivated to utilize a website to provide draw details specific to the pre-printed lottery ticket in order to provide the customer additional avenues/convenience for information regarding the ticket.” Pet. at 51; *see also* Ex. 2004 at 43-44.

Even if it were true that a lottery administration system could provide draw information using a website, that says nothing about any functionality performed by a transaction processor system. Indeed, the Petition’s allegations about what was “state of the art” merely assert that “a user could input identification information associated with a lottery ticket to determine draw information” from the Missouri Lottery’s website. Pet. 30; *see also* Ex. 1005 at ¶¶ 34-35. That a user could visit a website fails to address the claimed requirement that a transaction processor system facilitate “delivery of the random draw details in response to entry of the pre-printed lottery ticket’s unique identifier into a website.”

provision of random draw details.” Nor does the petition’s discussion of limitation 1(ii)(b) offer any theory on how “facilitat[ing] provision of random draw details” by a transaction processor system might involve a website.

Moreover, as InComm expert Hutton admits, there is no documentary evidence suggesting that the Missouri Lottery's website is facilitated by a transaction processor:

Q. You agree with me -- Mr. Hutton, let me ask it again -
- that you haven't identified any documentary evidence to
substantiate your opinion that this Missouri lottery
website is facilitated by a transaction processor, correct?

A. Correct.

Ex. 2004 at 55:23-56:3. Likewise, Mr. Hutton fails to cite to any evidence supporting his conclusory assertion that “[a] POSA would have been motivated to utilize a website to provide draw details specific to the pre printed lottery ticket in order to provide the customer additional avenues/convenience for information regarding the ticket.”⁹ Ex. 1005 at ¶¶ 43-44. The Petition's reliance on unsupported expert testimony should be rejected. 37 C.F.R. § 42.65(a) (“Expert testimony that does not disclose the underlying facts or data on which the opinion is based is entitled

⁹ Mr. Hutton also explained that the reference in his declaration to a PayPal system was “a mistake in the report,” and agreed that the PayPal system “doesn’t actually describe any functionality that would allow scanning a lottery ticket to obtain draw information.” Ex. 2004 at 52:7-20.

to little or no weight.”); *TQ Delta, LLC v. CISCO Sys., Inc.*, 942 F.3d 1352, 1359 (Fed. Cir. 2019) (“conclusory expert testimony is inadequate to support an obviousness determination on substantial evidence review”); *C.R. Bard, Inc. v. Medical Components, Inc.*, IPR2015-01660, Paper 11 at 15 (P.T.A.B. September 22, 2016) (denying a request for rehearing because “a factfinder need not credit and give probative weight to the expert’s testimony where it is not explained and supported adequately”).

5. **[Claims 5, 10] The prior art fails to disclose a transaction processor system that “facilitate[s] provision of random draw details” through “delivery of the random draw details in response to entry of the pre-printed lottery ticket's unique identifier into a mobile application.”**

As with claims 4 and 9, InComm does not meet its burden to establish unpatentability by failing to address the requirement that the transaction processor system facilitates provision of random draw details in response to entry of the pre-printed lottery ticket’s unique identifier into a mobile application. Claims 5 and 10 require that the transaction processor (claim 10) or transaction processor system (claim 5) facilitates “delivery of the random draw details in response to entry of the pre-printed lottery ticket’s unique identifier into a mobile application.” Ex. 1001 at claims 5, 10. Instead of setting forth any theory as to how Szrek’s back office 230 or Llach’s transaction computer would facilitate the delivery of random draw details in response to any action taken via a mobile application, the Petition merely alleges

that this limitation is met for the same reasons as claim 1(ii)(b)¹⁰ and that “entry of the unique ticket identifier into a mobile application” would have been obvious. Pet. at 51-52. Even assuming that a mobile application could “provide the customer additional avenues/convenience for information regarding the ticket,” the ability of a customer to use an “additional” avenue to obtain draw information says nothing about how a transaction processor system facilitates delivery of random draw details.

InComm expert Hutton confirmed that Szrek fails to disclose that its retailer or back office facilitates the provision of random draw details that had been entered into a mobile application. Ex. 2004 at 57:24-9 (explaining that “[n]o, [Szrek] doesn’t, and that’s not the – that’s not the functionality that’s being described in the Szrek patent.”); *see also id.* at 56:21-57:1. And when asked whether he had cited any other evidence, Mr. Hutton conceded that he and InComm did not:

¹⁰ Claim 1(ii)(b) requires the transaction processor system “receive from a lottery administration system, a determined draw information associated with the unique identification information,” which is an entirely different limitation from claim 1(ii)(d)’s requirement that the transaction processor system that “facilitate[s] provision of random draw details.” Nor does the petition offer any theory on how “facilitat[ing] provision of random draw details” by a transaction processor system might involve a mobile application.

Q. Correct. And you didn't cite any other evidence showing that a transaction processor facilitated the provision of random draw details in response to entry of a ticket unique identifier into a mobile application, did you?

A. Again, because the claim is so obvious in light of the state of the art, we didn't feel there was a need to prevent -- present any documentary evidence, that the claim is obvious. Any transaction processing system in 2015 would be able to provide any information you wanted to a mobile device. There's nothing special about talking to a mobile device circa 2015 technology.

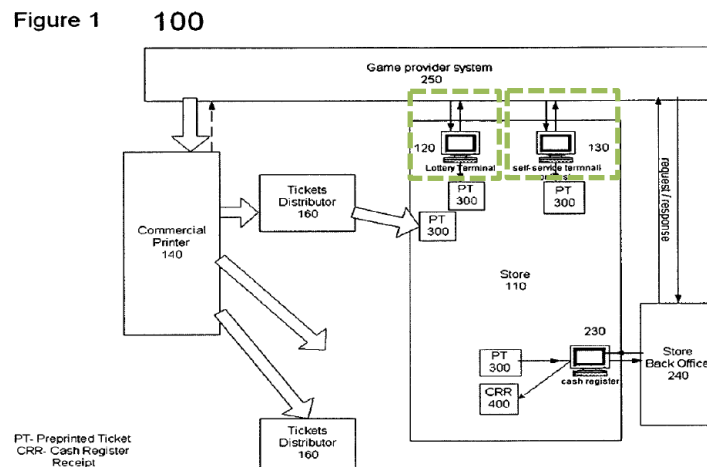
Id. at 58:10-59:1; *see also id.* at 57:6-23 (testifying that “[w]e did not need to go look for any documentary evidence because the claim is so obvious.”). The Petition’s reliance on unsupported expert testimony on obviousness, including its allegation that “[a] POSA would have been motivated to utilize a mobile application to provide draw details specific to the pre printed lottery ticket in order to provide the customer additional avenues/convenience for information regarding the ticket,” (Pet. at 52; Ex. 1005 at ¶ 73), should be rejected. *See* 37 C.F.R. § 42.65(a) (“Expert testimony that does not disclose the underlying facts or data on which the opinion is based is entitled to little or no weight.”); *TQ Delta*, 942 F.3d at 1359; *C.R. Bard*, IPR2015-01660, Paper 11 at 15.

6. [Claim 8] The prior art fails to disclose a transaction processor system that “facilitate[s] provision of random draw details” through “delivery of the random draw details in response to a scan of the pre-printed lottery ticket on existing lottery terminals or self-serve ticket checkers.”

Like claims 4, 5, 9, and 10, claim 8 defines how a transaction processor system “facilitate[s] provision of random draw details,” in particular “delivery of the random draw details in response to a scan of the pre-printed lottery ticket on existing lottery terminals or self-serve ticket checkers.” Ex. 1001 at claim 8. The Petition alleges that claim 8 is disclosed “in the same manner” as claim 7 and claim 1(ii)(d), while suggesting that Szrek’s disclosure of a self-service lottery terminal or lottery kiosk is somehow relevant. Pet. at 63, 105.¹¹ But InComm’s analysis of claim 7 and claim 1(ii)(d) does not address the specific limitation of claim 8. Moreover, Szrek’s customer uses the self-service lottery terminal and lottery kiosk to select wager numbers and print a ticket 300 before bringing that printed ticket to the cash register for checkout. See Ex. 1007 at 6:24-27 (“A lottery player may choose his own selection and have it printed at the kiosk 130 or self-service terminal 130, or he may pick up a ticket 300 printed by the commercial printer 140.”), 5:57-61 (“Preprinted tickets (PT) 300 is preferably preprinted by a commercial printer 140 or in the lottery

¹¹ The petition does not identify any disclosure in Llach as being relevant to claim 8. See Pet. at 105.

kiosk 130, self service terminal 130 or regular lottery terminals 120. These tickets 300 will not be eligible in the draw until activated.”), 3:63-66 (“Preprinted tickets from self-service terminals, kiosks, or on the regular lottery terminals are created by the transactions initiated from these devices, logged and processed on the game provider system and then printed on these devices.”). Neither the cash register nor Szrek’s back office is involved in the customer’s selection of the wager numbers, as shown in Fig. 1 which depicts the direction connections that lottery terminal 120 and self-service kiosk 130 have with the lottery administration system 250:



Ex. 1007 at Fig. 1 (annotated). InComm expert Hutton agreed that Szrek’s back office is not involved in communications between the lottery terminals, self-service ticket checkers, and the lottery system:

Q. Now that you've read it and reminded yourself of the language, you agree that Szrek does not show the back office -- the store back office as having any involvement

in facilitating communication between the lottery terminals and the self-serve ticket checkers and the lottery system, does it?

A. It does not. I agree.

Ex. 2004 at 68:13-19. Indeed, Szrek's back office cannot process any activation until Szrek's customer has already obtained ticket 300—and thus wager numbers—at the lottery terminal or self-service kiosk. Thus, Szrek's back office does not “facilitate provision of random draw details” through “delivery of the random draw details in response to a scan of the pre-printed lottery ticket on existing lottery terminals or self-serve ticket checkers,” as required by claim 8.

7. [Claims 11, 34] The prior art fails to disclose a “secure communication channel” between the transaction processor and the POS.

Claims 11 and 34 recite “receiving the transaction request comprises receiving unique product information associated with the pre-printed lottery ticket over a secure communication channel from a point of sale (POS) system.” Moreover, the transaction request must be received “by a transaction processor.” Ex. 1001 at claims 7, 33. Thus, claims 11 and 34 require a secure communication channel between the POS and the transaction processor. The Petition alleges that Szrek “discloses secure communication between the lottery administrator and commercial printer,” Pet. at 66, but that says nothing about a secure communication channel

between Szrek's cash register and the store back office (the alleged transaction processor).¹² Recognizing Szrek's deficiency, the Petition urges that "it would have been obvious to receive [the transaction requests] over a secure communication channel between the POS system and the back Office," supported only by the disclosure of security codes printed on Szrek's tickets. Pet. at 66. InComm's theory is both deficient and flawed.

Szrek does not disclose any secure communications channel over which data is securely transmitted. Ex. 2001 at ¶¶ 47-48; *see also* Microsoft Press Computer Dictionary (3d ed. 1997) at 86 (defining "channel" as "[a] path or link through which information passes between two devices" or "a medium for transferring information"). Instead, Szrek explains that tickets can be printed with security codes that confirm the ticket's authenticity. Ex. 1007 at 4:7-18 ("the ticket may contain some extra security codes, so the ticket authenticity may be independently verified."). Thus, Szrek discloses that information printed on the ticket may be encrypted but fails to suggest a secure channel "over" which information is transmitted. Although the security code printed on Szrek's preprinted ticket may protect against fraudulent reproduction of tickets, it does not protect any

¹² The petition does not identify any disclosure in Llach for the limitations of claims 11 or 34. *See* Pet. at 106.

communications channel over which information is transmitted. In Szrek's system, the communications channel between the POS and back office is not secure, as nothing prevents a third party from altering the messages sent to or from Szrek's back office. Ex. 2001 at ¶ 48 (also explaining that Szrek's disclosure that "the lottery security office could . . . encrypt all play data again," Ex. 1007 at 4:19-17, means that the play data was not already transmitted in encrypted form); *see also* Ex. 2003 at 425 (defining "secure channel" as "[a] communications link that has been protected against unauthorized access, operation, or use by means of isolation from the public), Ex. 2006 at 1 (explaining that that communications between two parties are susceptible to a "man-in-the-middle attack").

Moreover, the Petition's allegations that a skilled artisan would have been motivated to modify Szrek to include a secure communications channel between the cash register and the back office are conclusory and unsupported. *In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364, 1380 (Fed. Cir. 2016) ("To satisfy its burden of proving obviousness, a petitioner cannot employ mere conclusory statements. The petitioner must instead articulate specific reasoning, based on evidence of record, to support the legal conclusion of obviousness."). Szrek explains that the printed security codes are "designed to prevent both internal and external fraud" with respect to the "authenticity of a ticket," Ex. 1007 at 2:10-15, but does not suggest any concern over the security of the communications path between devices. The Petition

does not identify any deficiency in Szrek's security solution and simply concludes that a skilled artisan "would be motivated to use a secure communication channel to protect the information/system from 'internal and external fraud'" (which Szrek's printed security codes already prevent).

InComm expert Hutton admitted that Szrek fails to disclose a secure communication channel between the point of sale (i.e., cash register) and any transaction processor:

Q. Now, Szrek doesn't disclose a secure communication channel between the point of sale and transaction processor, does it?

A. It doesn't because it would be obvious to anyone who is familiar with lottery systems.

Ex. 2004 at 70:22-71:1. Mr. Hutton further conceded that his opinion is not supported by any evidence:

Q. And with respect to this requirement of the secure communication channel between the point of sale and transaction processor, you've not identified any evidence to support your opinion of obviousness, have you?

A. I have not identified any evidence in the report because it is obvious.

Id. at 71:2-9. At bottom, the Petition’s theory relies on hindsight rather than evidence, and offers only unsupported attorney argument that is repeated verbatim by InComm expert Hutton. *See* 37 C.F.R. § 42.65(a) (“Expert testimony that does not disclose the underlying facts or data on which the opinion is based is entitled to little or no weight.”); *TQ Delta*, 942 F.3d at 1359; *C.R. Bard*, IPR2015-01660, Paper 11 at 15.

8. [Claims 18, 41] The prior art fails to disclose “verifying that the product is validly distributed by the retailer.”

The Petition concedes that Szrek and Llach fail to disclose claims 18 and 41, which recite “wherein validating the transaction information includes verifying that the product is validly distributed by the retailer.” *See* Pet. at 72, 109. The Petition proceeds to allege, without any evidentiary support, that “methods for accomplishing this are well understood and would be obvious to a POSA if it [sic] such verification was required.” Pet. at 72, 109. The Petition hypothesizes that “lottery administrators would require some verification that the submitting retailer was authorized to sell the tickets” and “[r]etailers would have undergone a rigorous application process to obtain a Retailer ID in order to participate in lottery sales.” *Id.* InComm expert Hutton likewise repeats these statements without any evidentiary support. Ex. 1005 at ¶¶ 114, 179; *see also* Ex. 2004 at 72:17-20 (“Q. Sir, you haven't cited any evidence

to support that opinion, have you, documentary evidence? A. No documentary evidence because of its obviousness.”).

InComm’s reliance on common sense and general knowledge, rather than reasoned analysis and evidentiary support, is deficient. *Koninklijke Philips N.V. v. Google LLC*, 948 F.3d 1330, 1338 (Fed. Cir. 2020) (“(a) invoking ‘common sense . . . to supply a limitation that was admittedly missing from the prior art’ should generally only be done when ‘the [missing] limitation in question [is] unusually simple and the technology particularly straightforward;’ and (b) references to common sense ‘cannot be used as a wholesale substitute for reasoned analysis and evidentiary support.’”) (citing *Arendi S.A.R.L. v. Apple Inc.*, 832 F.3d 1355, 1366 (Fed. Cir. 2016)). Rather than provide reasoned analysis on the basis of evidentiary support, the Petition impermissibly uses hindsight to reconstruct the claimed limitations, relying on nothing more than attorney argument parroted by its expert without evidentiary support. *See* 37 C.F.R. § 42.65(a) (“Expert testimony that does not disclose the underlying facts or data on which the opinion is based is entitled to little or no weight.”); *TQ Delta*, 942 F.3d at 1359; *C.R. Bard*, IPR2015-01660, Paper 11 at 15.

9. [Claims 22, 45] InComm’s reliance on unsupported attorney argument fails to meet its burden to establish that the prior art discloses “where the retailer POS is online”

Claims 22 and 45 require that “the retailer POS is online.” As both the Petition and InComm expert Hutton admit, Szrek fails to disclose an online POS. Pet. at 74; Ex. 1005 at ¶ 118; Ex. 2004 at 91:25-92:3 (“Q. Okay. So Szrek does not disclose that the point of sale system is Internet-connected, correct? A. Correct.”). The Petition nevertheless contends that “it would have been obvious to a POSA to provide lottery tickets over the internet with an online POS,” alleging that that “online shopping and POS interfaces were ubiquitous and well-known in the art” and “[a] POSA would have been motivated to provide the online POS to expand the customer base by providing greater access and convenience.” Pet. at 74. The Petition cites to no evidence in support of its allegations, and InComm expert Hutton’s repetition of these attorney arguments verbatim should be rejected. *See* Ex. 1005 at 66; 37 C.F.R. § 42.65(a) (“Expert testimony that does not disclose the underlying facts or data on which the opinion is based is entitled to little or no weight.”); *TQ Delta*, 942 F.3d at 1359, *C.R. Bard* at 15 (P.T.A.B. September 22, 2016); *see also Koninklijke*, 948 F.3d at 1338 (“references to common sense ‘cannot be used as a wholesale substitute for reasoned analysis and evidentiary support’”).

Nor would providing lottery tickets with an online POS provide “greater access and convenience” to Szrek’s customers. In fact, the only disclosed

embodiment in Szrek requires the customer to return with both the preprinted ticket and the physical receipt to redeem a winning prize. Ex. 1007 at 6:62-64 (“For claiming or payment of lottery prize preprinted ticket 300 needs to be presented along with the cash registered receipt”); Ex. 2004 at 94:6-10 (“Q. And, sir, Szrek doesn't expressly disclose any other embodiment other than where a customer goes in to get a ticket and leaves with a receipt after paying, correct? A. I don't believe so.”). As InComm expert Hutton agreed, an online POS would not provide greater access or convenience because the customer would still have to make a visit to the store. *Id.* at 94:24-95:5 (“Q. And at least in that embodiment, where the customer walks out of the store with the receipt and the ticket, there at least there wouldn't be greater access or convenience in the sense that the customer still has to make a visit to the store, agree? A. Yes, for that embodiment.”).

VIII. CONCLUSION

For the reasons set forth above, InComm has failed to demonstrate that claims 1-28, 31, and 33-53 are unpatentable under any of the asserted Grounds.

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CERTIFICATE OF WORD COUNT

The undersigned certifies that the foregoing **PATENT OWNER'S RESPONSE PURSUANT TO 35 U.S.C. § 323 AND 37 C.F.R. § 42.207** complies with the type-volume limitation in 37 C.F.R. §42.24(b)(1). According to the word-processing system's word count, the brief contains 17,975 words, excluding the parts of the brief exempted by 37 C.F.R §42.24(a).

Dated: June 9, 2021

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CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. § 42.6(e), the undersigned certifies that on June 9, 2021, a complete and entire copy of this **PATENT OWNER'S RESPONSE and Exhibit Nos. 2001-2012** were served by filing this document through the E2E System and via electronic mail upon the following counsel of record:

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