

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

INTERACTIVE COMMUNICATIONS INTERNATIONAL, INC.,
Petitioner,

v.

BLACKHAWK NETWORK, INC.,
Patent Owner.

PGR2020-00084
Patent 10,769,894 B2

Before LINDA E. HORNER, BART A. GERSTENBLITH, and
FREDERICK C. LANEY, *Administrative Patent Judges*.

LANEY, *Administrative Patent Judge*.

DECISION
Granting Institution of Post-Grant Review
35 U.S.C. § 324

I. INTRODUCTION

Interactive Communications International, Inc. (“Petitioner”) filed a Petition (Paper 2, “Pet.”) requesting post-grant review (“PGR”) of claims 1–53 of U.S. Patent No. 10,769,894 B2 (Ex. 1001, “the ’894 patent”). Blackhawk Network, Inc. (“Patent Owner”) filed a Preliminary Response (Paper 7, “Prelim. Resp.”). In accordance with our prior authorization (Paper 8), Petitioner filed a Preliminary Reply to the Preliminary Response (Paper 9, “Prelim. Reply”), limited to addressing Patent Owner’s arguments regarding the constructions of “pre-printed lottery ticket” and “draw information,” and Patent Owner filed a Preliminary Sur-reply to Petitioner’s Preliminary Reply (Paper 10, “Prelim. Sur-reply”).

Exercising the authority delegated to the Board under 35 U.S.C. § 324 and 37 C.F.R. § 42.4(a), we may not institute a post-grant review unless “the information presented in the petition . . . , if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.” 35 U.S.C. § 324(a) (2019). For the reasons given below, Petitioner has established that it is more likely than not that at least one of the challenged claims of the ’894 patent is unpatentable. Accordingly, we institute a post-grant review of claims 1–53 of the ’894 patent on all grounds raised in the Petition.

Our findings and conclusions below are based on the record developed thus far. This is not a final decision as to the patentability of any challenged claim. Any final decision will be based on the full record developed during trial.

II. BACKGROUND

A. Related Matters

Petitioner and Patent Owner identify concurrently filed PGR2020-00085 as a related matter. Pet. 126; Paper 5 (Patent Owner’s Mandatory Notice), 2. In addition, Petitioner identifies the following related applications and patent: 62/104,844; 16/280,629; 16/589,067; and US 9,865,135. Pet. 126 (citing Ex. 1032).

B. Real Parties in Interest

Petitioner identifies itself as the real party in interest. Pet. 125. Patent Owner identifies itself as the real party in interest. Paper 5, 2.

C. The ’894 Patent

The ’894 patent teaches that, broadly speaking, there are two types of lotteries: (1) “instant win lotteries where a printed ticket provides all of the lottery information;” and (2) a “draw-based lottery or ‘online’ lottery where a player makes a wager on a subsequently occurring event.” Ex. 1001, 1:23–30. For the draw based lotteries, the ’894 patent teaches that the typical ticket is printed using a lottery-specific terminal and specialized printing device that is wholly separate from the point of sale (“POS”) terminal. *See id.* at 1:39–50.

The ’894 patent teaches that, “[a]lthough the model of a single terminal and printer is effective for single checkout lane environments such as convenience stores and gas stations, it is not ideal for multi-lane environments such as grocery stores, discount and big box retailers.” *Id.* at 1:50–54. A drawback of this system, according to the ’894 patent, is that it requires a customer to wait in two separate lines (or at a minimum go to two separate locations) to purchase their goods and to purchase a lottery ticket,

when in a multi-lane environment. *Id.* at 1:54–58. “This is extremely inconvenient for most customers who simply bypass the lottery counter.” *Id.* at 1:58–60. Other drawbacks the ’894 patent teaches are that “[i]nstalling an approved printer or any other piece of specialized [lottery] hardware at every point of payment within a retail environment is cost prohibitive and not an effective use of capital” because “not all points of payment are open at all times” and the use of specialized hardware increases the responsibility and training required for a cashier. *Id.* at 1:61–2:2.

As a result, the ’894 patent asserts that “[i]t would be desirable to enable customers to include a lottery draw ticket in their basket along with other goods and pay for that basket at any point of payment in a retail location” by using existing point of sale equipment and without requiring any additional specialized hardware. *Id.* at 2:7–17. And the ’894 patent seeks to provide a “system and method of selling pre-printed lottery tickets for random draw lotteries through the retailers POS without the use of additional lottery hardware.” *Id.* at Abstract.

The ’894 patent describes, in the simplest of terms, a system and method that uses a “pre-printed lottery ticket,” which acts as a uniquely identifiable “legal instrument,” to initiate and facilitate the legal transaction necessary between a customer and a lottery administration body at a POS register to enable customers to purchase a chance at winning a prize associated with an upcoming lottery. Ex. 1001, 3:1–24. In a more detailed explanation of the invention, the ’894 patent describes an embodiment with components of a POS, transaction processor and lottery system, as shown in Figure 6 below.

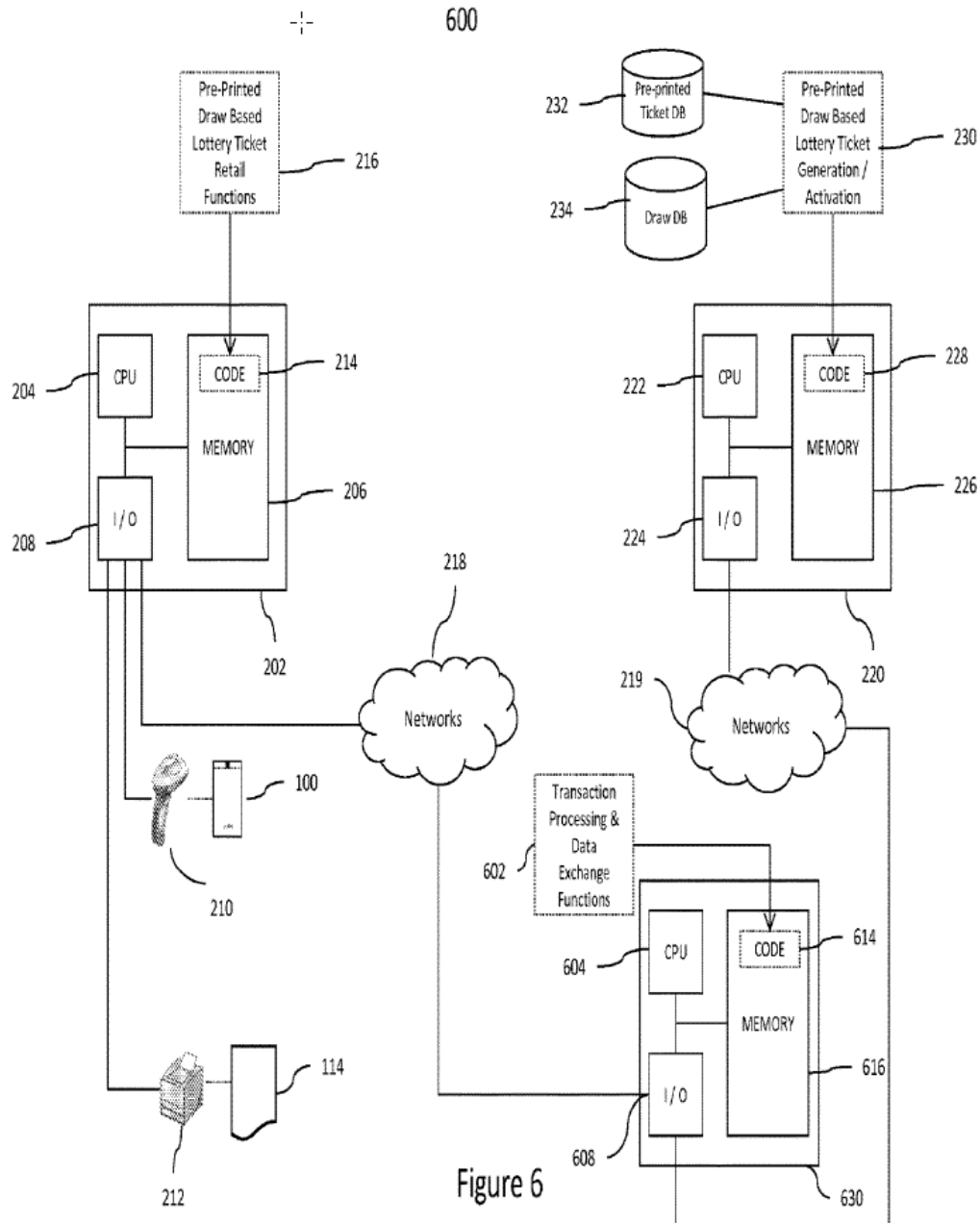


Figure 6

Ex. 1001, 2:34–35, Fig. 6. Figure 6 above “depicts components of a lottery system, point of sale environment and a transaction processor” that are “for purchasing a pre-printed lottery ticket.” *Id.* at 8:3–6. As shown,

the environment 600 for purchasing a pre-printed lottery ticket includes a retailer's point of sale terminal 202 for the retail of the pre-printed ticket, a lottery system 220 for the generation and activation of pre-printed ticket wagers and draw date and a

transaction processor 630 to facilitate the exchange of data between the retailer's point of sale 202 and the lottery system 220 each connected to one other through one or more communication networks 218; 219.

Id. at 8:5–13.

The '894 patent states, “[t]he retailer’s POS terminal 202 may include a central processing unit (CPU) 204, memory unit 206 and [I/O] interface(s) 208 for communicating with devices external to the POS terminal.” *Id.* at 8:17–20. And the '894 patent teaches that “[t]he POS terminal 202 includes instructions 214 stored in the memory unit, which when executed by the processor unit 204 configure the POS terminal 202 to provide pre-printed draw-based lottery ticketing functionality 216,” including the “functionality for communicating scanned in barcode information of pre-printed lottery tickets with the transaction processor system, and receiving confirmation of the pre-printed ticket’s activation.” *Id.* at 8:25–33.

The '894 patent describes the lottery system 220 as including “[a] central processing unit (CPU) 222, memory unit 226 and [I/O] interface(s) 224 for communicating with devices external to the lottery system 220.” *Id.* at 8:34–37. When the processing unit 222 executes instructions 228 stored in the memory unit 226, it “configure[s] the lottery system to provide pre-printed draw-based lottery ticket activation and cancellation functionality 230,” in addition to having the functionality to “generate draw and wager information and associate the pre-printed ticket information in a draw information database 234.” *Id.* at 8:37–40, 8:49–52.

The transaction processor system 630 is described by the '894 patent as including “a central processing unit (CPU) 604, memory unit 616 and [I/O] interface(s) 608 for communicating with devices external to the

transaction processor system 630.” *Id.* at 8:56–59. The memory unit 616 stores instructions that the CPU 604 executes to “provide transaction processing and data exchange functionality 602” with a plurality of different retailers to a single lottery system and enable the activation or cancellation of pre-printed lottery tickets to be performed at retailer’s POS terminal 202. *Id.* at 8:59–67. “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.” *Id.* at 9:27–29.

D. Illustrative Claims

Claims 1, 6, 7, 29, and 33 are the independent claims challenged in this proceeding, which includes two system claims (1 and 6) and three method claims (7, 29, and 33). Claims 1 and 7 are illustrative of the claimed subject matter and are reproduced below:

1. A transaction processor system comprising:
 - at least one communication interface for communicating with other devices;
 - at least one processing unit for executing instructions; and
 - at least one memory unit for storing instructions, which when executed by the at least one processing unit causes the transaction processor system to (1) provide unique identification information from a pre-printed lottery ticket, (2) receive, from a lottery administration system, a determined draw information associated with the unique identification information, (3) provide, to the lottery administration system, payment confirmation for the pre-printed lottery ticket, and (4) facilitate provision of random draw details associated with the pre-printed lottery ticket.

7. A method for providing a lottery ticket for a random draw comprising:

- (a) receiving, by a transaction processor, a transaction request from a retailer point of sale (POS) to activate a pre-printed lottery ticket;
- (b) providing, by the transaction processor or retailer, to a lottery administration system unique identification information associated with pre-printed lottery ticket information received from the retailer POS without the use of lottery hardware; and
- (c) 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; wherein said pre-printed lottery ticket comprises two or more codes.

Ex. 1001, 10:30–44 (claim 1), 11:9–24 (claim 7).

E. The Asserted Grounds of Unpatentability and Declaration Evidence

Petitioner challenges the patentability of claims 1–53 of the '894 patent on the following grounds:

Claim(s) Challenged	35 U.S.C. § ¹	Reference(s)/Basis
1–19, 21–53	103	Szrek ²
1–19, 21–29, 31–53	103	Llach, ³ Szrek
20, 43	103	Szrek, Gilmore ⁴

¹ The Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284, 287–88 (2011), amended 35 U.S.C. § 103, effective March 16, 2013. Because the application from which the '894 patent issued was filed after this date, the AIA version of § 103 applies.

² U.S. Patent No. 7,627,497 B2, issued Dec. 1, 2009 (Ex. 1007, “Szrek”).

³ U.S. Patent Application Publication No. 2013/0041768 A1, published Feb. 14, 2013 (Ex. 1008, “Llach”).

⁴ U.S. Patent Application Publication No. 2005/0233797 A1, published Oct. 20, 2005 (Ex. 1009, “Gilmore”).

Pet. 31. In addition to several alleged prior art references used to demonstrate relevant background knowledge of a skilled artisan at the time of the invention (*see* Pet. 19–31 (citing Exs. 1010–1028)), Petitioner supports its challenge with Declarations by Scott Loftesness (Ex. 1003) and Michael Hutton (Ex. 1005).

F. Level of Ordinary Skill in the Art

Petitioner proposes that a person of ordinary skill in the art (“POSA”) at the time of the invention would have had “working knowledge of point of sale (POS) activation systems and/or lottery systems,” which would have been gained “through a mixture of training and work experience.” Pet. 19. In particular, Petitioner contends such mixed training and work experience would have come from “(i) having a Bachelor’s degree in computer science, computer communications, electrical engineering, or equivalent degree, coupled with at least three years of experience; (ii) by obtaining a Master’s degree in computer science, computer communications, or electrical engineering, but having less experience; or (iii) by having no formal degree, but having experience in the relevant field of at least six years.” *Id.*; *see also* Ex. 1003 ¶ 96. Patent Owner “does not challenge” Petitioner’s description of a POSA at this stage of the proceedings. Prelim. Resp. 2. For purposes of this Decision, we accept Petitioner’s contention, which we find to be consistent with the scope and content of the ’894 patent and the asserted prior art.

III. CLAIM CONSTRUCTION

In this post-grant review, claims are construed using the same claim construction standard that would be used to construe the claims in a civil action under 35 U.S.C. § 282(b). *See* 37 C.F.R. § 42.100(b) (2019). The

claim construction standard includes construing claims in accordance with the ordinary and customary meaning of such claims as understood by one of ordinary skill in the art at the time of the invention. *See id.*; *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312–14 (Fed. Cir. 2005) (en banc). In construing claims in accordance with their ordinary and customary meaning, we take into account the specification and prosecution history. *Phillips*, 415 F.3d at 1315–17.

If the specification “reveal[s] a special definition given to a claim term by the patentee that differs from the meaning it would otherwise possess[,] . . . the inventor’s lexicography governs.” *Phillips*, 415 F.3d at 1316 (citing *CCS Fitness, Inc. v. Brunswick Corp.*, 288 F.3d 1359, 1366 (Fed. Cir. 2002)). Another exception to the general rule that claims are given their ordinary and customary meaning is “when the patentee disavows the full scope of a claim term either in the specification or during prosecution.” *Uship Intellectual Props., LLC v. United States*, 714 F.3d 1311, 1313 (Fed. Cir. 2013) (quoting *Thorner v. Sony Computer Entm’t Am., LLC*, 669 F.3d 1362, 1365 (Fed. Cir. 2012)).

Additionally, only terms that are in controversy need to be construed, and these need be construed only to the extent necessary to resolve the controversy. *See Vivid Techs., Inc. v. Am. Sci. & Eng’g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999) (holding that “only those terms need be construed that are in controversy, and only to the extent necessary to resolve the controversy”); *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013, 1017 (Fed. Cir. 2017) (citing *Vivid Techs.* in the context of an *inter partes* review).

“Petitioner proposes that each claim term in the Challenged Claims be given its plain and ordinary meaning, and that no specific construction of any claim term is required because the prior art relied on in this Petition meets each of the claim terms under any reasonable construction.” Pet. 18. Patent Owner disagrees. Prelim. Resp. 8. Patent Owner contends that “[t]he prior art supporting [Petitioner’s] proposed grounds of unpatentability does not teach or suggest a ‘pre-printed lottery ticket’ when [that term and ‘draw information’] are properly construed.” *Id.* Patent Owner contends that “pre-printed lottery ticket” is properly defined “with a negative limitation that prohibits the inclusion of certain draw information—namely, draw date—on the pre-printed ticket” and that “draw information” is properly defined as “information that includes at least draw date.” *Id.*

At this stage of the proceeding, however, we do not find it necessary to define expressly either “pre-printed lottery ticket” or “draw information” to determine whether the evidence cited in the Petition is sufficient to show it is more likely than not that the prior art discloses these limitations. This is so because, based on the current record, the evidence identified by Petitioner as disclosing a pre-printed lottery ticket and draw information appears sufficient, even if we were to accept Patent Owner’s contentions. We explain more fully how we reached this determination below (*see* § IV.C.1.a), but in the context of our analysis of the recited elements in view of the cited prior art. Therefore, because resolving the present controversy does not require the express construction of any claim terms, we do not construe expressly any terms at this stage of the proceeding.

Nevertheless, we are at the initial stage of this proceeding and the parties are free to develop the record further to more clearly demonstrate a

controversy exists with those terms that we must resolve to determine the patentability of a challenged claim. We note, however, that neither party actually proposes a construction for “pre-printed lottery ticket.” Pet. 18; Prelim. Resp. 2–12; Prelim. Reply 1–5; Prelim. Sur-reply 1–5. At most, Patent Owner proposes a construction that tells us what the term *does not* mean—it is not a pre-printed ticket that has a draw date on it—and Petitioner disputes that proposed construction. Prelim. Resp. 8; Prelim. Reply 1–5. Going forward, to the extent Patent Owner chooses to develop this argument, the parties should actually propose a construction for “pre-printed lottery ticket,” which explains what the term means without only describing what it does not mean. Additionally, the parties should address whether Patent Owner’s suggested negative limitation prohibiting the inclusion of a draw date on the pre-printed lottery ticket implicates precedent of the U.S. Court of Appeals for the Federal Circuit regarding “printed matter” and, if so, whether Patent Owner’s negative limitation should be entitled to patentable weight. *See, e.g., In re DiStefano*, 808 F.3d 845, 848–51 (Fed. Cir. 2015); *Praxair Distribution, Inc. v. Mallinckrodt Hosp. Prods. IP Ltd.*, 890 F.3d 1024, 1031–34 (Fed. Cir. 2018).

IV. ANALYSIS

Petitioner contends instituting a post-grant review is appropriate because claims 1–53 of the ’894 patent are unpatentable under 35 U.S.C. § 103 in view of Szrek, either alone, with Llach, or with Gilmore. *See* Pet. 31, 37–82. In the Preliminary Response, Patent Owner disagrees institution is appropriate primarily because Szrek fails to disclose a “pre-printed lottery ticket,” a term that is recited, either directly or indirectly, in each of the challenged claims. Prelim. Resp. 7–12. We have considered Petitioner’s

and Patent Owner’s arguments in view of the evidence of record. Based on the evidence presented to us at this time, Petitioner has demonstrated it is more likely than not that at least 1 claim of the ’894 patent is unpatentable under 35 U.S.C. § 103 in view of Szrek.

A. Legal Principles

The question of obviousness involves resolving underlying factual determinations, including (1) the scope and content of the prior art; (2) any differences between the claimed subject matter and the prior art; (3) the level of ordinary skill in the art; and (4) when available, objective evidence of nonobviousness such as commercial success, long felt but unsolved needs, and failure of others. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966); see *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 407 (2007) (“While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors define the inquiry that controls.”). We note that neither party has provided an argument or evidence regarding any objective indicia of nonobviousness for us to consider at this stage of the proceeding. We note further that the level of ordinary skill in the art was addressed above (§ II.F), which defines the perspective from which we view the evidence considered for the remaining factors.

If “the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains,” 35 U.S.C. § 103 renders the claim obvious. *KSR*, 550 U.S. at 406. The Court in *KSR* set forth “an expansive and flexible approach” to the question of obviousness. *Id.* at 415. Whether a patent claiming the combination of prior art elements would have

been obvious involves determining whether any improvement amounts to more than the predictable use of prior art elements according to their established functions. *Id.* at 417. Reaching this determination, however, requires more than merely showing that the prior art includes separate references covering each separate limitation in a challenged claim. *Unigene Labs., Inc. v. Apotex, Inc.*, 655 F.3d 1352, 1360 (Fed. Cir. 2011). Rather, obviousness additionally requires that a person of ordinary skill at the time of the invention “would have selected and combined those prior art elements in the normal course of research and development to yield the claimed invention.” *Id.*

B. The Scope and Content of the Prior Art

Petitioner’s unpatentability contentions rely on three prior art references: Szrek, Llach, and Gilmore. We address the teachings of each below.

1. Szrek

Szrek’s stated goal “is to enable the secure sale of lottery tickets at general retail point of sale (POS) checkout points, such as standard cash registers, and other similar devices.” Ex. 1007, 1:16–19. Szrek teaches that “[l]otteries and other gaming organizations [are] continuously look[ing] for ways to increase their lottery ticket sales” and that one known way to accomplish this is “by widening their market presence and improving [the] ticket sale experience for the public.” *Id.* at 1:20–23. An obstacle with widening the market presence that Szrek seeks to address is created by how lottery tickets are traditionally sold. According to Szrek, “[t]raditionally lottery tickets [were] sold at the dedicated lottery terminals, usually located in small convenience stores and in supermarkets which is typically a single

terminal at a service desk.” *Id.* at 1:23–26. Although studies show a dedicated lottery terminal placed at the regular POS lanes in a supermarket was well received by customers, such a configuration did not prove financially successful, partly because of the relatively high cost of in-line lottery terminals compared to the levels of sale per lane. *Id.* at 1:26–34. To address this obstacle, Szrek teaches that “there [was] consideration in the industry to effectuate lottery ticket sales by existing store cash registers.” *Id.* at 1:37–38.

However, Szrek states, because of the wide variety of hardware and software used for cash registers, the conventional thinking was that developing a solution would be “difficult if not impossible” without significant security, operational, and printing problems. *Id.* at 1:50–60, 1:63–66. Szrek teaches that skilled artisans viewed regular cash register paper stock as inadequate for lottery ticket use “because it is insecure, non-durable and non-uniform from manufacturer to manufacturer.” *Id.* at 1:57–60. These paper requirements existed because it was “understood in the industry that a lottery ticket is considered a bearer’s bond,” which serves as “proof of a valid transaction and of the bet wagered.” *Id.* at 2:4–6. As a result, “[l]ottery tickets usually contain[ed] information about [the] wagered bet, date when [the] ticket was purchased and date of [the] game draw, selling entity information . . . and a unique transaction identifier.” *Id.* at 2:6–10. Thus, Szrek states that “there is a demand for the ability to sell lottery tickets at cash registers.” *Id.* at 2:60–61.

Szrek discloses a method and system for selling lottery tickets at POS registers, which “completely obviates the need for the local printing of lottery tickets at the point of sale” because “[o]nly a receipt of [the] lottery

transaction is printed locally at the cash register which does not need to be printed in as secure fashion as a lottery ticket.” Ex. 1007, 5:21–25. To carry out the disclosed system and method, Szrek states, “it is assumed that an environment is provided where the cash register is capable of communicating with the game provider (directly or indirectly) and the game provider system (or some other system on behalf of [the] game provider system) is authorizing [the] cash register’s lottery transactions,” which may be “stored in [the] game provider system or in another system.” *Id.* at 3:14–20.

Szrek describes a “novel” aspect of the disclosed method is that, “instead of printing the lottery ticket, from a legitimate and authorized game provider, on the cash register, the ticket is preprinted (printed ahead of the ticket sale . . .).” *Id.* at 3:22–28. Szrek teaches that the preprinted ticket contains many elements of a traditional lottery ticket, including bet selections, unique ticket identifier, barcode that includes ticket identifier, duration for number of eligible draws (if activated), [and] ticket price. *Id.* at 5:65–6:2. However, the preprinted ticket “does not have a play value until it is activated at the cash register.” *Id.* at 3:38–40.

Szrek teaches that the cash register activates the ticket by scanning the ticket barcode, which “originates a transaction to the game provider requesting ticket activation” and, in response, the game provider authorizes the activation as well as provides the lottery product description, price, and the activation receipt identifier. *Id.* at 3:41–45, 4:56–64. Once the preprinted ticket is activated, the cash register prints a receipt, which may include product type, the original preprinted ticket identifier, activation identifier, security codes, an activation price, and a valid draw identifier,

such as draw number or draw time. *Id.* at 6:54–59. “Because [the] lottery ticket is preprinted in a secure fashion, and only an activation receipt for the transaction is printed at [the] cash register, the [preprinted] ticket could be regarded as secure.” *Id.* at 3:55–57. As a result, Szrek teaches that the preprinted ticket may be used as a valid bearer’s bond only once the ticket is activated and the cash register receipt serves only as proof that the ticket was activated. *Id.* at 4:26–31.

2. *Llach*

Llach “relates to a processing and activation system providing 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 ¶ 2. Llach describes a processing and activation system that includes “a stored value card transaction processor [that] receives an activation or redemption request,” which “comprises . . . at least one of a card identification, a point of sale terminal identification, a merchant identification, and a time of activation.” *Id.* ¶ 4. The stored value card transaction processor compares the card identification, the POS terminal identification, the merchant identification, and the time of activation to data that is stored to determine if the card to be activated or redeemed is eligible for a value added award. *Id.* If eligible, the processor then transmits a modified request to a card issuer authorization system and receives a response from the card issuer authorization system. *Id.* The processor then transmits the response to the POS terminal indicating the card has been determined to be eligible and authorized for the value added award. *Id.*

3. *Gilmore*

Gilmore relates to a “system for selling game tickets for purchase by a game player within a store.” Ex. 1009, code (57). Gilmore describes the system as including “a point of sale terminal in communication with a game monitor that detects inputted game selection data and determines therefrom the number and type of game tickets to be played” and “a ticket dispensing system in communication with the game monitor.” *Id.* Gilmore describes that, when the game monitor detects the activation of a predetermined terminal key of the POS terminal, it “dispenses the desired number and type of game tickets from the ticket dispensing system.” *Id.*

C. *Any Differences Between the Claimed Subject Matter and the Prior Art*

Petitioner contends: (1) no patentable differences exist between what Szrek discloses to a skilled artisan and the subject matter of claims 1–19 and 21–53; (2) no patentable differences exist between what Llach and Szrek together disclose to a skilled artisan and the subject matter of claims 1–19, 21–29, and 31–53; and (3) no patentable differences exist between what Szrek and Gilmore together disclose to a skilled artisan and the subject matter of claims 20 and 43. Pet. 31, 33–125. We address each contention below.

1. *Claims 1–19 and 21–53 in View of Szrek*

a. *Independent Claims 1, 6, 7, 29, and 33*

Independent claim 1 of the ’894 patent recites a “transaction processor system,” including a “communication interface for communicating with other devices,” a “processing unit for executing instructions,” and a “memory unit for storing instructions.” Ex. 1001, 10:30–34. Petitioner

contends Szrek discloses to a skilled artisan this recited system in its description of Figure 2, reproduced below as annotated by Petitioner. Pet. 37–40 (citing Ex. 1007, 3:14–20, 4:19–25, Figs. 1, 2; Ex. 1005 ¶¶ 52–54).

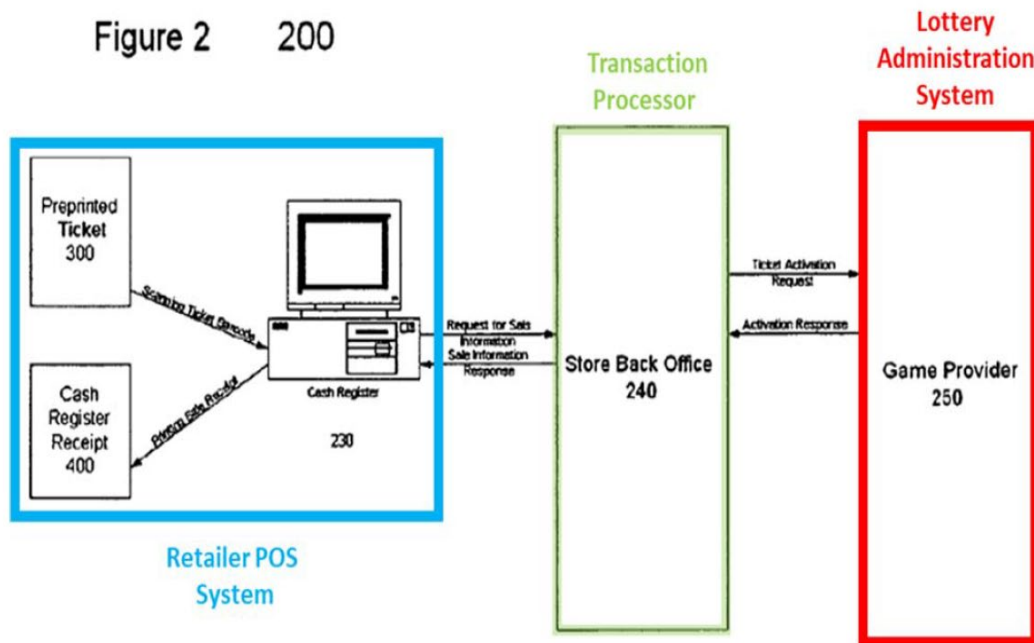


Figure 2 above illustrates “a diagrammatic view of the logical process of activation of [a] lottery ticket via [a] cash register” and Petitioner’s annotations identify a “retailer POS system” (as preprinted ticket 300, cash register receipt 400, and cash register 230), a “transaction processor” (as store back office 240), and a “lottery administration system” (as game provider 250). Ex. 1007, 5:44–45; Pet. 40.

Szrek notes “it is assumed that an environment is provided where the cash register [230] is capable of communicating with the game provider system [250] (directly or indirectly) and the game provider system [250] (or some other system on behalf of [the] game provider system) is authorizing [the] cash register’s lottery transactions.” *Id.* at 3:14–19. Szrek states that

the activation can “be done on the cash register by scanning [a] ticket bar code [and,] [a]fter the ticket identifier is obtained, an authorization request is sent to the game provider . . . indirectly via the store ‘back office’ [240].” *Id.* at 4:19–25. Szrek additionally describes the logical process of activation as follows:

The store clerk scans ticket 300 like any other product. Normally when a barcode 310 is scanned for any merchandise, the checkout register 230 application looks up the merchandise price in database or checks the price by using some algorithmic interface. In case of the ticket 300 . . . , this request will be transformed into transactional request to the game provider 250 who verifies if this [ticket] 300 was already activated. If not, it will activate this ticket by marking a status or state of corresponding identifier or record in the computer 40 memory . . . or it may even create a record with the corresponding identifier. If the ticket 300 was already activated and ticket 300 did not participate yet in the lottery drawing, the transaction would be denied.

Id. at 6:28–44.

Petitioner contends that, from Szrek’s description and illustration of the disclosed activation process of a lottery ticket using a checkout register, a skilled artisan would have recognized that “the store back office 240 includes a transaction processor system comprising communication interfaces for communicating with the cash register 230 and the game provider 250, at least one processing unit for executing instructions, and at least one memory unit for storing instructions.” Pet. 40 (citing Ex. 1005 ¶ 54).

Additionally, claim 1 of the ’894 patent recites that, when the instructions stored in the transaction processor system’s memory are executed by its processing unit, the transaction processor system:

“(1) provide[s] unique identification information from a pre-printed lottery ticket, (2) receive[s], from a lottery administration system, a determined draw information associated with the unique identification information, (3) provide[s], to the lottery administration system, payment confirmation for the pre-printed lottery ticket, and (4) facilitate[s] provision of random draw details associated with the pre-printed lottery ticket.” Ex. 1001, 10:35–44. Petitioner contends that Szrek’s description of the activation process for a lottery ticket using a POS register evidences to a skilled artisan that the transaction processor system includes stored instructions that cause its processor to perform each of the four functions claim 1 recites. Pet. 40–49 (citing Ex. 1007, 3:53–57, 4:28–29, 5:52–6:9, 6:28–38, 6:44–47, 6:54–61, 7:6–8, Figs. 2–4; Ex. 1005 ¶¶ 55–65).

First, Petitioner contends “Szrek discloses that the store back office 240 (*transaction processor system*) provides unique identification information from a pre-printed lottery ticket 300 to the game provider 250 (*lottery administration system*).” *Id.* at 41. As support, Petitioner points out Szrek describes using a preprinted ticket 300 that has a unique ticket identifier 330 and a barcode 310 that includes the unique ticket identifier 330, as depicted in Figure 3, and contends that “[w]hen ticket 300 is scanned at the POS terminal (cash register 230), a transaction request to activate the ticket comprising the unique ticket identifier 330 from the barcode 310 is received by the transaction processor (store back office 240) which then provides the transaction request to the lottery administration system (game provider 250).” *Id.* at 42–43 (citing Ex. 1007, 5:52–6:9, 6:28–38, Figs. 2, 3; Ex. 1005 ¶¶ 56–57); *see also* Ex. 1007, 4:56–67.

Although Patent Owner does not dispute Petitioner’s contentions regarding the activation process disclosed by Szrek, Patent Owner disagrees lottery ticket 300 discloses a “pre-printed lottery ticket.” Prelim. Resp. 11–12. Patent Owner contends that a pre-printed lottery ticket, as that term is properly construed in view of the Specification of the ’894 patent, “prohibits the inclusion of certain draw information—namely, draw date—on the pre-printed ticket.” *Id.* at 8–11. Patent Owner argues that ticket 300 in Szrek “runs afoul of [this] negative limitation” because it is shown to include draw information 340 on the pre-printed ticket. *Id.* at 11.

On this record, we do not find any deficiencies with Petitioner relying on Szrek’s ticket 300 to disclose the “pre-printed lottery ticket” that the challenged claims recite. As an initial matter, we find ambiguous Patent Owner’s use of the phrase “*certain* information” to identify what is prohibited from being on the pre-printed ticket. The scope of the information Patent Owner prohibits is unclear. Looking past this uncertainty, and understanding the proposed prohibition to exclude specifically draw date information from being on the pre-printed ticket, we still find that this negative limitation does not create a patentable distinction between Szrek’s pre-printed ticket 300 and the claimed pre-printed lottery ticket.

Szrek describes “Draw Info 340” shown in Figure 3 as “duration for number of eligible draws (if activated) 340.” Ex. 1007, 6:1–2. By this description, Draw Info 340 appears to identify information regarding the quantity of drawings for which an activated ticket is valid within a specific period of time, which is different than a draw date. Thus, it does not appear, on this record, that Draw Info 340 includes a draw date.

Notably, at this stage of the proceedings, Patent Owner simply relies on Figure 3 showing something labeled “Draw Info 340” on ticket 300, without addressing what Szrek specifically describes as being the information represented by that illustration. Our understanding that Draw Info 340 is not intended to refer to a draw date is consistent with the fact that, when Szrek wanted to describe a draw date on a lottery ticket, it did so. For example, when describing a typical lottery ticket printed with specialized lottery equipment, Szrek states that “[l]ottery tickets usually contain information about wagered bet, date when the ticket was purchased and *date of game draw*, selling entity information . . . and a unique transaction identifier.” *Id.* at 2:6–10 (emphasis added). In contrast, when describing the pre-printed tickets 300, Szrek makes a point of stating that the tickets 300 only contain *many*, but not all, of the elements of a traditional lottery ticket and excludes from the list of elements on ticket 300 any mention of a date of game draw. *See id.* at 5:65–6:6.

Second, considering the next recited function, Petitioner contends “Szrek discloses that the transaction processor (store back office 240) receives activation receipt information (*determined draw information*) associated with the unique identification information” in the form of “an ‘Activation Response’ from the lottery administration system (game provider 250).” Pet. 45 (citing Ex. 1007, 3:53–57, Fig. 2; Ex. 1005 ¶ 59); *see also* Ex. 1007, 4:56–67. As further support, Petitioner points to Szrek’s description of the cash register receipt for a successful transaction associated with a pre-printed ticket 300, as shown in Figure 4, which includes a valid draw identifier 460, such as the draw number and draw time, which is

associated with the original pre-printed ticket identifier 330. *Id.* at 46–47 (citing Ex. 1007, 6:54–61, Fig. 4; Ex. 1005 ¶¶ 60–61).

For the third function, Petitioner contends that “Szrek discloses that the transaction processor (store back office 240) provides payment confirmation to the lottery administration system (game provider 250).” Pet. 48. As support, Petitioner identifies Szrek’s teaching that a “preprinted ticket is not eligible to win unless payment and activation occurs” and that game provider 250 is able to determine whether a particular ticket is a winner. *Id.* (citing Ex. 1007, 4:28–29, 6:44–47). Thus, Petitioner argues, a skilled artisan would have understood “Szrek discloses providing payment confirmation to the lottery administration system” because, “in order for the lottery administration system (game provider 250) to authorize payment of a winning prize, the transaction processor system 240 must have provided, to the lottery administration system (game provider 250), payment confirmation for the pre-printed lottery ticket.” *Id.* at 48–49 (citing Ex. 1005 ¶¶ 62–64).

Fourth, for the last recited function of claim 1, Petitioner points to Figure 2 and the receipt generated by the POS register as showing Szrek discloses to a skilled artisan that the transaction processor (store back office 240) facilitates providing random draw details associated with the pre-printed ticket 300. Pet. 49 (citing Ex. 1007, 3:53–57, 6:54–61, Figs. 2, 4; Ex. 1005 ¶ 65); *see also* Ex. 1007, 4:56–67. In particular, Petitioner points to the fact that Szrek’s description of the cash register receipt for a successful transaction associated with a pre-printed ticket 300, as shown in Figure 4, includes a valid draw identifier 460, such as the draw number and

draw time, which is associated with the original pre-printed ticket identifier 330. Ex. 1007, 6:54–61, Fig. 4.

For the remaining independent claims 6, 7, 29, and 33, which include substantially similar elements to claim 1, Petitioner contends that Szrek discloses the recited elements for substantially the same reasons detailed for claim 1. Pet. 52–62, 79–80. At this stage, Patent Owner does not separately dispute Petitioner’s contentions regarding these independent claims. We determine, based on the current record, that Petitioner has established it is more likely than not that independent claims 1, 6, 7, 29, and 33 would have been obvious to a skilled artisan in view of Szrek.

b. Dependent Claims 2–5, 8–19, 21–28, 30–32, and 34–53

Petitioner asserts that the Szrek discloses to a skilled artisan each of the additional limitations of dependent claims 2–5, 8–19, 21–28, 30–32, and 34–53 (many of which are duplicative but for the fact that they depend from different claims), and supports these contentions with detailed citations to the record for all the claims except claim 43. Pet. 49–52, 62–79, 81–82. Claim 43 is the exception because Petitioner fails to provide any argument or evidence showing that Szrek alone discloses the additional elements recited. *See generally id.* At this stage, Patent Owner does not separately dispute Petitioner’s contentions regarding these dependent claims. We determine, based on the current record, that Petitioner has established it is more likely than not that claims 2–5, 8–19, 21–28, 30–32, 34–42, and 44–53 would have been obvious in view of Szrek.

2. *Claims 1–19, 21–29, and 31–53 in View of
Llach and Szrek*

Petitioner asserts that the cited combination of Llach and Szrek teaches each limitation of claims 1–19, 21–29, and 31–53, and supports this contention with detailed citations to the record for all the claims except claim 43. *See* Pet. 82–120. Claim 43 is the exception because Petitioner fails to provide any argument or evidence showing that Szrek alone disclosed the additional elements recited. *See generally id.* Petitioner relies on Llach as teaching a transaction computer that exchanges information between a POS system and an administration system in order to activate a card. *See id.* at 88–98 (citing Ex. 1008 ¶¶ 18, 26, 27, 34, 37, 38, 41, 74, Figs. 1, 2A, 6; Ex. 1005 ¶¶ 142–147). Petitioner’s reasoning for why an ordinarily skilled artisan would have modified Llach’s system to allow POS registers to sell pre-printed lottery tickets, as taught by Szrek, is to enable POS systems to sell pre-printed lottery tickets at checkout in a manner transparent to the customer and “would merely be the application of the same system/method associated with a particular type of product to a similar type of product.” *Id.* at 99 (citing Ex. 1005 ¶ 151). Apart from the arguments regarding Szrek addressed above, Patent Owner does not address this combination of prior art or Petitioner’s proposed reasoning in the Preliminary Response. On the current record, we determine that Petitioner has established that it is more likely than not that claims 1–19, 21–29, 31–42, and 44–53 would have been obvious in view of Llach and Szrek.

3. *Claims 20 and 43 in View of Szrek and Gilmore*

Petitioner asserts, with detailed citations to the record, that the combined teachings of Szrek and Gilmore disclose each of the additional limitations of dependent claims 20 and 43. Pet. 120–25. We further

determine that Petitioner has articulated reasons to combine the teachings of the references in the proposed manner that are adequate and supported by rational underpinnings. *See* Pet. 124–25. At this stage, Patent Owner does not separately dispute Petitioner’s contentions for claims 20 and 43. We determine, based on the current record, that Petitioner has established it is more likely than not that claims 20 and 43 would have been obvious in view of Szrek and Gilmore.

V. CONCLUSION

For the foregoing reasons, Petitioner has demonstrated it is more likely than not that at least 1 of the challenged claims of the ’894 patent is unpatentable. Our analysis is based on the preliminary record developed thus far and may change after the record is developed fully, during trial.

VI. ORDER

Accordingly, it is:

ORDERED that, pursuant to 35 U.S.C. § 324, post-grant review of claims 1–53 of the ’894 patent is instituted as to each ground set forth in the Petition; and

FURTHER ORDERED that, pursuant to 35 U.S.C. § 324 and 37 C.F.R. § 42.4(b), post-grant review of the ’894 patent shall commence on the entry date of this Order, and notice is hereby given of the institution of a trial.

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