

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

INTERACTIVE COMMUNICATIONS INTERNATIONAL, INC.,
Petitioner,

v.

BLACKHAWK NETWORK INC.,
Patent Owner.

IPR2023-01235
Patent 9,865,135 B2

Record of Oral Hearing
Held: November 21, 2024

Before LYNNE H. BROWNE, BART A. GERSTENBLITH, and
ARTHUR M. PESLAK, *Administrative Patent Judges*.

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P-R-O-C-E-E-D-I-N-G-S

10:01 a.m.

JUDGE GERSTENBLITH: Hello, everyone. Good morning. We are here for oral argument in IPR2023-01235, *Interactive Communications International v. Blackhawk Network Incorporated*. I am Judge Gerstenblith. Appearing with me today are Judges Brown and Peslak. Starting with Petitioner, will counsel please enter your appearance for the record?

MR. GLASS: Thank you, Your Honors, Jim Glass for Petitioner. With me today is my colleague and backup counsel, Quincy Lu.

JUDGE GERSTENBLITH: Okay, thank you, Mr. Glass, and you'll be doing the argument for Petitioner?

MR. GLASS: Correct.

JUDGE GERSTENBLITH: Okay, great. Welcome.

MR. GLASS: Thank you.

JUDGE GERSTENBLITH: And for Patent Owner, who do we have?

MR. HAILS: Good morning, Your Honor. This is Robert Hails and I'm joined by my co-counsel, Jason Hoffman, in this matter.

JUDGE GERSTENBLITH: Okay, and Mr. Hails, you'll be doing the presentation today for Patent Owner?

MR. HAILS: That's correct, Your Honor.

JUDGE GERSTENBLITH: Okay, great. Thank you both. We set forth the procedure for today's oral hearing in our order granting the -- let me just remind everybody to mute when you're not speaking. Please, go on mute everybody.

We set forth the procedure for today's oral hearing in our order granting the parties' requests for an oral hearing, which is entered in the

1 record as paper 30. In that order, we indicated that each party will have 60
2 minutes of total argument time. We have a court reporter who is creating a
3 transcript of the hearing, and that transcript will constitute the official record
4 of this hearing.

5 When we begin, we will start with Petitioner, who may present its
6 case with regard to the challenged claims and grounds set forth in the
7 petition. The Petitioner may reserve time for rebuttal. Thereafter, Patent
8 Owner may respond to Petitioner's argument and may reserve time for sur-
9 rebuttal. The Petitioner may then present its rebuttal, following by Patent
10 Owner's sur-rebuttal.

11 In this video format, I don't have a timer that I can share. However,
12 when it's your turn, if you would please let me know how much time you
13 would like to reserve for rebuttal, I'm happy to remind you when we reach
14 that point in your opening argument.

15 A few things to remember and please keep in mind, number one, it's
16 my understanding that we are not discussing any information that the parties
17 deem confidential, but let me confirm that with each side because some of
18 the materials in this case are under seal. So, Petitioner, can you let me
19 know, Mr. Glass, do you intend to talk about anything that's confidential
20 today?

21 MR. GLASS: No, Your Honor, nothing I'm going through.
22 Everything I'm going through today is on the public record.

23 JUDGE GERSTENBLITH: Okay, great. And Mr. Hails, is that the
24 same for you? Everything is going to be public, nothing confidential?

25 MR. HAILS: That's correct. Everything will be public.

1 JUDGE GERSTENBLITH: Okay, great, great. And so, this hearing
2 is open to the public. There are people listening, so please keep that in
3 mind. If for some reason we need to go to anything like that, we can go into
4 sort of a closed session, so to speak, where we pause the open line, but like
5 you both said, I don't think we need to go into that material today.

6 Second, please be as clear as possible during your argument regarding
7 which slide you may be referring to or which exhibit so that the record is
8 clear and that we can follow along. We have electronic versions of all of
9 your demonstratives and all of the documents in the record.

10 Third, please remember to keep your line on mute when it's not your
11 turn to speak so that we can minimize any background noise.

12 Fourth, when it's your turn to speak, please pause for half a second or
13 so because sometimes there's a lag in the transmission and we want to make
14 sure that everything you're saying is clear for the transcript and so that we
15 can understand what you're saying.

16 And finally, if either side experiences any technical or other
17 difficulties, please let us or the IT personnel with whom you have been in
18 touch regarding this hearing know as soon as possible, and we will make any
19 adjustments that are needed.

20 I anticipate that we will take at least two breaks, one after Petitioner
21 concludes its opening, and the second after Patent Owner concludes its
22 opening. Each will be approximately five minutes. Are there any questions
23 from Mr. Glass, from Petitioner's side about the process for today or any
24 other questions that we should talk about before we start?

25 MR. GLASS: No, Your Honor, no questions.

1 JUDGE GERSTENBLITH: Okay, great. And Mr. Hails, anything
2 from Patent Owner's side about questions for the process today or anything
3 else that we should talk about before we get going?

4 MR. HAILS: No, Your Honor. We're ready to go.

5 JUDGE GERSTENBLITH: Okay, excellent. So, with that, Mr.
6 Glass, I'm going to turn it over to you, and if you could please let me know
7 if you would like to reserve time for rebuttal, how much time that would be,
8 and you can start whenever you're ready.

9 MR. GLASS: I would. Optimistically, Your Honor, I'd like to
10 reserve 20 minutes. I do think it's likely that I may eat into that time, but I'll
11 start with 20 minutes.

12 JUDGE GERSTENBLITH: Okay, great.

13 MR. GLASS: I'm going to share my screen, and can Your Honors
14 see my screen?

15 JUDGE GERSTENBLITH: We can.

16 MR. GLASS: Okay, great.

17 JUDGE GERSTENBLITH: And I'm going to warn everybody. I'm
18 going to be asking a lot of questions today and I'm going to ask you to start
19 in certain ways, and if I take you out of your sequence, please don't be
20 rattled, but just go back to your sequence, you know, once I'm done.

21 Mr. Glass, I would like you to start with talking about the challenged
22 patent and specifically what's disclosed in the patent itself about how the
23 preprinted lottery ticket is handled and when and where the patent describes
24 the lottery numbers being associated with the ticket in some way.

25 MR. GLASS: Well, I'll focus on -- let me drop -- because I do have
26 some slides on this. Let me drop to -- I think what's important for this case

1 is that there are multiple embodiments in the patent. So, I'll start with what I
2 think is the more important of the embodiments and that's the Figure 9
3 embodiment. This is the embodiment that Patent Owner does concede was
4 disclaimed and disavowed by the state. Well, they argue that it was
5 disclaimed and disavowed in the prosecution history.

6 In this embodiment, the patent numbers, the lotto numbers which are
7 referred to as wager information in the patent, they are printed and
8 associated with the tickets prior to purchase, and that's the only disclosure in
9 Figure 9, that they are actually associated with the ticket prior to purchase.

10 This is also consistent -- I don't want to jump off the rails, but this is
11 also consistent with the child patent. We have claims that are directly
12 drafted to preprinted lottery tickets with lottery numbers associated with the
13 ticket prior to sale, I'm sorry, prior to sale.

14 JUDGE GERSTENBLITH: And let me ask you about this, so, if we
15 can go back to this. So, my understanding is that the way this patent
16 contemplates this is that this preprinted lottery ticket would be sitting on a
17 shelf in a store like we see gift cards now for various places. You can walk
18 into Target and buy a gift card to Starbucks or something, that you would
19 find this sitting up there.

20 So, is it that these numbers are sitting there and they're under
21 something that you would have to scratch off? In other words, how does this
22 Figure 9 embodiment have the numbers already on it if it's just sitting on the
23 shelf, or is that okay, that you know the purchaser, it's okay for them to
24 know what numbers they're buying ahead because the draw hasn't happened
25 yet?

1 MR. GLASS: Well, the latter is correct, Your Honor, and I'm going
2 from memory. I believe in connection with Figure 9, the patent actually says
3 that this allows the user to select their numbers from what's on -- they don't
4 have the free ability, the full ability, as in the prosecution history, to select
5 whatever numbers they want, but they can select the numbers that they see
6 on the shelf, so it's really the latter.

7 These numbers are printed on the lottery ticket just as you see in this
8 Figure 9 embodiment. The user, the customer can then select that ticket, and
9 it's okay that it's shown because they're not activated. They're not activated
10 until the ticket, the barcode is scanned, sent up to the gaming provider and
11 purchased. So, they are associated in Figure 9 with the ticket prior to
12 purchase and they are visible. Does that answer your question?

13 JUDGE GERSTENBLITH: It does. Thank you.

14 MR. GLASS: Okay, but that's not the only embodiment, and we
15 pointed this out -- actually, I suppose a better slide would have been slide
16 22, but that's not the only embodiment that allows preprinted lottery tickets
17 to have lottery numbers associated with them prior to purchase. It's
18 practically the entire patent. We pointed this out in our reply.

19 The other embodiments start off with the notion that you just have a
20 barcode. The barcode scans, and I'm trying to mix in my presentation while
21 answering your question, the barcode is scanned and then numbers can be
22 assigned to the ticket, and then the numbers are printed on a receipt.
23 They're not actually printed on the ticket. So, the ticket itself --

24 JUDGE GERSTENBLITH: How are the numbers associated after it's
25 scanned? Who does that? That's at the back end, the lottery --

26 (Simultaneous speaking.)

1 MR. GLASS: That's at the back end. That's with the gaming
2 provider, correct.

3 JUDGE GERSTENBLITH: Okay, so I walk up. I have this
4 preprinted ticket that has a barcode, but at that moment, there's no numbers.
5 It gets scanned by the person at the retailer's point of sale.

6 MR. GLASS: Correct.

7 JUDGE GERSTENBLITH: And when that information gets
8 transmitted to the lottery system, the lottery system says okay, somebody's
9 asking for numbers. It spits back numbers almost like a quick pick ticket
10 that's selected for you if I were thinking about Powerball, for example.
11 They pick the numbers. The customer does not get to pick the numbers in
12 that situation. It comes back and it gets printed on the receipt. Go ahead. I
13 just want to make sure. Is that what I'm understanding?

14 MR. GLASS: You said it better than I did. That's correct. That's
15 another embodiment in the patent, but practically every single embodiment
16 in the patent, and this is important, every single embodiment in the patents,
17 all of them, make it very clear that even in that embodiment, the wager
18 information could also be associated with the ticket prior to purchase, and I
19 focus on this language. I'm on Slide 23. For example --

20 JUDGE GERSTENBLITH: How would that happen? How would it
21 already be associated? So, is it that the lottery system already has in its sort
22 of database, it knows all of the preprinted tickets' barcodes, and it's already
23 picked numbers for it, and it just has them sitting there in a database waiting
24 for somebody to make the purchase, and then it says okay, you just
25 purchased barcode, I'm making this up, 1234, and we had already associated
26 barcode 1234 with lotto numbers, you know, 5678, so it just kicks that back

1 because it's already somehow got that connection between the barcode and
2 the numbers?

3 MR. GLASS: Again, yes, that is correct. So, that is one way.
4 Another way would be the embodiment shown in Figure 9. So, it could be --

5 JUDGE GERSTENBLITH: Okay.

6 MR. GLASS: It could be printed, physically printed on the ticket, or
7 it could be associated through the barcode, and that is looked up. So, the
8 user, the customer could see the physical numbers or they could be
9 associated with the ticket prior to sale.

10 JUDGE GERSTENBLITH: Okay.

11 MR. GLASS: Does that answer your question?

12 JUDGE GERSTENBLITH: It does. It does.

13 MR. GLASS: So, and this, importantly -- and we're talking about a
14 disclaimer here. Importantly, we're not just talking about disclaiming one
15 embodiment. We're talking -- what Patent Owner is suggesting is
16 disclaiming a portion of practically all of the embodiments.

17 This language is prolific throughout the patent. It's in Figure 3 on
18 slide 23. It's in the Figure 4 embodiments on slide 24, the Figure 5, Figure 7
19 embodiment. Figure 6 is not really a separate embodiment. It discusses a
20 variation of Figure 5, and Figure 8. So, we have one, we have three, four,
21 five, seven, eight, and nine. They would be disclaiming a vast majority of
22 their patent through this language they focus on in the prosecution history,
23 which I'll get to in a moment assuming I've answered your question. I
24 would suggest this is not even a disclaimer, so --

25 JUDGE GERSTENBLITH: So, you did answer my question, but let
26 me just ask you a question based on what you just said. Is there any rule,

1 case law or otherwise, that says -- let's just say we think there's a disclaimer
2 when we get to that. You said we're going to get to that in a minute, so let's
3 just say we think there's a disclaimer. Is there any case law that says you
4 can't disclaim this number of embodiments?

5 MR. GLASS: You could disclaim this number of embodiments, you
6 could.

7 JUDGE GERSTENBLITH: Okay.

8 MR. GLASS: And I don't think there's any cases that say that you
9 can't. We have cited to the *Quest* case. The language in there is a little
10 equivocal, but the Federal Circuit said that there was no indicia, no
11 indication that they had affirmatively disclaimed those embodiments. I'll
12 also focus, what I will focus on is the cases we cited to in our briefs on slide
13 19, and this is really what our points are. When you look -- when the sole --

14 JUDGE PESLAK: Counsel, this is Judge Peslak. Is it required? Is
15 there case law requiring that, in the prosecution history, they disclaim certain
16 embodiments explicitly? Is that what you're --

17 MR. GLASS: It's certainly suggested in the *Quest* case. I'm not
18 saying that there's an affirmative rule. What the rule is, is that it has to be
19 clear and unmistakable, and I'm not suggesting that that rule has changed,
20 but when we have, and this is from the *Abbott Technology* case, when the
21 prosecution history is used solely to support a conclusion of patent
22 disclaimer, the standard is a high one. We hold that disclaimer -- because
23 you're disclaiming and dedicating to the public embodiments in your
24 specification, that, the clarity must be, the standard for that clarity must be
25 high.

1 There is a case. It's cited in *Omega*. To answer your point, Your
2 Honors, I have it in my notes. I'll get you the cite to it in a moment, but in
3 that case, the Federal Circuit did find a disclaimer, and I would -- the
4 language that they found to be a disclaimer was that they canceled the claim
5 that covered the embodiment, and they actually had language admitting, and
6 that's the *Rheox* case. It's 276 F.3d 1319. That's cited in *Omega*. And we
7 didn't cite this case in our briefs in all full disclosure. It is cited in the
8 *Omega* case and I'm using this simply to answer your question.

9 They canceled the claim that covered the embodiment and admitted in
10 prosecution history that the patents, that the prior art covered that
11 embodiment. I'm not suggesting that's an inner or outer boundary for what
12 is required, but that is one data point to where the Federal Circuit has found
13 a disclaimer, and that, I would suggest, is the level that we would require for
14 a clear and unmistakable disclaimer. Does that answer your question, Your
15 Honor?

16 JUDGE PESLAK: Yes, I understand.

17 MR. GLASS: So --

18 JUDGE GERSTENBLITH: Yeah, let me just add to that question.
19 So, *Quest* specifically says that the claims were not narrowed to exclude
20 example one there because there was neither clear and unmistakable
21 disclaimer of claim scope, nor any other indication that the claims should be
22 read to exclude example one.

23 MR. GLASS: Right.

24 JUDGE GERSTENBLITH: So, it left both possibilities. You don't
25 have to specifically say I disclaim examples, you know, one, three, four and

1 five, if you have a clear and unmistakable disclaimer of claim scope. You
2 agree with that statement, right?

3 MR. GLASS: I do.

4 JUDGE GERSTENBLITH: Okay, and I think you answered that way
5 to Judge Peslak's question, but I just wanted to make sure that's completely
6 clear, because in your briefing, you cut off that first part of the quote and
7 you guys focus multiple times exclusively on the latter part of that phrase
8 which omits the part that Patent Owner is arguing. So, I'm not trying to say
9 that it was a slight of hand or anything, but you left out the part that they
10 were arguing.

11 MR. GLASS: Your Honor, in all fairness, that is our position, that it
12 has to be clear and unmistakable. To the extent that the brief could have
13 been a little clearer on that, we're not arguing that. I don't think the *Quest*
14 case changes the law. It has to be clear and unmistakable. And the point
15 which perhaps could have come across more clearly is that there was also,
16 just as in *Quest*, there's no other indication here. There's no express
17 disclaimer. There's no canceling of claims.

18 JUDGE GERSTENBLITH: Let me ask you about the PGR case and
19 then let's get into the prosecution history here.

20 MR. GLASS: Okay.

21 JUDGE GERSTENBLITH: In the PGR that was based on a child, an
22 application that was a child application to the patent we have here and
23 issued, the Board did not specifically address make a claim construction
24 determination about whether a preprinted lottery ticket had to have wager
25 information associated before purchase, right?

26 MR. GLASS: Correct.

1 JUDGE GERSTENBLITH: This specific issue was not decided?

2 MR. GLASS: That is correct.

3 JUDGE GERSTENBLITH: And so, when the Board found that Szrek
4 teaches this language, this issue of construction wasn't presented. Okay, I
5 think you already said yes. So, what we are struggling with, and hopefully
6 both sides will talk about this, is the sequence of how these cases unfolded
7 and the concept of a disclaimer in the parent, and what, if anything, was
8 Patent Owner supposed to do that it didn't, if there is anything, in that PGR
9 case that we would be somehow saying you are bound by that finding from
10 that case?

11 In other words, in that case, the Board found Szrek teaches this
12 limitation, and now we're being told wait a minute, no, Szrek doesn't teach
13 this because we're giving a different claim construction to that term than we
14 had before. Now, in the usual course, I think I would say no, you can't do
15 that. We already made a finding on this.

16 But here, this disclaimer business is making it such that because this
17 patent, and maybe it's not even because, but it's in the parent, hey, if this
18 disclaimer applies, the meaning of this term is different. So, it's not saying
19 per se Szrek didn't have a preprinted lottery ticket from the PGR patent, but
20 rather Szrek doesn't have it when we construe the claim here to mean what it
21 means.

22 So, we're struggling with is there any -- what principle, if there even
23 exists one, would bind Patent Owner in some way? I don't want to say
24 collateral estoppel, judicial estoppel, some other type of estoppel or other
25 principle. I don't see one very clearly that applies. So, is there something,

1 before we actually get into whether there really was a disclaimer, is there
2 anything like that that would actually apply here?

3 MR. GLASS: That's a lot to unpack, Your Honor.

4 JUDGE GERSTENBLITH: Yeah, I apologize.

5 MR. GLASS: No, no, I --

6 JUDGE GERSTENBLITH: I'm looking for something that stops us
7 from having to reach this issue before we reach it.

8 MR. GLASS: I can cut through this. And to be frank, as I was
9 preparing for this hearing, I was kind of torn as to whether I should start
10 with the claim construction issue or start with the application of the prior art
11 to the claims, because I think that really cuts to your point and I think that's
12 really what answers your question.

13 And to put a little bit of clarity on there, so Szrek, we've argued here
14 that Szrek teaches preprinted lottery ticket under its plain and ordinary
15 meaning, just a physical ticket that is printed ahead of time. In the PGR,
16 there were tickets, excuse me, there were claims that were drawn to, I think
17 it was claim 20, claims that were drawn to preprinted lottery tickets that had
18 lottery numbers associated with them prior to the time of purchase.

19 And what the Petitioner's relied on in that case for that disclosure was
20 Gilmore. So, the notion of preprinted lottery ticket, it wasn't raised in
21 connection with Szrek alone, I think because Gilmore very expressly taught
22 that limitation.

23 So, what I would suggest, Your Honor, is that no, it didn't come up,
24 but what really Patent Owner should be prevented from rearguing today is
25 that Szrek and Gilmore teach a preprinted lottery ticket under their
26 construction. That is the issue that was decided in the PGR.

1 So, I'm trying to figure out where I should start with this, but I could
2 walk through the prosecution history or I could walk through the Szrek and
3 Gilmore combination because I think that's the more compelling issue of the
4 two. The only issue here that Patent Owner takes with our use of Gilmore is
5 not that it discloses a preprinted lottery ticket under their construction. They
6 do not dispute that. They do not dispute that.

7 What they do dispute, what they do argue is that it's untimely. That's
8 the subject of their MTE. They moved to exclude our expert declaration on
9 that point. It's untimely. And there's no motivation to combine because
10 Gilmore would have added, I think they say enormous costs to the
11 combination. So, there is no dispute here over the disclosure of Gilmore just
12 like because that was already decided. I would imagine they don't dispute
13 that, because that's exactly what was decided in the PGR. Does that answer
14 your question?

15 JUDGE GERSTENBLITH: It does. So, I was incorrect in thinking
16 that the PGR had found that Szrek taught this limitation. I understand what
17 you're saying is that PGR identified Gilmore as teaching the preprinted
18 lottery ticket.

19 MR. GLASS: Yes, and the reason, I think, the reason it didn't come
20 up is because, again, there were claims, dependent claims directly drafted to
21 a preprinted, literally the exact opposite of what they say the claims exclude
22 here. A preprinted lottery ticket --

23 JUDGE GERSTENBLITH: I understand.

24 MR. GLASS: Okay.

25 JUDGE GERSTENBLITH: And I would just add though I don't want
26 to get too far into the weeds on Gilmore because Gilmore was not a ground

1 that was presented in the petition, and I'm very familiar with what we are
2 and are not allowed to do in briefing that comes after a decision to institute.
3 Somebody quoted my *ParkerVision*, well, the Federal Circuit's decision on
4 an appeal from the *ParkerVision* case, I shouldn't say my, the Board's,
5 which I happened to draft.

6 So, I'm very understanding of what is allowed and not allowed after a
7 decision to institute, and I am not saying here as a final decision what can
8 and can't be done with Gilmore, but Gilmore was not presented as a
9 reference in the combination, so I would like to not spend time talking about
10 Gilmore. I want you to spend your time on something that might actually
11 have traction as opposed to that.

12 So, I understand what you're saying about the PGR, and I appreciate
13 you identifying Gilmore for that because I was mistaken about specifically
14 where we found a preprinted lottery ticket in the PGR case, but -- and I'll
15 just say I don't know if you got to answer this part, but whether there was
16 any other theory or theory that we have, take away the Gilmore part on
17 Patent Owner should be bound to something that happened before in the
18 PGR or is there really not a principle that's directly on point?

19 MR. GLASS: I don't know how to frame it other than the way that I
20 did frame it in that they are bound by what was found in the PGR. And
21 Your Honor, I know you told me you don't want to go through this, but I
22 need to clarify on how Gilmore is being used here, and I think it is directly
23 on point to exactly the fact patterns. I believe it's in the *Axonics* case. So, I
24 would ask for your indulgence on just going through that for one moment.

25 We are not using the Gilmore, excuse me, the *Ariosia* case. We're not
26 using Gilmore as a new reference. We're using Gilmore in the exact same

1 way that the background art was used in the *Arios*a case. We're not
2 modifying our ground and we're not saying that it's now Szrek combined
3 with Gilmore.

4 We're saying it's Szrek combined with the ordinary knowledge of a
5 person of skill in the art as evidenced by Gilmore. Gilmore was cited in our
6 petition. There's no dispute on that. We did explain how Gilmore discloses
7 preprinted lottery tickets with numbers that are assigned after purchase.

8 This is exactly what happens in the *Arios*a case, and this is ironically a
9 case that they cited. I do think it's worth taking two minutes for me to walk
10 through this because it is instructive, and I do suggest if there's any case -- I
11 know Your Honor is familiar with this. This is a very instructive case to
12 walk through.

13 In that case, just like here, the Petitioner started with the combination
14 of two references, the Dhallen and Binladen prior art. They cited to Exhibit
15 1010, another prior art reference, in the background. Post-institution in the
16 POR, Patent Owner argued that this indexing technique was not
17 demonstrated by Binladen, would not have been obvious to combine
18 Binladen, the combination art, his indexing with the references.

19 In their reply, just like we did here, Patent Owner -- the Petitioner
20 submitted a new declaration arguing it would have been obvious based on
21 the ordinary knowledge of one of skill in the art, as evidenced by Exhibit
22 1010, to use the indexing of Exhibit 1010. It was not part of the grounds. It
23 was cited in the background just like we did here, and the Board declined to
24 consider it. That was vacated.

25 The Board's decision was a little murky on this point, so it was
26 unclear, a little bit unclear to the Federal Circuit what they were doing, and

1 they said but to the extent that you excluded that evidence and arguments,
2 because it was not part of the grounds and it was simply part of the
3 background, that was in error.

4 And the point, and I think particularly when you take it in context
5 with *Axonics*, which I think is another very instructive case on this point, the
6 *Axonics* case, again, I think that was cited in the MTE, the Federal Circuit
7 goes through exactly why we should allow this. The issue is one of
8 sandbagging and the Federal Circuit said because -- and in that case, excuse
9 me, in *Ariosia*, very similar to our fact pattern here, the parties agreed on a
10 plain and ordinary meaning of a term prior to institution.

11 After institution, we have a new construction. Slight difference here
12 from *Axonics*, excuse me, from *Ariosia*. Here, Petitioner supplied a new
13 declaration and cites new disclosures in the grounds of the prior art. In that
14 case, the Federal Circuit goes through the rationale for why we should be
15 permitted, and again, it's one of sandbagging.

16 I'm reading from 1384 of the decision. If instead of raising the issue
17 in a preliminary response, a Patent Owner sits on its strongest claim
18 construction arguments before institution, and then raises them in response
19 after institution, a Patent Owner could obtain a favorable final decision and
20 an estoppel without the Board's reaching the merits of any validity
21 arguments. That's the point here.

22 We have a brand-new claim construction that was raised for the first
23 time post-institution. It was not raised in the PGR. If it was so obvious and
24 it was so foreseeable that we should have raised it in the petition, it was
25 never raised in the PGR. It was never raised, and their statements in the

1 litigation are also contrary to it. They raised it for the first time post-
2 institution.

3 To their point on foreseeability, that's also another point that *Axonics*
4 expressly considered and rejected. In the *Axonics* case, they said well, you
5 should have anticipated this new construction. The Federal Circuit 1380-81
6 said there is no rule requiring a petition to describe all possible or reasonable
7 claim constructions.

8 They went on to distinguish a *SAS* decision where the Board did the
9 same thing. They said we rejected the Board's reasoning and that the
10 approach was permissible because the Petitioner could have made
11 construction arguments for the term in the IPR petition.

12 So, the notion that we could have made this -- it was foreseeable is
13 irrelevant to the analysis. We're not required to address all possible
14 constructions, and in this case, based on the PGR, based on what I'll walk
15 through, the prosecution history itself and the examiner comparing the
16 claims, this was not a foreseeable construction even if it was required.

17 Before I move on, since I'm on this point, I don't want to jump around
18 too much, I want to move on and step away from these cases. One more
19 point that Patent Owner does raise is that well, we didn't have the
20 opportunity to file a sur-reply declaration. The Federal Circuit in *Axonics*
21 also addressed and rejected that point. That's again at 18, excuse me, that's
22 at 1384. They noted that the Board may waive or suspend such
23 requirements.

24 Indeed, while the Board has recognized declarations are not typically
25 permitted, here the Patent Owner didn't even request one, and here it's even
26 worse because Patent Owner, as we cited in our briefs, did submit new

1 evidence. The rule doesn't prohibit new declarations. It prohibits new
2 evidence.

3 So, when they felt the rule -- when they felt it would help them to
4 supply evidence, they did, but on the other hand, they complained that the
5 rule prohibits them from supplying a new declaration. The Federal Circuit
6 concluded, and this is the important part, we are confident that in
7 circumstances such as these, the Board will allow an appropriate opportunity
8 for a patent owner to submit evidence with a sur-reply.

9 So, each and every one of their arguments that they have raised to
10 dismiss these arguments on Gilmore -- and again, our grounds are not based
11 on Gilmore, it's based on the ordinary knowledge of a person of ordinary
12 skill as evidenced by Gilmore -- has been flat out rejected by the Federal
13 Circuit. So, that was, I think that was more than two minutes, but unless
14 Your Honors --

15 JUDGE GERSTENBLITH: I understand. Just to be clear though, in
16 the petition when Petitioner talks about Gilmore, you don't actually mention
17 that Gilmore describes a preprinted ticket. In other words, this language is
18 not specifically addressed. Am I missing it? I think it's at the bottom of
19 petition page seven that carries over to eight. There's no explicit mention
20 that Gilmore teaches this.

21 MR. GLASS: It's just like the *Axonics* case. It's in the background.
22 So, we cited to a number of cases, excuse me, a number of references, and
23 we use them as background references, and that's exactly what we did in our
24 reply.

25 Again, we did -- this was a brand-new claim construction, and
26 according to the Federal Circuit, especially in the *Axonics* case, we have got

1 to be permitted meaningful opportunity to present argument and evidence on
2 that claim construction.

3 Again, and it makes perfect sense because otherwise, we are stuck
4 with an estoppel without ever having had the opportunity to rebut their
5 construction. And we did -- and the notion that Gilmore does not disclose a
6 preprinted ticket under their construction is not disputed. They did not
7 dispute that in the papers. That's exactly what was found in the PGR.

8 And in our expert declaration at paragraph 71, the reply declaration,
9 we expressly stated that in walking through the summary -- and again, we
10 had no knowledge that this would ultimately be the issue of the case -- we
11 walked through -- and I'm sorry, this is the petition declaration, not the reply
12 declaration.

13 Our expert walked through how Gilmore works and said the lottery
14 system confirms the lottery numbers are recorded and the control number
15 provides confirmation to the POS system. That is demonstrating that the
16 numbers are assigned after the tickets are purchased, and again, there's no
17 dispute on this point.

18 So, the only dispute that Patent Owner raises is one of motivation to
19 combine and they mischaracterize our combination. Now, I could go back
20 to the disclaimer, or I could walk forward with their arguments against
21 Gilmore here, or I could just keep walking through this if you would prefer,
22 Your Honor.

23 JUDGE GERSTENBLITH: Well, let me ask you a slightly different
24 question and then we can go back, and I apologize for taking you out of your
25 order, but I'm finding this extremely helpful, so I just want to mention that.
26 Let me ask you about Szrek for a second and specifically what Szrek

1 discloses and teaches in terms of this concept of having the lottery numbers
2 as wager information associated before a purchase.

3 As I read Petitioner's reply at 24, page 24, there's a pretty good
4 discussion there about the way Szrek describes the language about the
5 tickets, can be preprinted, could correspond, may do things. That is
6 permissive language which I believe we, maybe we all won't agree, but
7 could agree that if something says can be, it also means cannot be. In other
8 words, there's an option presented. It's not required. It's possible.

9 So, it seems like those -- even if we didn't want to get into whether
10 Gilmore does or not, I'm -- I guess this is more of a question for Patent
11 Owner, so Mr. Hails, when it's your turn, you can address why does Szrek
12 not teach this even under your construction, but Mr. Glass, if you wanted to
13 say anything on that? And then we can go and look at the disclaimer itself.

14 MR. GLASS: Yes, so I would suggest, Your Honor, that that -- I
15 mean, you summated, you encapsulated our position entirely accurately.
16 Szrek is permissive on this point. It is not -- and this is at 24 and 25 of our
17 reply. And as our expert testified in the reply declaration, or actually on this
18 point --

19 JUDGE GERSTENBLITH: I mean, we don't even need the reply
20 declaration, right?

21 MR. GLASS: No, no, I would suggest that this is exactly what you
22 said, Your Honor. This is permissive. There's no exclusionary language
23 and it certainly does not exclude tickets from having preprinted lottery
24 numbers associated with them before they're purchased, so I'm agreeing
25 with you. You stated our position. I don't know if there's any question
26 embedded in that summary. It's an accurate summary.

1 JUDGE GERSTENBLITH: Okay, okay.

2 MR. GLASS: I will just point out since I'm on this, I do think it's
3 important on -- I just lost my screen. Give me one second to --

4 JUDGE GERSTENBLITH: Sure.

5 MR. GLASS: -- bring my PowerPoint back up. I believe I was on
6 slide 41 or 44. Just give me one second, Your Honor. The point is, Your
7 Honor, one quick point on this. On this combination, and I just don't want
8 this point to get lost, they argue -- first, they mischaracterize our
9 combination. We're not using Szrek in its entirety. They say at page 15 of
10 their sur-reply that well, Gilmore is enormously expensive to retrofit. That
11 would not fit into the goals of Szrek.

12 Again, we're not combining the entirety of Szrek. Excuse me, we're
13 not combining the entirety of Gilmore and Szrek, just its teachings. And
14 that's exactly what happened in the PGR and it's also contrary to the express
15 teaching of Gilmore. I'm focused on slide 16 at paragraph 74 at the bottom.

16 So, again, their only argument against our combination is that Gilmore
17 would be enormously expensive and difficult to retrofit. This is what
18 Gilmore says on that.

19 JUDGE GERSTENBLITH: I'm going to tell you, Mr. Glass, I don't
20 think you need to worry about this right now.

21 MR. GLASS: Okay.

22 JUDGE GERSTENBLITH: Let's look at the language that they think
23 is a disclaimer and let's talk about that for a minute.

24 MR. GLASS: Okay, let me focus on a few points on this. I'm going
25 to start first with their claim construction. Now, their claim construction is a
26 -- and this is a point I think is very important. We pointed out in our reply

1 that really what was going on in the prosecution history was this distinction
2 over virtual tickets versus physical tickets.

3 They came back in sur-reply and said no, no, no, that's not what the
4 disclaimer was about. The disclaimer was just about lottery numbers, and
5 they doubled down on the fact that the disclaimer was not about virtual
6 tickets. That's a very important point because their construction on its face,
7 and this is also at page two, I think it's page two, of their reply or the POR,
8 their sur-reply, their construction on its face does not require a ticket to be
9 preprinted. It doesn't even require that the ticket be printed.

10 If we adopt their construction wholesale, it simply requires a lottery
11 ticket that has no lottery numbers associated with it. That is their
12 interpretation of the disclaimer. So, I would suggest, Your Honor, on its
13 face, that this is an objectively false claim construction and cannot be
14 adopted because it is at odds not only with what was actually said in the file
15 history, it eviscerated the words pre and printed from the claims.

16 And again, this isn't a mistake because they really focused on this in
17 the sur-reply. They said that we're – this statement was not about virtual
18 tickets. It was about the timing of when lottery numbers were assigned. I'll
19 set that aside and I'll move onto the actual language. I'll jump ahead to slide
20 20.

21 The interesting thing here is if you look at – and I'll just categorize
22 this. I would suggest that when you look at this statement in its entirety,
23 what happened here is not clear, unambiguous. It's an actual model of
24 ambiguity because what the applicants actually distinguished over was this
25 notion that Yacenda, the prior art Yacenda, allowed users to select lottery

1 numbers, and because Yacenda allowed users to select lottery numbers, the
2 ticket couldn't be printed ahead of time.

3 So, this wasn't really – and I'm going to walk through the exact
4 language. I'm just kind of prefacing where I'm going. And it makes perfect
5 sense. What the claims require are preprinted lottery tickets. If you're going
6 to select the numbers at the cash register and you're free to select whatever
7 numbers you want, how could that ticket be preprinted?

8 Now, I'm going to focus on, and I think it's important, I'm going to
9 focus on the language, and we have contemporaneous statements from the
10 examiner that compared these two claims and he essentially found the same
11 thing. I'll walk through that in a minute.

12 The Patent Owner said, the applicant said instead of disclosing a
13 preprinted lottery ticket, Yacenda discloses that its system allows the
14 customers to select the numbers it wishes to play, i.e., that is not a preprinted
15 lottery ticket. That was their statement that distinguishes the prior art.

16 There is no dispute on this because this is from the sur-reply. Patent
17 Owner said the same thing. This was what I said, that we said well, this
18 distinguishing was all about preprinted and virtual. They said no, Patent
19 Owner did not distinguish Yacenda on the basis it had virtual tickets, but on
20 the basis that instead of disclosing a preprinted ticket, et cetera, et cetera.
21 They quoted the same language I just did.

22 This is also in their POR at page 20, excuse me, at page 22. They said
23 the term preprinted lottery ticket distinguishes Yacenda because there,
24 players enter ticket information, including lottery numbers, at the player
25 terminal. Why am I spending so much time on this? Because their claim

1 construction does not require or make any mention of users selecting lottery
2 tickets.

3 So, the one part of the file history we can agree on, that the applicants
4 distinguished over user-selectable numbers. They said it twice, at least
5 twice. I think there were a few other times I may have missed, that that was
6 how they distinguished the claims over the prior art. It plays no role in their
7 definition.

8 They would embrace systems where the user could select numbers.
9 They could freely select numbers. So, on that, so on the basis that it reads
10 out a preprinted ticket and it ignores the very thing that we all understand
11 was actually used to distinguish a preprinted ticket, they ignore that part too.
12 Let me jump to slide 21.

13 JUDGE GERSTENBLITH: What about -- can you -- yeah, yeah, this
14 slide right here.

15 MR. GLASS: Yeah, this is --

16 JUDGE GERSTENBLITH: Talk about the stuff underneath the block
17 quote.

18 MR. GLASS: Yeah, so, and this is kind of a build and we have to
19 take this in context. So, what happened next, the applicants then walk
20 through Yacenda, and unfortunately, I ellipsed out some of the important
21 parts. There's no dispute here, none, that Yacenda discloses a system where
22 the numbers are assigned after purchase. I can bring it up on the screen.
23 That, unfortunately, I ellipsed out because I was focusing on the bold and
24 italicized part.

25 But Yacenda explains that after the user enters their numbers, in this
26 same block quote, that the lottery agent receives a player ticket information

1 that's transmitted to the state. The state lottery administrator then issues
2 serial numbers. After confirming the purchase of the tickets, those serial
3 numbers are then transmitted to the lottery ticket, and then we get to the
4 point here, that the lottery ticket is then displayed as a virtual ticket.

5 So, not only is this a virtual ticket. It is a ticket where numbers are
6 associated with the ticket after purchase, and I don't think there's any
7 dispute on that point. So, now what happens? So, we have a statement on
8 user selectability. We have the applicant walking through Yacenda's
9 disclosure of the user selecting the numbers. That's the important part in
10 that block quote. They say based on the foregoing.

11 Again, what is that based on? It's based on everything the applicant
12 just walked through, the user selectability. I didn't bold and underline those
13 portions of Yacenda. That's in the original file history. Then they go on to
14 say, and this is the part that Patent Owner focuses on, Yacenda's system is
15 directly opposite the incident claims as the incident claims require a
16 preprinted lottery ticket which has no numbers associated with it at the time
17 of purchase.

18 I would suggest that that can't possibly be a disclaimer because it is
19 not only at odds with everything they just said, it would flatly encompass
20 Yacenda. Remember, their interpretation of this statement, first off, is that
21 no preprinted ticket is required. No physical ticket is required. Yacenda is a
22 virtual ticket where numbers are associated with the ticket after purchase.
23 This statement would encompass in its entirety Yacenda.

24 So, I would suggest that this is not clear. It's not unmistakable. It's
25 the exact opposite. It's very unclear what the applicants were getting at
26 here. This is not a case -- and I know Patent Owner has cited this and we

1 don't dispute this. We don't look to what patent owners, applicants could
2 have given up, right?

3 If they make statements, if they give up more than they could have,
4 they're stuck with that. This is different because the statements they're
5 making here embrace the exact thing they're trying to distinguish over.

6 So, I would say in context with everything that happened on this file
7 history, I would suggest that this statement is anything but clear and
8 unambiguous. It's the exact opposite. It's encompassing the very disclosure
9 of Yacenda. Now, I would like to -- that's not just my interpretation of this.

10 We --

11 JUDGE GERSTENBLITH: Counsel, are you able to pull up your, or
12 I guess it's Exhibit 1002, by any chance on your screen to look at the exact,
13 the part that was ellipsed out? What I'd like to just ask you is where does
14 this block quote about Yacenda say that the ticket, that the lottery numbers
15 are picked first and then, or I guess payment is -- let's see here. I think what
16 you were saying was the part -- tell me if I'm getting this wrong. The part
17 under this block quote does not -- in other words Yacenda, it doesn't exclude
18 Yacenda, that statement.

19 MR. GLASS: Correct.

20 JUDGE GERSTENBLITH: Yacenda doesn't have lottery numbers
21 associated with it at the time of purchase. I think that's what you were just
22 saying.

23 MR. GLASS: Correct. That is correct. So --

24 JUDGE GERSTENBLITH: Yeah, where exactly is that?

25 MR. GLASS: We have to walk through it. So, the user, to purchase
26 lottery tickets -- can you see what's on the screen by the way?

1 JUDGE GERSTENBLITH: I can. I can. Thank you.

2 MR. GLASS: So, to purchase lottery tickets, a lottery player enters
3 his or her information, so we enter the information. The information
4 includes types and numbers of the lottery tickets to be purchased by the
5 lottery player.

6 The lottery agent receives the player ticket information through the
7 electronic network and verifies the player. For example, is the player 18
8 years old? The lottery agent stores the information, no sale has occurred yet,
9 and transmits the ticket information to the state. The state --

10 JUDGE GERSTENBLITH: The ticket information includes the
11 numbers?

12 MR. GLASS: Correct.

13 JUDGE GERSTENBLITH: Okay.

14 MR. GLASS: And there's no dispute on that because remember, in
15 Yacenda, the user selects, puts in their player information and it gets sent to
16 the state. The state lottery administrator then issues serial numbers to be
17 associated with the ticket information after confirming purchase of the state
18 lottery tickets.

19 So, the numbers are associated with the ticket prior to the sale. So,
20 after it's confirmed that the tickets were sold, the issued serial numbers, each
21 of which is unique, are transmitted to the lottery agent. This is why I
22 ellipsed this because there's a lot to it.

23 After receiving the serial numbers, the lottery agent transmits the
24 player terminal lottery game data, including the image, and this is where, for
25 the first time, that we get that virtual ticket, the image data of the lottery
26 tickets, and at the same time, the lottery agent debits the player's account for

1 the purchase. So, even after the, so after those lottery numbers are
2 associated with that ticket, that's when the ticket is first shown to the user.

3 JUDGE GERSTENBLITH: Got it. Thank you. Thank you.

4 MR. GLASS: Okay.

5 JUDGE PESLAK: Counsel, this is Judge Peslak. I have just, I have a
6 quick question. Where -- did you argue in the reply that Patent Owner's
7 construction does not require an actual physical ticket? I understood you
8 started this with saying their construction, you know, doesn't require a
9 preprinted ticket. It's a virtual ticket. Do you argue that anywhere?

10 MR. GLASS: So, we started off with simply arguing that look, this
11 disclaimer, what it was all about -- so, the short answer is in those words, no,
12 because this really didn't come up until the sur-reply. We argue that the
13 disclaimer really was about a physical preprinted ticket and a virtual ticket.

14 They clarified and made it very clear that their construction is not
15 about that, and we looked back at their construction in context of their sur-
16 reply, and it's very clear that they are not requiring a preprinted ticket with
17 their construction, and it's on the face of their construction. It simply
18 requires a ticket.

19 JUDGE PESLAK: Okay, I understand. Go ahead.

20 MR. GLASS: I'm running into, I think I'm already running into my
21 rebuttal, but I do want to make one other point. We did cite to the double
22 patenting rejection that is in our petition. So, what's important here -- and
23 this is contemporaneous with the time of the, roughly contemporaneous.
24 The same examiner that examined the 135 patent was also examining the
25 849 patent. It was also the same attorney that was prosecuting it.

1 And during the prosecution -- this is Exhibit 1033 at page 187. I'll
2 make this a little bit bigger. We cited to the double patenting rejection. The
3 examiner issued a double patenting rejection and was very specific about his
4 rejection. We've all seen these types of rejections. Typically, they just say,
5 you know, you're not patently distinct. Go file a terminal disclaimer.

6 The examiner went further here, and again, the same examiner that
7 considered that alleged disclaimer said although -- I'm reading from here.
8 Although the claims are not identical, they are not patently distinct from
9 each other because the current application substantially claims the claim
10 limitations of the patent, that's the 135 patent, except for one missing
11 limitation. The current application fails to disclaim the scanning at a point
12 of sale, the terminal and preprinted lottery ticket.

13 He went on to make it very clear that he was talking about the
14 scanner. It would have been obvious for one with ordinary skill in the art at
15 the time of application to have included a scanner to scan the information.
16 So, why am I going through this? We look at a disclaimer through the eyes
17 of one of ordinary skill in the art.

18 I think it's particularly instructive that the very same examiner that
19 allowed the claims of the 135 patent that considered those statements, he
20 said the only difference between these claims is the scanner. He didn't say
21 there was a disclaimer. He didn't say that I'm using a different
22 interpretation of the claims. He said the only difference was the scanner.

23 In response to this rejection, and we pointed this out in our petition, in
24 our reply, the applicants filed a terminal disclaimer. They acquiesced to this
25 rejection. I would suggest -- and I'll make another point because I think I
26 am running out of time. Patent Owner criticizes us and says well, the child,

1 the activities of the child can't erase a clear disclaimer. That's not what I'm
2 arguing here.

3 What I'm suggesting is that there never was a disclaimer to begin
4 with, and that as evidence of that, we have contemporaneous actions of the
5 very people involved who obviously didn't interpret that to be a disclaimer.
6 If there was a disclaimer, the examiner surely would have said something
7 here.

8 I would also suggest that the prosecuting attorney, under his duty of
9 candor, probably should have said you know what, examiner, I'm also
10 reclaiming subject matter that we disclaimed in the 135 patent. So, this, I
11 think, is again evidence, and we pointed this out, that in the 849 patent, they
12 actually allowed claims directly drawn to preprinted lottery tickets that have
13 numbers associated with them prior to purchase.

14 JUDGE GERSTENBLITH: And what you would be saying is it's not
15 that nobody said it's a disclaimer. It's just that they were disclaiming
16 something else.

17 MR. GLASS: If it's a disclaimer or not, I would suggest that the
18 language in the prosecution history -- what happened here is I would suggest
19 that this was simply a clarification of what a preprinted lottery ticket is.
20 What they were getting at -- again, Yacenda was a virtual ticket.

21 What they were saying is look, it can't be preprinted. It can't be a
22 physical ticket printed ahead of time because you're allowing the user to
23 select their numbers at the cash register. Whether that rises to a disclaimer,
24 it really is of no moment here because it doesn't impact the prior art. It
25 doesn't impact our analysis. We provided disclosures based on Szrek alone,

1 and Szrek and the knowledge of ordinary skill in the art. It also doesn't
2 require any disclaimer of any embodiments, none.

3 So, if you look at this statement to simply be clarifying that what a
4 preprinted ticket isn't is one where you can select numbers ahead of time, all
5 of those issues disappear. It's not inconsistent with the child, it's not
6 inconsistent with the examiner's statement in the prosecution history, and
7 it's not inconsistent with any of the embodiments in the patent. There is no
8 embodiment that needs to be disclaimed.

9 I will point out just to be complete, in the Figure 9 embodiment, the
10 patent does say that by printing the lottery numbers on the face of the ticket,
11 this allows a user to select their numbers. That's entirely different than
12 what's happening here. It's what you said before, Your Honor. The user
13 can go up to the stand and look at the numbers and pick one sequence versus
14 another.

15 It doesn't change the fact that the ticket is still preprinted. It's totally
16 different than Yacenda because Yacenda allows you to pick from, I think
17 one of my associates did the math, it's like 14 million or 20 million different
18 numbers. That was the distinction.

19 So, I'll close with the last point that if we focus on this statement,
20 which I think is clear and unambiguous, there's no inconsistencies. There's
21 no disavowal. There's no dedication to the public. The statement is
22 consistent with the spec, with every piece of evidence that I've cited to.

23 JUDGE GERSTENBLITH: Let me ask you one more thing, and we
24 will give back some time because we asked a lot, and I say we, but I mean
25 me. I want to ask you about the product information thing just for a quick
26 second. If we don't accept the claim construction for a preprinted ticket,

1 lottery ticket, then that argument by Patent Owner falls apart because that's -
2 - excluding the wager information part of their argument is based on that
3 construction, and so if that construction for preprinted, if we take the plain
4 and ordinary meaning of that, then that falls out just based on that alone.

5 MR. GLASS: Correct.

6 JUDGE GERSTENBLITH: Okay.

7 MR. GLASS: Your Honors, how much time do I have left?

8 JUDGE GERSTENBLITH: If you want to take -- so technically
9 speaking, you started at 10:07, so you have seven minutes of the hour, but
10 we're going to give back ten minutes, so let's say you have 17 minutes total.
11 So, save some if you want --

12 MR. GLASS: Okay.

13 JUDGE GERSTENBLITH: -- but take it as you have 17 right now.
14 We're going to do the same for Patent Owner with ten minutes additional.

15 MR. GLASS: Okay, I'm very briefly then going to walk through just
16 the product information because I think this can be dispensed with fairly
17 quickly. Their product information construction has three requirements, one
18 that the product information has to identify a product, it has to be separate
19 and distinct from wager information, and third, the product information also
20 has to be separate and distinct from a unique identifier.

21 I'll start with the product information very quickly. The product
22 information they say has to identify a product, so that would obviously
23 exclude things that do not identify a product. In their POR -- like costs
24 would be excluded from product information because it doesn't identify a
25 product. We can ignore that limitation because in their own POR, in their
26 own statements in the POR, they say exactly the opposite.

1 This is at page 26 through 27. The lottery tickets may include
2 purchase information such as cost. A POSITA would recognize these
3 informational elements as product information. So, there is an inconsistency
4 in their POR at page 26 through 27. They say product information has to
5 identify the product. Clearly, it doesn't.

6 On the second limitation, that the product has to be separate from
7 wager information, I'll get to *Kyocera* very briefly in a moment. Their
8 entire legal basis to argue that it has to be separate is based on *Kyocera*.
9 When you list claim elements separately under certain circumstances, those
10 elements will be deemed to be separate.

11 The claims don't mention wager information at all. Think of what
12 they're asking you to do. They're asking you to first rewrite the claims to
13 include a negative limitation on wager information, to rewrite it in a way so
14 that it's separate from the other two elements, and then conclude that it must
15 be separate and distinct.

16 I would suggest, as Your Honor pointed out, that this element has
17 nothing to do with product information. They have not cited a single case
18 where a disclaimer, alleged disclaimer on one term applied to another.
19 Regardless of how Your Honors rule on the preprinted ticket information, I
20 would suggest that has nothing to do with product information.

21 And on the last -- this is will be my last point. On the last point, they
22 say well, product information has to be different than unique identifier.
23 They cite the *Kyocera* case. In *Kyocera*, the Federal Circuit said look, you
24 have different embodiments, and the way the claims in that case were
25 drafted, it's very clear that those claims only covered the embodiments

1 where the elements were, in fact, separate and distinct, and there's nothing in
2 the spec that compels otherwise.

3 Here, we have the exact opposite. They really don't address this.
4 They just say these sections support them without explanation. The 135
5 patent expressly says barcode information will contain the ticket identifier
6 and UPC. That's not separate and that's not distinct.

7 They don't really rebut this in their sur-reply. We have other
8 statements we cited to in column three. I think their argument now is more
9 that well, it's different parts of the same barcode, but that's still, that's not
10 separate and distinct. The specification describes them completely as
11 unitary.

12 Your Honor, I don't have -- unless you have any questions on our
13 application, I would just make one suggestion, that even under their
14 construction, our Llach and Szrek combination expressly discloses product
15 information. Because as we framed it, we've taken -- we started with Llach,
16 which is a gift card embodiment, a gift card patent, and we've combined it
17 with Szrek, which is a lotto patent, and we've said well, when one of
18 ordinary skill in the art combines them, they would naturally scan in the
19 entire barcode so that Llach system could distinguish between gift cards and
20 lotto cards. They don't combat that.

21 They say well, they recast our combination, and they say well, that
22 wouldn't happen because there's no motivation to send the entire barcode.
23 Again, they're ignoring our combination. So, I would suggest that even
24 under their construction, that our Llach and Szrek combination from the
25 petition expressly discloses product information. And on that, Your Honors,
26 unless there are any questions, I'll cede --

1 JUDGE GERSTENBLITH: I have one last thing. On the motion to
2 exclude, you don't really care if Exhibit 2045 is in the case, right?

3 MR. GLASS: We don't, Your Honor.

4 JUDGE GERSTENBLITH: Let's be honest.

5 MR. GLASS: We'll leave it to your discretion. I would --

6 JUDGE GERSTENBLITH: So, can you withdraw the motion?

7 MR. GLASS: We'll withdraw the motion.

8 JUDGE GERSTENBLITH: Okay, thank you very much. I appreciate
9 the argument. It is 11:05. We're going to take a five-minute recess. Please
10 do not disconnect. You can go on mute. You can stop your camera if you
11 would like. We are going to connect back at 11:10 a.m. Eastern Time. See
12 you all in a couple minutes.

13 MR. GLASS: Thank you, Your Honor.

14 (Whereupon, the above-entitled matter went off the record at 11:05
15 a.m. and resumed at 11:10 a.m.)

16 COURT REPORTER: On the record.

17 JUDGE GERSTENBLITH: Okay, Mr. Glass, are you still with us?

18 (Long pause.)

19 JUDGE GERSTENBLITH: Hopefully everybody can hear me, but
20 I'm looking for, Petitioner's video is not on so I just want to make sure
21 somebody is there before we get started with Patent Owner's argument, that
22 would be great.

23 MR. GLASS: I am here, Your Honor.

24 JUDGE GERSTENBLITH: Okay, great. Thank you. Okay, turning
25 it over, Mr. Hails. It's 11:10, you have 70 minutes. Don't feel compelled to

1 use all of it, but let me know if you'd like to reserve some time for rebuttal
2 and I will make a note of that.

3 MR. HAILS: I will. I'd like to stop at the 50-minute mark, so reserve
4 20 minutes.

5 JUDGE GERSTENBLITH: That will be great.

6 MR. HAILS: But again, it will probably be dictated by the ebb and
7 flow of questioning.

8 JUDGE GERSTENBLITH: Sounds good. You can start whenever
9 you're ready.

10 MR. HAILS: Okay. So, Your Honor, I do have a spiel prepared but
11 I'm happy, you said you wanted to just kind of talk things over and fire off
12 questions.

13 JUDGE GERSTENBLITH: Yes. And I will say that I would, my
14 strong preference is that you take us through a similar sequence to what I did
15 with Petitioner. With starting with the patent, explain to me how it
16 contemplates the numbers being associated, the timing, discussion of the
17 embodiments and, you know, and sort of go through a similar sequence.
18 And if you agree with what Petitioner said you can just say you agree. If
19 there is something that you disagree with, you know, then it would be good
20 to note that.

21 MR. HAILS: Okay. I don't have their presentation committed to
22 memory but I'll do everything that I can. Give me one second.

23 All right. So I'm going to describe the spec in the context of the
24 figures because I think it's probably the easiest thing to digest. And we'll
25 start with Figure 1 actually of the 135 patent.

1 So this is an embodiment where you have a lottery ticket that has no
2 lottery numbers associated with it. You can see that on the left-hand side of
3 this figure. In this particular embodiment, when you purchase it there's
4 communication to the backend that assigns lottery numbers to that ticket and
5 prints the lottery numbers on a receipt. And you can see that on the left-
6 hand side.

7 So these, I'm going to zoom in on them. You get, and it's pretty
8 grainy. But you get a draw date in this field 120 of January, let's say 3, I
9 don't know, 2214, and you have a variety of lottery numbers. And those are
10 the draw and wager information that's assigned by the computer on the back
11 end in these embodiments.

12 JUDGE GERSTENBLITH: So let me ask you a question about that.
13 When you say assign, are they already linked in some way? In other words,
14 the barcode associated with numbers or is it done at the time, it's just like a
15 quick pick, you just, it gets the thing, hey, I want to buy a ticket and it just
16 scrambles and gives you random numbers?

17 MR. HAILS: I think it's done at the time, you said quick pick, I think
18 that's right. I'm not sure the patent uses that terminology. Let's look at
19 Figure 3.

20 JUDGE GERSTENBLITH: Yes, I don't think it does. I, just in mine
21 --

22 MR. HAILS: All right. So I'm doing my best to answer you but also
23 be faithful to the spec. And so here is sort of the purchase flow in Figure 3
24 that shows an embodiment where you have just the POS terminal 202 and a
25 lottery system. You remember there are other embodiments with the
26 transaction processor, but for right now we're focusing on Figure 3.

1 You'll see they, we take issue with their description of purchase
2 because the whole gist of this thing is that, well the disclosure says, you're
3 going to pick up one of these tickets. Either the Figure 1 or the Figure 9
4 embodiment alluded to, you put them in your shopping cart and then you
5 will purchase them at a POS terminal.

6 And this process happens during purchase. That in this Step 302 you
7 scan the preprinted lottery ticket, information is communicated back to the
8 lottery system 220, and it's determining the draw information sort of in the
9 Step 306. This arrow that comes back.

10 And so it's, I don't think it's disclosed as, I can't swear to this, but I
11 don't think it's disclosed as we knew the serial numbers already, we decided
12 them sometime back in the history of the ticket's lifecycle what the numbers
13 would be. I do think it's determined dynamically in response to the
14 purchase transaction being initiated. And so that's disclosed in this Figure 3.

15 If you go to Figure 4, you see that the scan happens, you know, the
16 communication interchanges a little bit different. In this particular figure
17 you receive payment as well, and then the POS terminal will communicate
18 back to the lottery system and there will be a determination made of what
19 the draw information is. And you'll send stuff back.

20 Again, this is, Figure 4 is a, let's say a two-party system. Just the
21 POS terminal and the lottery system. Figure 5 is yet another one where you
22 have a scan. In Step 506 of Figure 5 there is a determination of draw
23 information. And that draw information is cached by the device before
24 payment comes in at the POS terminal.

25 And so this, Figures 3, 4, and 5 are all these two-party systems. If you
26 switch ahead to Figure 7 the apparatus of the three-party system is shown in

1 Figure 6. But if you flip ahead to Figure 7, and I think 8, you'll see that this
2 is a three-party system now where you have a third-party processor in the
3 middle but you also see, I'm on Figure 8 right now, that there is a
4 determination of draw information in Step 814.

5 In Figure 7 the determination is done at 708. And so it's done, done
6 dynamically I guess is the best way I can characterize it.

7 There's this issue that's coming from the other side about, oh, when
8 we, obviously we viewed the prosecution history as providing a disclaimer
9 with respect to these claims in the 135 patent. And when that statement in
10 the prosecution history refers to purchase, oh, we're going to interpret the
11 word purchase, in our view, in a very contrived way. You have an expert
12 that says, oh, when I see the word purchase I equate it with payment.

13 And that's not the way the specification describes it. A purchase, I'm
14 going to flip ahead. This is column 4. The text at lines 18, and there's
15 another excerpt at line 30.

16 During the checkout process the ticket is scanned, as the retailer
17 would scan any other product being purchased, right? This indicates that the
18 purchase is underway when the scan happens.

19 And then when you go to line 30 you also see that when they're, in
20 this particular instance they're talking about you receive information for
21 activating them. The lottery system can initiate a wager by validating the
22 ticket details and generating an appropriate number of random draws. And
23 again, this is upon receiving information for activating a ticket being
24 purchased.

25 The specification describes the purchase as being underway. And so,
26 our view, obviously, is that when, we're talking about purchase. When

1 we're talking about how somebody is going to understand this disclaimer
2 and prosecution history we're talking about, not payment. We're not
3 equating it with payment the way that their expert has done and the way that
4 they're arguing, we are talking about sort of a more general process.

5 How did I do in terms of describing the patent? Those are the major
6 points I think I wanted to make from the specification.

7 JUDGE PESLAK: Counsel, this is --

8 JUDGE GERSTENBLITH: Sorry. Sorry. Oh, go ahead.

9 JUDGE PESLAK: I'm unsure what point you're making on customer
10 purchases as it relates to the disclaimer.

11 MR. HAILS: Okay. Let me go through that. So let's flip to, this is
12 Exhibit 1002. This is the excerpt from prosecution, page 76.

13 JUDGE GERSTENBLITH: Can I pause you for one second?

14 MR. HAILS: Yes.

15 JUDGE GERSTENBLITH: I apologize, Judge Peslak, before we go
16 to the disclaimer, I do want to hear the answer to this, but before we leave
17 the spec I did want to ask you, Mr. Hails, what about the language that
18 Petitioner pointed to in effectively every embodiment that says, unless, what
19 does it say. If the wager information is not already associated with the ticket
20 how does that, how does that factor into what you were showing in the
21 figures and when the draw information is determined?

22 MR. HAILS: Okay. I neglected, actually in my summary, to sum up
23 with Figure 9. And Figure 9 was, and I hope I'm answering your question.
24 And Figure 9 is a situation where the ticket does have lottery numbers
25 associated with it, right? You can see it right here. And so it's not a primary
26 embodiment disclosed in the specification but it absolutely is there.

1 And so these numbers will be associated with the ticket at the time of
2 printing. Which is different than the flows that we just went through Figures
3 3 through 5, and 7 and 8 because these are already done. And so this would
4 require an activation rather than an assignment of wager information the way
5 that it's disclosed in the patent.

6 Okay. And then --

7 JUDGE GERSTENBLITH: So I understand that, but the description
8 in the spec says this for the other figures not just 9. It has it for at least
9 Figure, you saw it, 3, 5, 7, 8. They all say if the wager information is not
10 already associated.

11 MR. HAILS: Oh, well --

12 JUDGE GERSTENBLITH: So they're not --

13 (Simultaneously speaking.)

14 JUDGE GERSTENBLITH: -- they're not talking about Figure 9
15 when they're talking about Figure 3, et cetera.

16 MR. HAILS: Actually, I think they may be. I think they're saying
17 you can determine draw information right here, right? I'm going to annotate
18 that step 306. But if it's already been, it's already been associated with it
19 then you would not have to determine the numbers.

20 JUDGE GERSTENBLITH: Okay.

21 MR. HAILS: And I think that that's consistent with the description in
22 Figure 9.

23 JUDGE GERSTENBLITH: Okay. So just in terms of taking this
24 down the rabbit hole for a second, before we go back to purchase --

25 MR. HAILS: Sure.

1 JUDGE GERSTENBLITH: -- you would then agree that the way, in
2 your argument about disclaimer, that would be disclaiming all of the options
3 for these other figures, meaning 3, 5, 7, et cetera, that have this other option
4 of the, if the wager information is not already associated. In other words,
5 that leaves open the possibility that the wager information would have
6 already been associated.

7 So your disclaimer would operate to negate that option. In other
8 words, the embodiment that would have it already associated for each of the
9 figures.

10 MR. HAILS: Right. I guess the disclosure, I guess the description of
11 the text that they had gone through I think, if not already associated, I think
12 brings in the Figure 9. Our issue is that --

13 JUDGE GERSTENBLITH: So was that a yes to my question?

14 MR. HAILS: I'm trying to, I guess I don't remember exactly the way
15 it was phrased so I'm --

16 JUDGE GERSTENBLITH: Okay. So I'll try again.

17 MR. HAILS: Sure.

18 JUDGE GERSTENBLITH: So what I understand the Figure 9 to be,
19 you're saying, you agreed in your briefing that Figure 9 would be tossed,
20 disclaimed, a disclaimer in other words, that embodiment in Figure 9 would
21 not be in play?

22 MR. HAILS: In play for the claims of the 135 patent? That's right.

23 JUDGE GERSTENBLITH: Correct. Correct. And so, as, and so
24 maybe I'm just, maybe I'm saying this the wrong way, but as that Figure 9
25 embodiment would somehow be encompassed within the Figure 3 or 5, 7, 8,
26 whichever ones have this exact language like, you know, that Figure 3 has at

1 the top of column 7, lines 1 to 3 it says, if the wager information is not
2 already associated. So by disclaiming Figure 9 you are, in effect,
3 disclaiming part of each of the embodiments that are shown in terms of the
4 process.

5 MR. HAILS: I think generally yes. Let me --

6 JUDGE GERSTENBLITH: Okay.

7 MR. HAILS: -- make sure I understand it correct -- and again, this is
8 the Figure 3 discussion. Thanks for pointing this out.

9 So this is the Figure 3 discussion that I guess starts at the bottom of
10 column 6. And it goes over and it talks about performing the draw and
11 wager information. And that's right. So if it's a ticket where there is, like in
12 Figure 1 where there is no lottery numbers already assigned, it's got to come
13 up with wager information. And that's the operation of this 306 step.

14 And then if the wager, but in the Figure 9 embodiment the wager
15 information, the lottery numbers are already associated with that ticket so it
16 need not perform this 306. I think that's correct.

17 JUDGE GERSTENBLITH: Okay, thank you. Thank you. If you
18 wanted to say anything else in response to what I just asked you can,
19 otherwise I would like to go back to Judge Peslak's question about how the,
20 and tell me if I got this wrong, Judge Peslak, but I think you were saying,
21 how does this concept of a purchase being a process tie into the language of
22 the disclaimer?

23 JUDGE PESLAK: That's correct.

24 JUDGE GERSTENBLITH: Is that right?

25 JUDGE PESLAK: Yes.

1 MR. HAILS: Okay. So let's go through that. Great. So again, we
2 were on, this is Exhibit 1002 at the bottom of page 76. And the statement
3 that the instant claims require a pre-printed lottery ticket with no lottery
4 numbers associated with it at the time of customer of purchase.

5 So you see this reference here in this statement from prosecution
6 history, it's referring to the time of customer purchase. And one of the, and
7 so this argument from the other side that we are disclaiming everything that
8 was in, that's disclosed in the patent is, in our view, a little contrive. It's
9 wrong.

10 And it's because they say, and I don't have the slide committed to
11 memory so give me one second.

12 JUDGE GERSTENBLITH: You can also display their slides if you
13 have it.

14 MR. HAILS: I do have it. Yes. It's going to take me 20 minutes to
15 go through --

16 JUDGE GERSTENBLITH: Yes, no problem.

17 MR. HAILS: Let me see if I can say search. Okay. That's not even
18 going to work. All right. So it's in their disclaimer stuff. I think it's slide
19 28.

20 MR. GLASS: At the risk of hijacking the presentation I think you
21 might be looking for slide 23.

22 MR. HAILS: Yes. It's the one that refers, here we go. It is slide 34
23 of their presentation.

24 The one that says, oh, we're getting rid of all of the embodiments
25 because all the embodiments generate lottery numbers before the time of

1 purchase. And then they start citing to things in our spec that talks about
2 payment as if purchase and payment are identical.

3 That's the point we're trying to make, they are not identical. And if
4 you read our specification, when they're talking about the time of purchase
5 they're talking about the time where the consumer has grabbed the ticket
6 from wherever it's grabbed it and has walked up to the POS terminal and is
7 now purchasing it, right?

8 And that is a multi-step process. It involves the scan of the ticket, it
9 involves the payment. The payment is a piece, absolutely. And so that's
10 why I was focusing on sort of the left-hand side of those figures, 3, 4, 5, et
11 cetera, because that is a purchase process. And they are --

12 JUDGE PESLAK: Counsel --

13 MR. HAILS: -- we think they're wrong by equating these two
14 concepts.

15 JUDGE PESLAK: Counsel, maybe if you could, what you're saying
16 begs the question. If you look at Figure 3 then, what is the end of the time
17 of purchase?

18 MR. HAILS: I don't think you need to decide that. I'm happy to
19 answer that but I don't think you need to decide that because we're talking
20 about something having nothing at the time, right, when it starts. We're
21 talking about where are the lottery numbers associated with it when we're
22 starting the purchase. At the time of purchase.

23 So I'll, I do think that this is a, I mean, payment I think certainly is a
24 purchase step. And printing information on the receipt is a purchase step. I
25 confess, I don't remember exactly how the specification describes whether it
26 gives a termination step expressly in the specification or not.

1 But for our purposes we care about, does it have lottery numbers
2 associated with it at the time of purchase? And again, at the end of these
3 transactions all of these embodiments have lottery numbers associated with
4 them because either they were on the ticket already when you're doing
5 Figure 9 or they were assigned by the backend system in the figure 1
6 embodiment. But by the end of the purchase everybody has successfully
7 bought one, everybody successfully has lottery numbers associated with it.
8 Might be on the receipt, might be on the ticket itself but you have them.

9 JUDGE GERSTENBLITH: But let me ask you a question on this.
10 And I think --

11 MR. HAILS: Sure.

12 JUDGE GERSTENBLITH: -- Judge Peslak was saying is a very
13 interesting point. So if purchase is a process which covers from, I guess you
14 were saying when you first pick a ticket or something off the shelf, and we
15 don't really know when it ends but at least at a minimum it goes through the
16 payment, then at the time of purchase would then cover any time during that
17 entire process, why would that have to mean at the beginning of purchase?

18 There is nothing that says beginning it just says at the time of
19 purchase. So if purchase can last for ten minutes, at any time during that
20 you're saying there's no lottery numbers, but clearly that can't be right
21 because you're going to have lottery numbers associated in every
22 embodiment.

23 So I think you have a problem with the concept that purchase is an
24 indefinite period of time, right? I walk up to the shelf, I take it off, I can
25 walk through the whole store, it could be two hours. At the time of
26 purchase, that's the whole time of that process, at any moment in that time I

1 have no lottery numbers, that clearly can't be correct because the figures all
2 show that they're either assigned ahead or they're going to be assigned at
3 some point during that process. So --

4 MR. HAILS: I understand the point. I guess, I think that's the
5 importance of this statement. I think that they understand, again, we're
6 reading this statement also in the context of the patent. And the goal is to
7 either, we have one, let's see.

8 When backing up the statement or giving context to the statement, the
9 specification explains that they don't have initially a draw date or a wager
10 assigned to them. And then during the checkout process one is assigned.
11 And so I think that this is something that people will understand,
12 notwithstanding the ambiguity, ambiguities that you are citing, right? And
13 in fact --

14 JUDGE GERSTENBLITH: Well --

15 MR. HAILS: -- this is the exact same statement that we --

16 JUDGE GERSTENBLITH: Well I don't know that I'm citing it. I'm
17 just saying, you know, when it says being purchased, you know, one can
18 say, okay, I have an intention of purchasing. In other words, I am starting
19 the process but I don't actually purchase the thing until there is a sale
20 transaction, right?

21 You wouldn't say that you walked into Target and you walked up to
22 the counter and you started the transaction, right, then you realized, oh
23 shoot, I don't have my Target credit card so I'm going to come back later
24 and buy this thing, and you walk away.

25 MR. HAILS: Yes.

1 JUDGE GERSTENBLITH: I don't think anybody is going to say that
2 you purchased that item.

3 MR. HAILS: But I do think it's at time of purchase. I think it's a
4 purchase transaction that is started and aborted.

5 JUDGE GERSTENBLITH: How is it at the time of purchase if
6 purchase never happens? Meaning payment. Sealing the deal.

7 MR. HAILS: I think there is, even a point about, again, I think that --

8 JUDGE GERSTENBLITH: Doesn't the word purchase imply that at
9 some point there is a payment?

10 MR. HAILS: For a successful purchase. One that completes entirely.

11 JUDGE GERSTENBLITH: Yes, but where does this patent talk
12 about successful and unsuccessful purchases?

13 That's not the content talked about. It's assumed that there is going to
14 be a payment done. In other words, you can't have a purchase with no
15 payment.

16 It's okay, I know this is a tough question. You can --

17 MR. HAILS: I think --

18 JUDGE GERSTENBLITH: You can --

19 MR. HAILS: I think --

20 (Simultaneously speaking.)

21 JUDGE GERSTENBLITH: -- agree.

22 MR. HAILS: Yes, I think it indicates that it would. I think that's the
23 conventional process, right? But I have a conventional understanding.

24 But again, we're reading this statement. A statement saying that they
25 require a lottery ticket which has no lottery numbers associated with it at the
26 time of purchase. And we're going on and we're talking about tickets that

1 don't have draw dates or wagers associated with them, and then they are,
2 right? Then they are a generated one.

3 And so when we are explaining this statement in the prosecution
4 history to the world we're leveraging these statements and we are explaining
5 that. We're giving context for this statement on page 76 with the excerpts
6 that we've taken from page 77 of the file history.

7 And one certainly can like, you know, call out --

8 JUDGE BROWNE: So, this is Judge Browne. It sounds to me like
9 what you're saying is that time of purchase actually ends with payment
10 rather than that it encompasses payment, is that your position?

11 MR. HAILS: I think that this statement and this description in the
12 patent is calling forth a situation, is distinguishing between the Figure 1 and
13 Figure 9 embodiments. Ones that do have lottery numbers associated with a
14 ticket at the time the purchase transaction starts and those that don't.

15 I don't think that determination matters. I'm sure we can call out all
16 sorts of aberrant use cases where a purchase isn't completed. But the ones
17 that are described in the specification, I think that those clearly call for the
18 Figure 1 embodiment and shows that that's what's meant.

19 JUDGE GERSTENBLITH: Okay, thank you.

20 MR. HAILS: Okay. There was a question that was asked of
21 Petitioner, what should we have, should we have done anything differently
22 in the PGR?

23 The, let me make sure I, again, let me use their slides. Okay, 27.
24 Let's go to their slides. Prosecution is, sorry, these prosecution disclaimers.

25 The case law is clear that there's a presumption that it will carry forth
26 from a parent patent to a later-filed patent. But it's not robotically applied.

1 There are other doctrines that can compel a contrary, a contrary
2 construction. And the circumstances of this 894 patent present one of those
3 things.

4 If we had walked into you, imagine if we had walked into you and
5 said, oh, lottery numbers have to be associated with, cannot be associated
6 with a frequented lottery ticket at the time of purchase you would have
7 laughed at us because this claim 21, you know, by claim differentiation
8 prevents us from making that argument.

9 So as the term preprinted lottery ticket appears in this 894 patent it has
10 a different construction than as it appears in this 135 patent due to the
11 disclaimer, and due to the fact that the presumption the disclaimer will apply
12 can be overruled by other compelling doctrines. And this is an example of
13 one.

14 You were never asked to consider this issue, you're absolutely right.
15 It's brand-new territory. And because these terms have a different
16 construction it starts with that the decision making in the prior PGR is of no
17 moment. Right? This is virgin territory and this is something you've never
18 considered. And this is something that needs to be considered for the 135
19 patent. Could not be considered for the 894.

20 Okay. I have a lot of stuff on, I took a lot of notes on like the Gilmore
21 issue. When Petitioner was going through things. I think it's pretty clear
22 that that's a completely new invalidity theory. You were absolutely correct
23 that it's not mentioned in any of the validity grounds. There is a
24 modification that they're proposing to be made where they are actually
25 taking away this bet combination data from the ticket because it's now being
26 put into a cash register.

1 And that's contrary to what they were suggesting in the pleadings. I'd
2 like to make sure that that's clear.

3 I'm going to flip to the pleading at Slide 22. This is their petition.
4 When they were analyzing the scanning operation and they said, oh, there
5 needs to be scanning of product information from the preprinted ticket, they
6 relied on the fact that Szrek discloses that part of the ticket identifier
7 includes the bet combination. They relied on that fact in their pleading to
8 say, this is an example of product information.

9 And when they were talking about it being transmitted, this is Element
10 1A in Ground 1, when they were talking about transmitting the product
11 information, again, they were all, so this is Page 25 of their petition, they
12 were also relying on the fact that the bet combination is on the ticket. And
13 now they're saying, no, no, no. Now they're saying, we're going to modify
14 Szrek based upon this allegedly well-known thing, according to Gilmore, to
15 do all these kind of things.

16 And that's a reversal of this stuff. They're now walking away from
17 elements that they've identified in their petition. And we agree with you,
18 that it's improper to be talking about that stuff now.

19 JUDGE GERSTENBLITH: What about the notion that Szrek has
20 embodiments that don't require the ticket, the wager information to already
21 be associated?

22 MR. HAILS: I think you need to read this document from the
23 perspective of someone of skill in the art. Saying, using a word, permissive
24 language like may or could, or something like that, and saying, hey, my
25 invention can use X, I don't think that discloses to somebody of skill that not
26 X is also part of their invention or discloses not X as part of something that

1 the person of ordinary skill in the art would understand. I think the person
2 of ordinary skill in the art would think that X is not essential to their
3 disclosure, but I think it means that you're going to now flip the disclosure
4 on its head and read it for things that it is not.

5 Maybe that makes sense to go through Szrek at a high level just to
6 make sure we're on the same page. I'll flip to, move over to Slide 4 of our
7 demonstratives. This just shows an example, the preprinted ticket that's
8 disclosed in Szrek, it's on the left-hand side, that's Figure 3 although the
9 caption isn't there. And then we also show Figure 1 here.

10 The bet data is the lottery numbers. The expert agrees with that.
11 Their expert said so. We asked how many of these things are on the
12 preprinted ticket. Their expert said that all of them are preprinted on the
13 ticket. If you read Exhibit 2044, these excerpts are at page 11 and page 6 of
14 the transcript.

15 We walked them through all of the different ways that a preprinted
16 ticket can get to a store as disclosed in this Figure 1. There are three
17 different venues. One is a commercial printer, this lottery terminal 120, and
18 also a self-service terminal or something he calls, Szrek calls a kiosk. You
19 can see that the preprinted tickets are in purple in the store.

20 We asked how does this system work? He said that the commercial
21 printer is obviously something that's printing tickets in volume. It will print
22 tickets according to the specifications that are provided by the game provider
23 system, and that that includes the lottery numbers that are going to be on the
24 ticket. So it's absolutely clear that at the time they are generated, well long
25 before the time they are purchased, they possess lottery numbers.

1 Same thing with the lottery terminal and the kiosk. They are printed
2 ahead of time when consumers are at these terminals. One difference
3 between the three implementations is that when you're a commercial printer
4 everything is printed ahead of time. So Your Honor used the term quick
5 pick, and that is sort of a nickname for computer generated numbers that a
6 player cannot control. And all of the tickets that are coming from the
7 commercial printer are quick pick tickets. They bear the lottery numbers as
8 they are printed.

9 The, at the lottery terminal or the kiosk, that gives you the opportunity
10 to select tickets as a consumer if you want. It also gives, obviously you can
11 ask the computer to generate the numbers for you.

12 So when in prosecution Patent Owner distinguished Yacenda because
13 it has, it gives players the opportunity to select the numbers it wants to play.
14 That's exactly what the lottery terminal and the kiosk do. Szrek suffers
15 from the exact same flaw that Yacenda has and is distinguishable under the
16 exact same basis.

17 It's very clear that in Szrek, once you get your ticket as a consumer,
18 whether you grab it off the shelf because it was preprinted by a commercial
19 printer or whether you've worked at any of these other machines, Number
20 120 or 130, you bring the preprinted ticket to a cash register and that's when
21 it's scanned. And that's when all the transactions happen to activate it. And
22 it's very clear that it has the number.

23 Again, the petition relies on the fact that it has the number to make
24 certain of its invalidity challenges. And so there is no, I mean, we agree,
25 Petitioner agrees, Petitioner's expert agrees, and our expert agrees, this is
26 exactly the way that Szrek works.

1 I should point out that our own expert never was deposed in this
2 proceeding. His opinions are uncontroverted. It's Exhibit 2038. He gives a
3 completely thorough and well-reasoned explanation of his analysis, of the
4 way Szrek works and how it compares to the claims. And I would
5 encourage you to give it substantial weight in your analysis.

6 And again, in the reply they've come up with new invalidity grounds.
7 They talked about the *Ariosa* case and others. I don't think there is a single
8 case that stands for the proposition that you're allowed to change your
9 invalidity theories and come up with something new and reverse yourself in
10 the way that's being done here in response to a claim construction issue.
11 You can certainly present evidence and say we were right the first time, but
12 that's different than coming up and saying, oh, we got a new modification of
13 Szrek or we're going to do other things.

14 The Gilmore thing is an example. In their demonstratives they, it's in
15 the 40s, hold on please. Let's see if I can go over so we can all see it. Slide
16 46. This is a new opinion provided by their expert in reply. In his opinion it
17 would have been obvious to incorporate the generation of tickets into
18 systems of Szrek whether to generate the tickets at the cash register or the
19 central provider.

20 So in the petition they say, you know what, these tickets already have
21 the lottery numbers on them, but now we say, oh now we're going to modify
22 Szrek and now we're going to put this functionality at the cash register or
23 the center game provider. It's obviously the new invalidity theory. It was
24 never presented anywhere.

25 And even the other one, where they're going to the other embodiment,
26 there's a, give me a sec please. In the reply, this is now Petitioner's reply at

1 page 24 they're saying, yes, the commercial printer can work with the game
2 provider to generate numbers according to a number generating algorithm.
3 But there is also another embodiment where it just issues a preprocessing
4 request for a ticket with no indication that the lottery number is included in
5 the ticket identifier.

6 You won't see that in the petition. Again, the petition is telling you
7 that the bet combination is on the ticket because in part of the scanning step
8 it is pulling it off of the ticket so that it can transmit it to the lottery
9 administration system.

10 And that is, this is completely new. Now we're putting this
11 functionality not in any of those three boxes that I had outlined in yellow,
12 we're putting it in the blue cash register box in slide 4 of our demonstratives.

13 This is, this theory is not only new and improper it's wrong. And how
14 do we know it's wrong, because their expert tells us it's wrong.

15 If we go to Szrek at column 7 starting at line 12 or 13, it talks about
16 the two ways that a game provider and a commercial printer, the one that
17 builds them you know prints them a million at a time, how they can interact.
18 First there can be a processing request for a preprinted ticket or second, it
19 can agree with the commercial printer on the way that numbers are going to
20 be assigned to the ticket and how they're going to be assigned to the ticket
21 identifier, right?

22 So everybody can work according to a common protocol and maybe
23 we don't need to exchange data. That's this latter description in this excerpt
24 down column 7.

25 The first thing, and the new thing that they're pointing to is this
26 processing request that a game provider sends to the commercial printer.

1 But we asked their expert how this works. And on, this is, now I'm flipping
2 to Exhibit 2044 at page 26. How does, you know, what's a series of boxes
3 that goes to the commercial printer?

4 Well, the game provider system provides details of the games that it
5 wants. And he rattles off of a whole bunch of characteristics of a ticket that
6 can go into the games that the game provider is instructing the commercial
7 printer to print. And he says, those are then sent by the game provider
8 system basically saying, here, print me a million of these tickets with these
9 characteristics. And of course the commercial printer prints a million tickets
10 with these characteristics. Again, page 26 of Exhibit 24... 2044, excuse me.

11 Then on page 36 we went back and we asked him, so when the
12 commercial printer generates a preprinted ticket, is that an example of
13 computer selected numbers for a ticket, right? The quick pick numbers. The
14 lottery numbers. And Mr. Hutton said it could be. The commercial printer
15 most likely would not be the one generating the numbers. Who would
16 generate the numbers, it's the game provider system, when it orders the
17 tickets from the commercial printer.

18 So when you, a person of, when you're reading this passage from
19 Szrek talking about the processing risk, it's this, right? The game provider is
20 telling the commercial printer, I want a million of these tickets and here are
21 the lottery numbers I want on them. Their theory that there is this alternate
22 embodiment in Szrek where there are no lottery numbers associated with the
23 time to purchase is just dead wrong.

24 JUDGE GERSTENBLITH: Counsel, let me ask you one question
25 about product --

26 MR. HAILS: Sure.

1 JUDGE GERSTENBLITH: -- just to make sure I got your position
2 down. If we do not find a disclaimer in the way that you've proposed it, am
3 I correct that your argument that Szrek does not disclose transmitting
4 product information falls out because the wager information would be fine to
5 have there?

6 MR. HAILS: We do think --

7 JUDGE GERSTENBLITH: In other words --

8 MR. HAILS: We do think that product information is stuff that's
9 going to identify the ticket. So we do have to deal with that issue.

10 We do think, but it is --

11 JUDGE GERSTENBLITH: Well, in other words, what I understood
12 about your argument in construction of product information was that it had
13 to, it had to exclude, it had to be distinct from wager information because of
14 the claim construction of preprinted lottery ticket.

15 MR. HAILS: That's correct.

16 JUDGE GERSTENBLITH: And so --

17 MR. HAILS: That's correct.

18 JUDGE GERSTENBLITH: And so --

19 MR. HAILS: If that goes away, if that goes away it gets harder. Let's
20 make sure that we remember how they're talking about transmitting, it's not
21 this one. It's transmitting --

22 JUDGE GERSTENBLITH: Well I don't even know if I would say
23 harder, I would say you don't have the full scope of your argument left
24 because it would be transmitting the wager information which could be read
25 to mean product information. You don't have an argument beyond the claim

1 construction that product information is not wager, does not include wager
2 information, right?

3 MR. HAILS: Let me go back to the claim construction.

4 JUDGE GERSTENBLITH: Sure. I think, I don't know if I said that
5 as clearly as I could have so I apologize for that.

6 MR. HAILS: No worries.

7 JUDGE GERSTENBLITH: What I mean is, the only way wager
8 information would not be considered product information is if the preprinted
9 ticket were construed according to your position on the disclaimer. They
10 dovetail together.

11 MR. HAILS: And one reinforces the other. Again, we do have this
12 construction that's got to identify the ticket. I don't know that I agree that
13 the bet information per se, sorry. Yes. It identifies the product. I don't
14 know that it per se identifies the product. And so you would have to
15 encounter, you would have to address that issue as well.

16 But the flipside is definitely right. If you agree with our disclaimer
17 then it's knocked out. Let me make sure, I'd like to just remind everybody
18 how it's argued in the pleadings. This is page 25 of their pleadings. The
19 transmitting product information step refers to two things. One of it is the
20 bet combination, and that's the one we've already discussed, and then there's
21 another piece called the sequence counter.

22 And when, at the end of this paragraph it says, okay, transmitting
23 these elements is the product information. The product information in the
24 Szrek system is part of the ticket ID. Ordinarily, and that's something
25 maybe to make sure that we understand. Let's go to Szrek.

1 In the majority use cases the Szrek system already stores all
2 information about the tickets. They're preloaded. That's the way he, Szrek
3 describes them. And in Szrek it recognizes the ticket, and what ticket is
4 being activated from a unique ID that is provided.

5 So the ticket identifier, 330, which I'm going to highlight here on
6 slide 4 on the Figure 3 part, is transmitted to the game provider system. Our
7 expert goes in-depth, I can pull out the paragraphs for you momentarily, and
8 explains how this is going to work. Szrek says, it recognizes the ticket from
9 the ticket identifier that is communicated.

10 And in the majority of the case the lottery numbers are already on the,
11 already stored at the game provider system. The game provider knows all
12 about the lottery numbers.

13 There is the secondary use case where they're talking about a
14 sequence counter and embedding the bet combination into the ticket
15 identifier. So now this ticket identifier 330 that we see here on the left-hand
16 side, it's got two pieces. It's got the bet combination and it's got what they
17 call the sequence counter.

18 And so now it's not the ticket identifier that identifies the ticket it's
19 the sequence counter. And their expert went through that with us. This is
20 page 46 of Exhibit 2044.

21 The sequence counter is just what it sounds like. It's a counter, it
22 counts up. And the sequence counter is a serial number. So using a
23 sequence counter would allow you to assign a unique serial number to every
24 ticket that's printed on the kiosk. So if we go, if we go to the situation
25 where the bet combination and the sequence counter are transmitted to the

1 game provider, it's the sequence counter that, in this embodiment, that is the
2 unique ID and not the other one.

3 I should, I'd like to remind you that when they were talking about
4 product information that is scanned from the ticket, so now this is not stuff,
5 this is stuff that's scanned but we're not yet talking about is transmitted, they
6 talk about product type, they talk about lottery code, they talk about ticket
7 price or other data. They do talk about the bet combination, and they also
8 talk about the sequence counter.

9 And again, in our view, the stuff, the sequence counter is unique ID
10 stuff. I don't think it would be recognized as product information in large
11 part because our claims, again, say you got to scan two things and you have
12 to transmit two things. And if you, certainly if you're left with a sequence
13 counter you've scanned one thing that has one role in Szrek system and now
14 you're trying to align it up with two different concepts in our claim. We
15 think that's wrong.

16 The bet combination, it is about the product. I don't think it's a
17 product identifier. I don't think it, it's properly product information and
18 you'd have to decide that issue.

19 JUDGE GERSTENBLITH: Why do you say that your claim requires
20 scanning two things, where is that?

21 MR. HAILS: Sure. Under my demonstratives --

22 JUDGE GERSTENBLITH: I don't see that in the claims. I see
23 scanning to obtain two things --

24 MR. HAILS: Okay.

25 JUDGE GERSTENBLITH: -- but I don't see two scanning steps.

1 MR. HAILS: We think the scanning has to pull two things from the
2 ticket.

3 JUDGE GERSTENBLITH: I got you. But I think you said scanning
4 two things.

5 MR. HAILS: Oh, maybe I --

6 JUDGE GERSTENBLITH: And I just want it to be clear that --

7 MR. HAILS: -- it might have been a little too casual.

8 JUDGE GERSTENBLITH: Yes. I just want to be clear, it doesn't
9 require that you can, in your claim it encompasses you're scanning one
10 barcode that has those two types of information encompassed in that barcode
11 in some way,

12 MR. HAILS: Right. Our problem is that, like let's use the sequence
13 counter case. If you're using one piece of information that has one role in
14 Szrek system and only does one thing, it identifies a ticket like Mr. Hutton
15 tells us, then it's not both.

16 JUDGE GERSTENBLITH: I got you. So why would it be that in
17 Szrek, if we're allowed to consider the wager information, and the thing you
18 just said, why would the wager information not be product information and
19 the sequence counter, you know, the other stuff, be the unique?

20 And I think the answer is, it would be fine if we didn't have the
21 disclaimer. The only way you get out of that not happening is if we accept
22 the construction from the disclaimer.

23 MR. HAILS: Now --

24 JUDGE GERSTENBLITH: And I think that's all --

25 MR. HAILS: -- I'm hesitant to say only.

1 JUDGE GERSTENBLITH: Well I believe that's all you argued in the
2 brief.

3 MR. HAILS: I think we --

4 JUDGE GERSTENBLITH: I don't see anything else in the brief on
5 that.

6 MR. HAILS: I don't want to overstate our brief, I don't remember
7 exactly how we constructed --

8 JUDGE GERSTENBLITH: You can save it for when you come back
9 on rebuttal --

10 MR. HAILS: Sounds good.

11 JUDGE GERSTENBLITH: -- to tell me if I'm missing something.

12 MR. HAILS: Sure.

13 JUDGE GERSTENBLITH: I do want to ask you one other thing
14 before I let you off the hook here which is, Patent Owner filed a motion to
15 exclude. And in that motion to exclude you're looking to exclude Exhibits
16 1034 and 1035. Those are two, the children patents. I think you would
17 agree that that makes no sense to exclude those and that we can take judicial
18 notice of that any time --

19 MR. HAILS: We're happy, yes, we're happy to withdraw the motion
20 with respect to those two exhibits.

21 JUDGE GERSTENBLITH: Okay. So you agree to withdraw on
22 those two?

23 MR. HAILS: That's right.

24 JUDGE GERSTENBLITH: And what about 1036? You heard
25 Petitioner agree to withdraw its motion. And I believe that it was saying that
26 it was in response to 1036. 1036 is the interrogatory responses from the

1 Arizona State Court. Whether we think they're relevant or not, what's the
2 benefit to having, to exclude that? They happened, does it really matter?

3 MR. HAILS: I'm happy also to withdraw it with respect to those, the
4 interrogatory responses.

5 JUDGE GERSTENBLITH: Okay. So we agree on the record that
6 Patent Owner's motion to exclude is withdrawn as it applies to 1034, 1035
7 and 1036, is that right?

8 MR. HAILS: Yes.

9 JUDGE GERSTENBLITH: Okay, thank you very much.

10 MR. HAILS: I'd like to make sure that the Board is properly oriented
11 with respect to that issue though because it is, we think there's a lot of spin
12 going on between what's happening in that litigation and here, and I'd just
13 like to make sure I understand the basis.

14 JUDGE GERSTENBLITH: Yes. Mr. Hails, I'm going to let you say
15 what you want but just know that from my own personal perspective I don't
16 put much stock in what's happening in the other proceedings --

17 MR. HAILS: Okay.

18 JUDGE GERSTENBLITH: -- we're focused, on take what you said
19 in your paper as we are focused on this proceeding and that's our attention.
20 So go ahead. I'm not trying to stop you from saying what you want, just
21 know that I agree with you on that one.

22 MR. HAILS: Fantastic. So two seconds. The state quote action is a
23 contract action. The term intellectual property has a defined meaning. This
24 is an excerpt from our preliminary response on page 4. And it goes broader
25 than just patents. It has patents but also things that we have rights to apply
26 registration or protection to.

1 It's not the most artfully worded thing for this discussion, but it's
2 things that we can also apply to get protection for. And so if you go through
3 there, their discussion of what's happening in the litigation, they take issue
4 with us because a lot of the statements that they quote talk about what we
5 disclosed. And that's definitely relevant for the state court case.

6 What we disclose goes directly to what we're allowed to apply for
7 protection for. But there is no misrepresentation as to what is claimed.
8 What is claimed is definitely different, as you pointed out.

9 Patents 101, what's disclosed is different than what's claimed often
10 times in patents. And so I don't know that we need to spend a lot of time on
11 it, but I did want to make sure that we at least got our position on the record.
12 Thank you.

13 Okay. So what else is driving? What else can I, what other kind of
14 questions can I answer for you just to make sure that we're all looking from
15 the same piece of music?

16 JUDGE GERSTENBLITH: I appreciate that very much. I don't have
17 any other questions right now in the opening time. Do Judge Peslak or
18 Judge Browne, do you have any other questions right now?

19 JUDGE PESLAK: I don't.

20 MR. HAILS: Let me go through, I'm sorry, let me just go through my
21 handwritten notes of what happened during Petitioner's open.

22 Oh, there is one thing about how we're ignoring things that are going
23 on in Szrek and Llach. I would ask you, when you consider these issues to
24 consider how the petition sets these things up. We are on page 56 of the
25 petition. They're talking about Szrek and Llach.

1 And they're saying that when you make this modification you would
2 modify Llach's system to send and receive data disclosed in Llach. And so
3 in our view, the data that's sent back and forth, the preprinted lottery ticket
4 issues, these issues, Ground 2 rises and falls with Ground 1.

5 They've now come back in their demonstratives at least, and I can't
6 remember, they're saying we're ignoring the Llach combo because they've,
7 there is a lot of argument saying, and of course this element is met, and they
8 parrot the language of the claim without giving substantive analysis, I would
9 ask you to really carefully consider those issues as you do the final written
10 decision to figure out whether it's consistent with this modification that
11 you're saying or whether they're coming up with a new issue even post-
12 reply.

13 (Long pause.)

14 MR. HAILS: Okay. All right. Well then if you guys are out, if you
15 all are out of questions then I think we can probably reserve the remaining
16 time for surrebuttal.

17 JUDGE GERSTENBLITH: Okay, great, thank you so much. We're
18 at 12:01 so you still have 19 minutes. And we're going to take, we're going
19 to go down to a three minute break, guys, for this pause. I know I promised
20 five. Does anybody have a problem with making it three?

21 MR. GLASS: No, Your Honor.

22 MR. HAILS: No, Your Honor.

23 JUDGE GERSTENBLITH: Okay, great. So please don't disconnect,
24 but you can hide your video and go on mute and we will reconnect at 12:04
25 for Petitioner's rebuttal. Thank you so much.

1 (Whereupon the above-entitled matter went off the record at 12:01
2 p.m. and resumed at 12:03 p.m.)

3 JUDGE GERSTENBLITH: Okay, it looks like we have everybody
4 here so we are going to go back on the record at 12:04 for, Mr. Glass, for
5 your rebuttal. I have you down for 12 minutes. I don't know if you need it
6 all, but you can proceed when you're ready.

7 MR. GLASS: Thank you, Your Honor. Let me just share my screen.
8 Can you see my screen, Your Honor?

9 JUDGE GERSTENBLITH: Yes we can.

10 MR. GLASS: Okay. Give me one more moment. All right.

11 Just a few points really. So on the disclaimer issue Patent Owner
12 focused on the time of purchase issue, I'm going to get to that in a moment.

13 But what they didn't focus on was this notion that every, practically
14 every single embodiment in the patent, other than Figure 9, also would be
15 disclaimed by their prosecution history disclaimer and argument. They also
16 did not even focus, I walk through each and every statement in the
17 prosecution history, I explained the significance and comparison with the
18 statements by the examiner, which they ignored in their presentation.

19 I would think holistically, and that's what we are required to do. To
20 look at the statements holistically to determine if their, how one of ordinary
21 skill in the art would have determined, who have interpreted that statement.

22 There, there is no dispute here, I think especially after the
23 presentation, that Figures 3, 4, 5, 7 and 8 are also disclaimed by their
24 disclaimer. And they, I think I wrote this down. Forgive me if I got it
25 wrong. I think they said, well this drags in Figure 9. That's not what these

1 statements say. Figure 9, remember, has the lottery numbers printed on the
2 face of it. That's not what this statement is.

3 All it says, if the wager system is not already associated with the
4 ticket. This is a different alternative embodiment to the Figure 3
5 embodiment. What it's saying is, you could have the lottery numbers
6 printed on the ticket before purchase or it could be simply associated with it.
7 Figure 9 is the embodiment where it is expressly printed on the face of it.
8 So they would not just be disclaiming Figure 9 they would be disclaiming 3,
9 4, 5, 7 and 8 as well.

10 On their points on the time of purchase. This is at slide 34. I think
11 Your Honor had the right idea, when this purchase, when is something
12 purchased? It's purchased when you hand someone money.

13 There is no dispute here that the wager information is determined
14 after, after they're scanned prior to purchase. Prior, I'll put it this way, prior
15 to when payment is made. They danced around this issue and said, well, it's
16 a process. And this is something they raised in their sur-reply, it's a process.
17 When you pick the card off the shelf, that's when the payment starts.

18 Well, why doesn't it start when I walk into the store and I have in my
19 mind that I'm going to go buy a lottery ticket?

20 Why doesn't it start when I wake up in the morning and say, I want to
21 go by a lottery ticket?

22 They have no set objective criteria to define when purchase begins
23 and ends. Well, they have one when it ends but not when it begins. I would
24 suggest a normal ordinary interpretation of payment is when you exchange
25 funds. And that's exactly what I think is contemplated by the patent.

1 JUDGE GERSTENBLITH: Counsel, let me just ask you this
2 question. So if the purchase is a, and I think you were tapping into this but I
3 know you focused on the when does it start, what about this concept that if
4 at the time purchased, and purchase is a process that starts at some point and
5 goes through the payment, if we take that in the disclaimer, how can we
6 possibly interpret any of these claims in any way because, by the figures, the
7 numbers are associated before the payment is done.

8 So if we read the claim in accordance with the disclaimer and it says
9 before purchase, we never get to that. It just cannot, it is impossible to apply
10 is what I'm getting at.

11 MR. GLASS: I would suggest that's exactly right. And that really is
12 our point on the prosecution history. That their interpretation of that
13 disclaimer just doesn't jive with everything else we've seen here.

14 There is no way that you, there is no way that you can say something
15 like in the prosecution history and disclaim the entire patent. That's what
16 they're asking you to do. There is no way to draw a line and say, well when
17 is payment, when does the process start? They say it starts when you pick
18 the ticket off the shelf but why? Why would it start there.

19 JUDGE GERSTENBLITH: But let's even say it does start there. At
20 the time of purchase means, at the time of this process which could happen
21 at any time during that process.

22 MR. GLASS: Right.

23 JUDGE GERSTENBLITH: It doesn't say beginning of the process,
24 right?

25 MR. GLASS: Right.

1 JUDGE GERSTENBLITH: So if I take it at the time of process to
2 mean, you know, after I do the payment or right before I do the payment,
3 right, I'm already started then the rest just, there is nothing left in the system.

4 MR. GLASS: Yes.

5 JUDGE GERSTENBLITH: It cuts the entirety of, not just the, if it's
6 not associated part being gutted, but I don't see how to actually apply that
7 meaning.

8 MR. GLASS: I, I mean, again, you said it better than I could. I mean,
9 there is no, we have two competing interpretations. One, ours, which is very
10 definite and objective. When you hand the money over it's purchased.
11 Under that interpretation all of the 135 patent would have lottery numbers
12 associated with them prior to purchase. And again, that distinction in the
13 prosecution history just wouldn't make sense.

14 Or you have their interpretation where you can't pin down exactly
15 where it begins. So we have a very open-ended ambiguous, I would even
16 say indefinite interpretation of when a purchase occurs. It's a process
17 according to them with no specific beginning. And you don't know where
18 you're pointing to within that process.

19 So again, I mean this is just basic *Phillips*. The construction that most
20 naturally aligns with the specification, et cetera, et cetera. I think ours, on
21 this point especially, is the one that just simply makes the most sense.

22 And they don't, and to the point on this, they spent a lot of time,
23 counsel spent a lot of time in his presentation on this purchase, I think it's
24 important. But he also really did not spend a ton of time on the fact that
25 even without that purchase, that purchase point, they're still disclaiming a
26 vast majority of their own patent. And I don't think that's, I don't think

1 that's a, I don't think the statement, for the reasons I said before in the
2 prosecution history rises to that clear and unmistakable level.

3 The other point on that, I have three more points I want to get to. The
4 other point on that, I heard counsel say that the point of distinction in the
5 prior art, I'm summarizing, I don't think these were his exact words, was the
6 notion of user selectability over, of the numbers.

7 Still haven't accounted for the fact that that is not required by their
8 claim construction. How could that possibly be the right claim construction
9 if it's not even, it doesn't even take into account the one thing we can agree
10 on that was a distinguishing point in the prosecution history. We have no
11 explanation for that.

12 I may have missed this, but I didn't hear an explanation as to how
13 their construction reads out the notion of a physical preprinted ticket. On its
14 face, objectively, there is no requirement for a physical ticket.

15 Another point I didn't hear rebutted on, again, getting back, I don't
16 mean to jump around, but on the point of when this processing starts. A
17 purchase starts. Under their construction, again, Yacenda does not have
18 numbers associated with them before the time of purchase. No rebuttal on
19 that point. So that statement would embrace expressly the very prior art that
20 Patent Owner was attempting to overcome.

21 And of course they don't dispute that Gilmore, the thing we use in our
22 reply to demonstrate the ordinary knowledge of a POSITA, also discloses
23 the very thing they say is a preprinted lottery ticket. There is no dispute on
24 that point.

25 JUDGE GERSTENBLITH: Counsel, you're at your rebuttal time so
26 if there is one last thing you want to say please do.

1 MR. GLASS: One last point, and I'll make this quick. In the
2 reclaimer points they cited to one case on this point. *Trading Techs.* And I
3 just want to give, this is their case to say that they can reclaim a disclaimer.

4 And I just like to point out what the Federal Circuit found to be a
5 reclaimer --

6 JUDGE GERSTENBLITH: We got you on this. Continuation in
7 part, that added language that directly conflicted with the disclaimer. All
8 good.

9 MR. GLASS: All right. And if I may, one very quick point? I said
10 this in my opening. Counsel said there is not a single case where the Federal
11 Circuit has allowed a petitioner to rely on new theories, that is the *Axonics*
12 cases. The *Axonics* case is exactly on point with what we did here.

13 With that, Your Honors, I thank you for your time and your
14 consideration.

15 JUDGE GERSTENBLITH: Thank you, Mr. Glass. All right, we're
16 going to go back to Mr. Hails. I have you with, let's see, I didn't mark you
17 down, I think we stopped at 12:00, so I think you have about 19 minutes. I
18 don't know if you need all of it but that's what you have.

19 MR. HAILS: All right. The Steelers are playing tonight. If
20 somebody asked you what time is the Steelers game you're going to tell
21 them 8:15, right?

22 When the Kentucky Derby runs and somebody asks you when does
23 the Kentucky Derby start, you look up the start time you'll tell them, right?

24 This is a term of ordinary English. This is a term that people are
25 going to understand, this idea of the time of purchase. And I'm not sure that
26 this is something that, lawyers can throw bits of anything, like five years

1 after the fact. But this is something that I think people are going to
2 understand, again, particularly when it's given in the context that it was in
3 the file history.

4 So I would like to make sure that, and I was able to just kind of skim
5 through, oops, let me stop this because I'm on the wrong monitor. Give me
6 one second please.

7 So I put them in green so we could, I could keep them straight. The
8 patent distinguishes things that are generated at the time of manufacturer or
9 printing, all right? In Figure 9 they describe it as the time of manufacturer
10 or printing, the operation of building these things with the numbers, which is
11 conceptually different than the time of purchase as described in our patent.

12 In our patent they're talking about the checkout process. And that sets
13 context for all of this kind of stuff. It's not indefinite, it's just a usage of
14 ordinary English that people are accustomed to and is able to convey
15 meaningful information to people. So I'm not sure that we need to get down
16 to like, you know, what's the entire duration it's, we can look at Figure 9 and
17 say that was at the time of printing it's definitely not at the time of purchase.

18 We can look at Figure 1 and say, that's the one that's printed on the
19 receipt, that is, those numbers are generated, you know, during the purchase.

20 And I think these, the prosecution history statements that you're looking at
21 keeps those things straight.

22 And again, going to Exhibit 1002 at page 76, it gives you this context
23 here when we are trying to understand what is meant by our disclaimer. I
24 mean, it's very clear that the independent claims are being identified as requiring
25 a characteristic. It's very clear. And that's something that was, that

1 distinguishes Yacenda and was adopted. It was accepted by the office
2 during prosecution.

3 And it's clear and unmistakable. We are telling the world that these,
4 that the term preprinted lottery ticket in this patent has this characteristic.
5 And we need to interpret it as --

6 JUDGE GERSTENBLITH: Counsel? Counsel, what's your response
7 to Petitioner's point that in the block paragraph above this Yacenda doesn't
8 have the numbers associated at the time of purchase?

9 In other words, the purchase happens before. In other words, reading
10 that language below wouldn't exclude Yacenda. Did I make sense when I
11 said that?

12 MR. HAILS: Um --

13 JUDGE GERSTENBLITH: So he had pointed to, let's see, I
14 highlighted it on my side. I'll tell you exactly where it was. So it's right
15 after step 109 talks about the lottery administrator then issues serial numbers
16 associated with the ticket information after confirming the purchase by the
17 lottery player.

18 So my understanding of what he was describing here is that if you
19 read this block paragraph, Yacenda doesn't have lottery numbers associated
20 with it at the time of purchase because you have to put in your money and
21 then you're picking the numbers. So the purchase actually happens before
22 the numbers are selected.

23 MR. HAILS: I think it, I'm not sure that their characteristics needs to
24 be adopted. Even if you adopt it, it's clear that we are identifying a feature
25 of the claims, of this particular term and these particular claims that must be
26 met, right?

1 We are telling them, and I don't know if this was interviewed, I'm not
2 actually sure exactly how it was done. But they are telling the world that we
3 distinguish Yacenda, we have to have this feature, right? This term has to
4 have this feature. It requires a preprinted lottery ticket with this
5 characteristic.

6 And, you know, even if we were wrong we would still be bound by
7 this, right? Imagine if the roles were reversed and there was actually an
8 infringement case you can imagine that an accused infringer will go bonkers
9 over this statement and say, of course you disclaimed it, it's right here.

10 And I think that that's exactly what's happening now. It's right here,
11 you can see it. It's clear and unmistakable.

12 JUDGE GERSTENBLITH: What about the concept of your
13 construction has no concept of being preprinted?

14 MR. HAILS: I think --

15 JUDGE GERSTENBLITH: You basically read that out?

16 MR. HAILS: I have not. It's not. It's an issue that wasn't brought up
17 because it wasn't, it's not an issue under Szrek, right? Szrek has preprinted
18 tickets so it's not something that we had to adopt. I mean, let's modify it
19 and put the word preprinted in there.

20 I think the argument itself, let me go through because I don't have that
21 bookmarked. It's preprinted. I mean, the word says preprinted and, oops,
22 that's their stuff. I'm sorry.

23 JUDGE GERSTENBLITH: I was just looking at your Patent Owner
24 response, page 20 where you have your construction.

25 MR. HAILS: Page 20, thank you. It would be better. It should talk
26 about a preprinted ticket that has no lottery numbers because it requires. I

1 don't think that construction, sorry, I don't think the disclaimer, see, the
2 disclaimer is disclaiming subject matter so I don't think it's defining the full
3 scope of the claim but I think it's saying, at minimum that term in this patent
4 has to have this feature. And that's what we should have done. So this is,
5 right, we should probably put the word preprinted in here and improve it.

6 Again, we --

7 JUDGE GERSTENBLITH: So normally you might think somebody
8 would be focused on the preprinting part of the concept of this term, you
9 know, you're thinking about it as a plain and ordinary meaning situation,
10 what does preprinted mean. You focused on that aspect whereas the aspect
11 that we've been focused on with this potential disclaimer doesn't have
12 anything to do with the concept of preprinting if we take the part under the
13 block quote.

14 If we take the part above the block quote which says, instead of
15 disclosing a preprinted ticket Yacenda discloses that its system allows the
16 customer to select the number it wishes to play. Meaning, it's not already
17 preprinted with the numbers.

18 I get what you're saying. I get what you're saying about the statement
19 after the block quote. It doesn't seem to tie into what's discussed in the
20 block quote with Yacenda. I think you, you didn't disagree with that. It
21 doesn't tie into what's leading up to the block quote it's just kind of hanging
22 out there at the bottom as an additional statement that does not even seem to
23 be opposite what Yacenda says it's doing.

24 But I understand what you're saying. That if a statement is made, you
25 know, what's right or wrong you could be bound by it.

1 MR. HAILS: I think we're saying, in clear and unmistakable terms
2 that the term preprinted lottery tickets requires this feature. That's right, I
3 think we're saying that.

4 And I'm sure you've seen this in other (technical difficulties) --
5 JUDGE GERSTENBLITH: Oh, you cut out. I hope we didn't lose
6 you. Or me. Does anybody else hear me?

7 MR. HAILS: -- claims require this feature.

8 JUDGE GERSTENBLITH: Oh. Oh, Mr. Hails, we lost you, or I lost
9 --

10 MR. HAILS: Okay, I'm sorry.

11 JUDGE GERSTENBLITH: -- transmission. Can you repeat what
12 you just said?

13 MR. HAILS: Sure. I think, did you hear the part about prosecution is
14 messy often times and --

15 JUDGE GERSTENBLITH: No, no. Go ahead and hit, start with that.

16 MR. HAILS: Okay. So I understand your point. I understand that
17 you're struggling for perfect alignment between this and the discussion and
18 Yacenda. I think it matters. I think the law is not asking, hey, does the
19 disclaimer make sense as against the prior art that's identified? I think the
20 prior art, the claim, sorry. The case law will ask, hey, is this a clear and
21 unmistakable surrender of subject matter.

22 And here, in this statement that's highlighted on the bottom of page
23 76 from the file history, it undoubtedly is. It is telling the world that the
24 instance claims require a particular feature in the context of this term,
25 preprinted lottery ticket. And that feature is that it cannot have lottery
26 numbers associated with it at the time of purchase.

1 And I also made the point, I don't know if you lost it, I mean, imagine
2 if the roles were flipped and imagine that this patent was being enforced, and
3 imagine if the, somebody was arguing that there was a claim construction
4 dispute. I mean, if a Patent Owner said no, it doesn't require this feature, I
5 mean, I think people will say you're crazy. This, look at this, look at this
6 statement, it's clear and unmistakable. And it works both here and in an
7 infringement context.

8 There is no infringement case on this, I want to make that case, that
9 issue clear. But looking at this from both sides, this is a statement to the
10 world that says the instant claims require this particular feature.

11 JUDGE GERSTENBLITH: Excellent. Thank you very much. Are
12 there any other questions, Judge Peslak or Browne?

13 MR. HAILS: No. There was a dig on Gilmore. You guys, the Board
14 did not, sorry to be so informal. You did not seem to be interested in
15 Gilmore.

16 JUDGE GERSTENBLITH: If you wanted to say, Mr. Hails, I wasn't
17 trying to cut you off, if you wanted to say anything else about it please do.

18 MR. HAILS: I'd like to remind you that, and this is an issue, a glitch
19 with our demonstratives, that in Gilmore they have a ticket printer. This is
20 mislabeled. It's actually described as a ticket printer that's located at a POS.
21 And the only way you can --

22 JUDGE GERSTENBLITH: Just to be clear, we're looking at Patent
23 Owner's Demonstrative Slide 8.

24 MR. HAILS: Thank you. Yes. So element 20 in Gilmore's, I think
25 this is Figure 1, illustrates a ticket printer. And there are lots of different
26 embodiments. There are scratchers that have lottery numbers on them. The

1 one that we're focusing on in Gilmore is a ticket with randomly assigned
2 numbers at the time of purchase.

3 And Gilmore tells us what to do that, you print the ticket at the time of
4 purchase from the POS. You don't print it ahead of time, it's not a
5 preprinted ticket. So they're making a lot of assumptions that like there is
6 no dispute that preprinted tickets without lottery numbers are not well-
7 known, we do dispute it. The Board did not seem to care about this issue
8 and so we didn't spend much time on it.

9 But if you go through, for example, paragraph 68, if the numbers are
10 successfully assigned a print ticket command is sent by the dispensing
11 system to the ticket printer 20. That's how we misnamed it. Same here in
12 paragraph 23 of Gilmore. You send a ticket, instruct the game ticket printer
13 at the POS terminal to print a lottery ticket bearing the selected numbers. So
14 it's not correct that everybody agrees that these things are, that preprinted
15 tickets with no numbers on them are well-known.

16 And the other part of their invalidity challenge under Gilmore says,
17 oh, what we don't want to print here at the kiosk we want to have the
18 numbers assigned at the cash register or at the game provider system. And
19 we said, that doesn't make sense because you got to put a printer at the cash
20 register to generate that ticket, you know, because that's how Gilmore does
21 it. And nobody else discloses these things.

22 And they're saying we're picking and choosing among the disclosure.
23 That's not right. I mean, I think the modification needs to make sense,
24 right? A consumer needs to walk away with the ticket. The consumer is not
25 getting it from the kiosk, where in this slide 4 of our demonstratives, and
26 he's not getting it from the cash register because they say, oh no, that's not

1 the thing we're bringing in, where is he getting from? I mean, it makes no
2 sense.

3 And so again, we didn't spend a lot of time on it. You all didn't seem
4 to be very interested in it. It's handled in (technical difficulties) --

5 I think that exhausts my (technical difficulties.) Thanks for your
6 indulgence.

7 JUDGE GERSTENBLITH: So can everybody hear Mr. Hails or is it
8 just me?

9 JUDGE BROWNE: No.

10 JUDGE PESLAK: He's breaking up.

11 MR. GLASS: He's breaking up everyone.

12 JUDGE GERSTENBLITH: Mr. Hails, are you still there? You just
13 broke up at the end.

14 MR. HAILS: I said, (technical difficulties.) I am here. I'm having
15 bandwidth issues myself and so --

16 JUDGE GERSTENBLITH: Okay.

17 MR. HAILS: -- the audio is garbled.

18 JUDGE GERSTENBLITH: Okay. We can hear you now.

19 MR. HAILS: Correct me if I'm wrong I think I, you can. Okay, so I
20 think I've concluded my presentation on Gilmore and I was just going to
21 ask, do you have any other questions, and if not, then thank you for your
22 indulgence and time.

23 JUDGE GERSTENBLITH: Thank you very much. Judges Lynne or,
24 sorry, Browne or Peslak, do either of you have any questions?

25 JUDGE PESLAK: I don't.

1 JUDGE GERSTENBLITH: Okay, great. We don't have any other
2 questions. Thank you both very much for coming today and presenting
3 these arguments. You both did a really nice job. This is a difficult case.
4 We appreciate your time and the excellent briefing that you both did.

5 I also appreciate each of your willingness to understand and withdraw
6 parts, or all of the motions to exclude. And recognize that. I want to say
7 that I hope everybody has a very happy Thanksgiving and holidays as we
8 approach the holiday time. And the case is submitted and have an excellent
9 day. Thank you, again.

10 (Whereupon, the above-entitled matter went off the record at 12:29
11 p.m.)

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