

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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**TOAST INC.,**

*Petitioner,*

v.

**GRATUITY, LLC,**

*Patent Owner.*

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IPR2023-01408  
U.S. Patent No. 9,741,050 B2

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**PATENT OWNER'S PRELIMINARY RESPONSE**

Under 37 C.F.R. § 42.107

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Patent Trial and Appeal Board  
US Patent and Trademark Office  
P.O. Box 1450  
Alexandria, VA 22313-1450  
*Submitted Electronically via PTAB E2E*

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| 2001    | Joint Claim Construction Chart (Docket No. 82-1) of <i>Gratuity Solutions, LLC et al v. Toast ,Inc.</i> , No. 1:22-cv-11239 (D. Mass)                        |
| 2002    | Complaint (Docket No. 1) of <i>Gratuity Solutions, LLC et al v. Toast ,Inc.</i> , No. 1:22-cv-11239 (D. Mass)                                                |
| 2003    | Exhibit C to Defendant Toast, Inc.’s Preliminary Invalidity Contentions in <i>Gratuity Solutions, LLC et al v. Toast ,Inc.</i> , No. 1:22-cv-11239 (D. Mass) |
| 2004    | Exhibit D to Defendant Toast, Inc.’s Preliminary Invalidity Contentions in <i>Gratuity Solutions, LLC et al v. Toast ,Inc.</i> , No. 1:22-cv-11239 (D. Mass) |
| 2005    | Defendant Toast, Inc.’s Preliminary Invalidity Contentions in <i>Gratuity Solutions, LLC et al v. Toast ,Inc.</i> , No. 1:22-cv-11239 (D. Mass)              |

Through the undersigned Counsel, Patent Owner Gratuity, LLC (“Gratuity”) submits the following Patent Owner Preliminary Response pursuant to 37 C.F.R. § 42.107(a).

## **I. INTRODUCTION**

The *Inter Partes Review* Petition filed by Toast, Inc. (“Toast”) against U.S. Patent No. 9,741,050 (“’050 patent”) on September 18, 2023 (“Petition” or “Pet.”) should be denied for any of four independent reasons.

**First**, the Board should exercise its discretion under 35 U.S.C. § 314(a) and the *Fintiv* standard to deny the Petition, because a district court in the case of *Gratuity Solutions, LLC v. Toast Inc.*, No. 1:22-cv-11539 (D. Mass. September 19, 2022) (“District Court Litigation”) will have addressed the validity of each of the challenged claims over the same prior art references cited in the Petition by the projected deadline for a Final Written Decision (“FWD”).

The District Court Litigation is already at an advanced stage, and trial is scheduled to start March 24, 2025, five days before the FWD deadline. Petitioner waited a full twelve months to file its petition, filing literally on the last day before the deadline under 35 U.S.C. § 315(b). The district court proceedings are now well under way. Contentions have been exchanged, discovery is ongoing, and the court’s *Markman* hearing will occur March 18, 2024. Furthermore, the Petition lacks compelling merits under the *Fintiv* standard as it relies on zero new

references and simply urges reconsideration of prior art already considered by the Examiner.

**Second**, the Board should exercise its discretion to deny the Petition because it fails to meet the particularity requirement of 35 U.S.C. §312(a) and 37 C.F.R. §§ 42.6 (a)(3), 42.22(a)(2), and 42.104(b)(4)-(5). Instead, Petitioners rely repeatedly on an expert declaration to provide argument and analysis found nowhere in the Petition itself.

**Third**, the Board should exercise its discretion to deny institution under 35 U.S.C. § 325(d) because Petitioner asserts only prior art lifted straight from the face of the patent, which was considered and overcome during prosecution. Petitioner wishes to have this Board redo prosecution and provides insufficient analysis of the same art and even the same arguments previously considered by the Office during original prosecution of the '050 patent.

**Fourth**, even if the Board declines to exercise its discretion, the instant Petition should be denied because it fails to establish a reasonable likelihood that any of the challenged claims are unpatentable. Each of the asserted references fails to disclose or render obvious a number of recited elements of the challenged independent (and thus dependent) claims.

For each of these independent reasons, the Petition should be denied.

## **II. PARTIES**

Both Petitioner Toast and Patent Owner Gratuity offer products and services in the area of gratuity management and financial software. Gratuity, LLC and its licensed affiliate, Gratuity Solutions, were founded in Naples, Florida in 2009 as a result of the pioneering work of Aleksandar Stepanovich, the named inventor on the '050 patent and the current CTO of Gratuity Solutions. Since 2009, Gratuity has been pioneering novel technological systems to streamline the management of hospitality businesses, especially those involving tipped employees.

Toast, Inc. was founded in 2012 by Steve Fredette, Aman Narang, and Jonathan Grimm. Toast is a restaurant-oriented point-of-sale company offering various hardware and software products.

## **III. THE LEVEL OF ORDINARY SKILL IN THE ART**

The '050 patent is generally directed to software and hardware systems for the synchronizing, tracking, and managing of gratuity data across different platforms. Patent Owner disagrees with the Petitioner (Pet. at 10) and its expert Dr. Russ (Ex. 1002 ¶34) that a POSITA may “collaborate with one or more other persons of skill in another art for one or more aspects of with which the other person may have expertise, experience, and/or knowledge that was obtained through his/her own education, industrial, or academic experience,” and reserve the right to contest all issues related to the level of ordinary skill. To the extent

Petitioner's arguments rely upon such a "team" of skilled artisans, they should be rejected.

#### **IV. CLAIM CONSTRUCTION**

Claims in a post-grant review are construed using the same claim construction standard as in a civil action. 37 C.F.R. § 42.100(b). Under this standard, claims terms are generally given their ordinary and customary meaning as understood by a person of ordinary skill in the art ("POSITA") at the time of the invention. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-13 (Fed. Cir. 2005) (en banc). The POSITA is deemed to read the claim term in the context of the entire patent, including the specification and prosecution history. *Id.* at 1313-1316. Courts depart from the plain and ordinary meaning in only two instances: (1) when a patentee acts as its own lexicographer, and (2) when the patentee disavows the full scope of the claim term in the specification or during prosecution. *Hill-Rom Servs. v. Stryker Corp.*, 755 F.3d 1367, 1371 (Fed. Cir. 2014).

Petitioner's assert that all of the claim terms should be construed "the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention" (Petition at 10), without specifying what constitutes the plain an ordinary meaning of any term. This position is inconsistent with Petitioner's assertion in the District Court Litigation that five terms recited across four of the thirteen claims either require construction or are indefinite. (Ex.

2001.) Accordingly, Patent Owner reserves the right to present claim construction arguments if the Petition is granted.

## **V. ARGUMENT**

The Board should exercise its discretion to deny the Petition because the Petition fails to satisfy a single *Fintiv* factor.

Likewise, it fails to satisfy the particularity requirements of 35 U.S.C. § 312(a), as well as 37 C.F.R. §§ 42.6 (a)(3), 42.22(a)(2), and 42.104(b)(4)-(5).

Even if such deficiencies are overlooked, The Board should deny the Petition under 35 U.S.C. § 325(d) because it fails to introduce any new prior art or demonstrate how the Office erred in a manner material to the patentability of challenged claims.

Finally, the Board should deny the Petition because it fails on the merits to show that independent claims 1 and 8 (and any of the claims depending from them) are more likely than not unpatentable over three cited prior art references, namely U.S. Patent Application Publications Nos. 2008/0065396 (“*Marshall*”) and 2014/0365322 (“*Phillips*”), as well as U.S. Patent No. 4,819,612 to Webb (“*Webb*” or Ex. 1006) (collectively, the “Petition Prior Art” or “PPA”).

### **A. The Board Should Exercise Its Discretion to Deny Institution Under *Fintiv***

Recent precedential decisions by the Director of the USPTO have made it clear that where parallel district court proceedings exist, and the petition fails to

present a *compelling* unpatentability challenge (as opposed to merely the “reasonable likelihood” standard of 35 U.S.C. § 314(a)), the Board has the authority to exercise its discretion to deny institution. *See Commscope Technologies LLC v. Dali Wireless, Inc.*, IPR2022-01242, Paper 23 at 5-6 (P.T.A.B. Feb. 27, 2020)(“*Commscope*”). *See also OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021-01064, Paper 102, 49–50 (PTAB Oct. 4, 2022) (precedential (“*OpenSky*”)); and USPTO Memorandum, “Interim Procedure for Discretionary Denials in AIA Post-grant Proceedings with Parallel District Court Litigation,” at 4-5 (Jun. 21, 2022). Here, every *Fintiv* factor weighs in favor of denial, and the Petition particularly fails to meet this heightened standard. Thus, the Board should exercise its discretion to deny institution.

The District Court Litigation has been pending for fifteen months and involves the same issues between the same parties. Trial is scheduled to begin roughly five days before the deadline for a FWD to issue. (Ex. 1024 at 7.) A stay is unlikely, and indeed neither Petitioner nor Patent Owner has even sought a stay of the District Court Litigation (Patent Owner would oppose any such motion). The parties and district court have invested significant time and effort over the last fifteen months, including briefing and deciding Section 101 issues, conducting voluminous discovery, serving contentions, and preparing claim construction

briefing for a *Markman* hearing less than three months away. In short, for the reasons set forth in greater detail below, The Board should decline to institute.

**1. *Fintiv* Factor 1: The Parallel District Court Proceedings Will Not Be Stayed Based on this Petition or Institution**

The likelihood that the district court stays the District Court Litigation based on the Board granting the Petition is low. Neither party has requested a stay, nor has Petitioner indicated in its Petition that it would seek a stay of the District Court Litigation if review was instituted. According to information obtained through Docket Navigator, Judge Saris has only granted a stay pending inter partes review three previous times, and all three stays occurred when the cases were less than a year old and prior to discovery and *Markman* (“in their infancy”).<sup>1</sup>

Here, any motion to stay following an institution decision will come less than a year before trial. At that point, the case will have been pending for eighteen months. Moreover, the District Court Litigation involves claims of breach of contract as well as patent infringement. (Ex. 2002. at 15.) This makes the likelihood of a stay even lower, given that the breach of contract claims will not be resolved through this IPR proceeding.

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<sup>1</sup> *Altova GmbH et al v. Syncro Soft SRL*, No. 1:17-cv-11642 (D. Mass August 31, 2017); *Ocean Semiconductors LLC v. Infineon Technologies AG et al*, No. 1:20-cv-12311 (D.Mass December 31, 2020); *Ocean Semiconductors LLC v. Analog Devices, Inc.* 1:20-cv-12310 (D. Mass December 31, 2020).

Because stays are unlikely, granting the Petition would result in the same issues being heard twice by two different tribunals. The trial may very well be ongoing—or the jury deliberating—on the very day any FWD would issue, an obviously wasteful and inefficient process. This factor weighs against institution.

**2. *Fintiv* Factor 2: The District Court Trial Is Scheduled to Proceed Before a Final Decision**

This factor considers the proximity of the district court’s trial date and the Board’s statutory deadline for a FWD. Trial in the parallel district court litigation is scheduled to begin on March 24, 2025 (Ex. 1024 at 7), whereas the projected statutory deadline for the Board’s FWD is March 29, 2025.

Notably, Petitioner *wrongly* states in the Petition that the date of a FWD is calculated “based on the filing date of the petition” and would be March 15, 2025 (Pet. at 69.) In fact, the accorded Notice of Filing Date was September 29, 2023, resulting in a March 29, 2024 expected deadline for an institution decision and a March 29, 2025 deadline for FWD. This places the FWD deadline *after* the start of trial in the parallel district court litigation, which is scheduled to begin on March 24, 2025.

This timeline weighs strongly in favor of denying institution. *Mylan*, IPR2020-00440, Paper 17, at 15 (trial date before statutory deadline “weighs strongly in favor of denying institution.”); *Neptune Generics v. Aventis Pharma S.A.*, IPR2019-00136, Paper 15, 35-37 (PTAB May 6, 2019) (completed district

court trial involving different party held to be an additional reason to deny institution); *NHK*, Paper 8 at 20 (“Accordingly, we find that the advanced state of the district court proceeding is an additional factor that weighs in favor of denying the Petition under § 314(a).”) Accordingly, this factor favors denial.

**3. *Fintiv* Factor 3: Substantial Effort Has Already Been Invested in Parallel District Court Proceedings**

The district court and parties have invested substantial effort in the District Court Litigation. The Court has ruled on a motion to dismiss based on certain procedural issues and Section 101, and the case has proceeded apace since. The parties have exchanged infringement, non-infringement, and invalidity contentions, and engaged in substantial discovery. Indeed, Petitioner has served invalidity contentions in the District Court Litigation identifying *Marshall*, *Phillips*, and *Webb* and asserting them alone and in combination under § 103, including more than a hundred pages of claim charts for those references. (Ex 2003 & Ex. 2004.) Claim construction briefing is underway with initial briefs due January 12, 2024 and a *Markman* hearing scheduled for March 18, 2024, eleven days before the deadline for an institution decision.

Conversely, Petitioner’s delay in filing the instant Petition remains unexplained, and also weighs in favor of denying institution under § 314(a). *Fintiv I*, IPR2020-00019, Paper 11, at 11–12 (“If . . . the evidence shows that the petitioner did not file the petition expeditiously . . . , or even if the petitioner

cannot explain the delay in filing its petition, these facts have favored denial.”); *see also Next Caller*, IPR2019-00961, -00962, Paper 10, at 15–16 (same). Indeed, the Board has recognized that “it may impose unfair costs to a patent owner if the petitioner, faced with the prospect of a looming trial date, waits until the district court trial has progressed significantly before filing a petition at the Office.” *Fintiv I*, IPR2020-00019, Paper 11, at 11.

Here, Patent Owner initiated the parallel first district court proceeding on September 19, 2022. (Ex. 2002.) Petitioner, however, did not file the instant Petition until exactly twelve months later on September 18, 2023. (Pet. at 72.) Petitioner’s delay demonstrates that it does not seek this venue as an “effective and efficient alternative to district court litigation,” as contemplated by the AIA. *NHK*, IPR2018-00752, Paper 8, at 20. Indeed, Petitioner offer no explanation for this delay, suggesting that Petitioner wishes to use the Board (and its resources) as a second bite at the apple—co-litigating its challenge to the validity of the ’050 patent in a different venue. That is plainly neither the intent nor the objective of the AIA.

This factor weights against institution.

**4. *Fintiv* Factor 4: There Is Complete “Overlap Between Issues Raised in the Petition and in the Parallel Proceedings”**

*Fintiv* factor 4 weighs heavily in favor of discretionary denial as it is beyond dispute that “the petition includes the same or substantially the same claims, grounds, arguments, and evidence as presented in the parallel proceedings.” *Fintiv I*, IPR2020-00019, Paper 11 at 12. In both the Petition and the parallel District Court Litigation, Petitioner challenges the exact same 13 claims of the ’050 patent. (Ex. 2003 & Ex. 2004.) All four grounds for invalidity asserted in the Petition rely upon at least *Marshall* or *Phillips*, alone or in combination with *Webb*. (Pet. at 18.) Petitioner’s Invalidity Contentions in the District Court Litigation likewise rely upon *Marshall* and *Phillips* extensively, both alone and in combination with *Webb*. This weighs in favor of denial. *Fintiv* at 16 (“Thus, because the identical claims are challenged based on the same prior art in both the Petition and in the District Court, this factor weighs in favor of discretionary denial in this case.”)

Thus there are no references asserted in the Petition that are not also found in Petitioner’s invalidity contentions. Indeed, the contentions explicitly incorporate by reference the Petition and the Expert Declaration of Dr. Russ in their entirety, and so every single argument presented here is identically presented in the District Court Litigation. (Ex. 2005.) The litigation contentions further include additional references and arguments not presented here, putting the District

Court in a better position to fully evaluate the effects of the *Marshall*, *Phillips*, and *Webb* references alone and in combination with other alleged prior art.

Notably, Petitioner fails to provide either a *Sotera* stipulation that would simplify the issues and comply with The Director’s Interim Guidance<sup>2</sup> or even a *Sand* stipulation. See *Sand Revolution II, LLC v. Continental Intermodal Group-Trucking LLC*, IPR2019-01393, Paper 24, 11–12 (PTAB June 16, 2020) (informative); *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12, 13–14 (Dec. 1, 2020) (precedential).

Petitioner argues that there is no danger of inconsistent findings between two tribunals, because given “the estoppel provisions of 35 U.S.C. § 315(e)(2), if the Board institutes IPR here, Petitioner will be estopped from raising in the District Court Action ‘any ground that the petitioner raised or reasonably could have raised’ in this proceeding.” (Pet., at 70.) This argument, however, ignores the timing of the two proceedings, as the estoppel provision applies only after any FWD is rendered. By that time, trial the parallel district proceeding will either have taken place or be imminent. Petitioner’s argument is flatly incorrect.

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<sup>2</sup> USPTO Memorandum, Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation (“Guidance Memo”) (June 21, 2022). Available at [https://www.uspto.gov/sites/default/files/documents/interim\\_proc\\_discretionary\\_denials\\_aia\\_parallel\\_district\\_court\\_litigation\\_memo\\_20220621\\_.pdf](https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf).

This factor weighs against institution.

**5. *Fintiv* Factor 5: Petitioner Is the Sole Defendant in the Parallel District Court Litigation**

Petitioner misstates the law of *Fintiv* factor 5, stating “the fifth factor regarding the identity of the parties is neutral and only becomes relevant when the district court defendant and the petitioner are unrelated entities.” (Pet. at 71.) This misunderstands the Board’s precedent in *Fintiv I*, 2020 Pat. App. LEXIS 13179, at \*11-12:

***Even when*** a petitioner is unrelated to a defendant, however, if the issues are the same as, or substantially similar to, those already or about to be litigated, or other circumstances weigh against redoing the work of another tribunal, the Board may, nonetheless, exercise the authority to deny institution. [A] petitioner should, therefore, address any other district court or Federal Circuit proceedings involving the challenged patent to discuss why addressing the same or substantially the same issues would not be duplicative of the prior case . . . .

*Fintiv I* at 12 (citations omitted, emphasis added).

The Board then clarified its position in a second *Fintiv* decision issued two months later, holding that “Because the petitioner and the defendant in the parallel proceeding are the same party, this factor weighs in favor of discretionary denial.” *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, 2020 Pat. App. LEXIS 4128, Paper 15 at 16 (P.T.A.B. May 13, 2020) (“*Fintiv II*”). Here, Petitioner Toast is the same party as the Defendant in the parallel District Court Litigation and is asserting substantially the same arguments in two different forums. This favors denial.

*Mylan*, IPR2020-00440, Paper 23, at 15 (“We therefore conclude that, because the Petitioner is the same as the defendant in the *Mylan* litigation, and because the issues in both the *Teva* and *Mylan* litigations are substantially the same as those raised in the Petition, *Fintiv* factor #5 favors denial.”).

**6. *Fintiv* Factor 6: Petitioner’s Petition Fails on the Merits**

For at least the reasons set forth in §V.B, §V.C, and §V.D below, the Petition should be rejected because its invalidity analyses fail on the merits.

Pursuant to *NHK Spring Co. v. IntriPlex Techs.*, IPR2018-00752, Paper 8, at 19–20 (P.T.A.B. Sept. 12, 2018) (precedential), and on a balancing of the factors enumerated in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11, at 6 (P.T.A.B. Mar. 20, 2020) (precedential) (“*Fintiv I*”), it would be an inefficient use of the Board, party, and judicial resources to institute the present proceeding under these circumstances. Indeed, the possibility of duplication of efforts here is high, as is the potential for inconsistent results, should the Board decide to become the second tribunal considering overlapping issues. For all of the forgoing reasons, the Board should decline to institute review pursuant to *Fintiv*.

**B. The Petition Fails to Meet the Particularity Requirements of 35 U.S.C. §312(a) AND 37 C.F.R. §§ 42.6(a)(3), 42.22(a)(2), and 42.104(b)(4)-(5)**

The Petition should be denied for offering only conclusory argument, and instead relying on the expert declaration to provide analysis found nowhere in the Petition itself.

A petition for *inter partes* review (“IPR”) must identify “with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim.” 35 U.S.C. § 312(a)(3); *see also* 37 C.F.R. § 42.104(b)(4)-(5) (requiring that “the petition” identify “[h]ow the construed claim is unpatentable,” as well as “[t]he exhibit number of the supporting evidence relied upon to support the challenge and ***the relevance of the evidence to the challenge raised***, including identifying specific portions of the evidence that support the challenge” (emphasis added)); *and* 37 C.F.R. § 42.22(a)(2) (requiring petitions in general to include “***[a] full statement of the reasons for the relief requested, including a detailed explanation of the significance of the evidence***” (emphasis added)). The Petition may not merely incorporate by reference arguments contained in other documents. 37 C.F.R. § 42.6 (a)(3) (“Arguments must not be incorporated by reference from one document into another document.”).

Institution of an IPR remains discretionary even when a petitioner demonstrates a reasonable likelihood as to at least one claim. *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348, 1355 (2018) (“§ 314(a) invests the Director with discretion on the question *whether* to institute review”); *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) (“First of all, the PTO is permitted, but never compelled, to institute an IPR proceeding.”). “Because the Board’s practice, in light of *SAS*, is to institute on all grounds asserted in a petition, the Board may consider whether a lack of particularity as to one or more of the asserted grounds justifies denial of an entire petition.” *Adaptics Limited v. Perfect Co.*, IPR2018-01596, Paper 20, at 17 (P.T.A.B. Mar. 6, 2019) (informative).

Here, Petitioner provides conclusory arguments throughout its Petition and in many instances relies extensively on the 187-page Declaration of Samuel H. Russ (EX1002) (“Russ Declaration”) to furnish any actual analysis. The Board should deny institution on that basis alone. *See, e.g., Cisco Systems, Inc. v. C-Cation Tech., LLC*, No. IPR2014-00454, Paper 12, at 10 (P.T.A.B. Aug. 29, 2014) (refusing to consider “arguments that are not made in the Petition, but are instead incorporated by reference to the cited paragraphs and claim charts of . . . [the] Declaration” and refusing to institute because the anticipation grounds in the Petition failed to “include a detailed explanation of the significance of the quotations and citations from the applied references” and the obviousness grounds

failed to “address meaningfully the scope and content of the prior art, and differences between the claimed subject matter and the prior art,” while also failing to “provide sufficient articulated reasoning with rational underpinning” explaining why the POSITA would modify the applied reference in the manner proposed); *Eiko Global, LLC v. Blackbird Tech. LLC*, No. IPR2017-00980, Paper 16 (P.T.A.B. Sept. 1, 2017).

As an example, the Petition in section §VIII.C cites to nothing more than the declaration for its argument that a POSITA would find the limitations of Claim 3 obvious in light of Marshall. (Pet. at 28-29.) However, here, as elsewhere, citations to the expert declaration yield only a restatement of the original argument from the petition, without any evidentiary support. (*Id.*) Even when Petitioner does provide citations to particular portions of the three patent references, they are often buried within the expert declaration, which often references itself, creating extra work for both Patent Owner and The Board to evaluate Petitioner’s claims.<sup>3</sup> This is not the standard

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<sup>3</sup> See Pet. at 43 (first line), which makes a claim about the disclosures of Webb by citing to ¶238 of the Russ Declaration, which also has no reference to a section of Webb, but instead refers the reader to earlier paragraphs discussing claims 4-7, without providing a paragraph numbers. The references contemplated encompass 22 paragraphs over 11 pages.

**C. The Board Should Exercise Its Discretion to Deny Institution Under 35 U.S.C. § 325(d)**

The Board has discretion to deny institution of a petition when “the same or substantively the same prior art or arguments previously were presented to the Office.” 35 U.S.C. § 325(d). Here, discretionary denial under Section 325(d) is proper because the Office already considered every one of the references cited and analyzed in the Petition. After consideration of the same three disclosures, the examiner allowed the ’050 patent.

When deciding whether to exercise its Rule 325(d) discretion, the Board considers a two-part framework: “(1) whether the same or substantially the same art previously was presented to the Office or whether the same or substantially the same arguments previously were presented to the Office; and (2) if either condition of first part of the framework is satisfied, whether the petitioner has demonstrated that the Office erred in a manner material to the patentability of challenged claims.” *Advanced Bionics LLC v. MED-EL Elektromedizinische Gerate GmbH*, IPR2019-01469, Paper 6 at 8 (PTAB Feb. 13, 2020) (precedential). Here, both factors favor denial of the Petition.

**1. The Exact Same Prior Art and Substantially the Same Arguments Were Previously Presented to the Office**

In considering the first part of the *Advanced Bionics* framework, the Board may consider the relevant *Becton Dickinson* factors: (a) the similarities of the

asserted art and the art previously considered; (b) the cumulative nature of the asserted art and the art previously considered; and (d) the extent of the overlap between the arguments made during examination and the Petitioner's arguments. *Advanced Bionics*, IPR2019-01469, Paper 6 at 9-10 (citing *Becton, Dickinson and Co. v. B. Braun Melsungen AG*, IPR2017-01586, Paper 8, 17–18 (PTAB Dec. 15, 2017) (informative)).

Here, all three references were made of record during prosecution. Nevertheless, after thorough examination and as the Examiner explained in his notice of allowance, the claims were all found patentable over the art: “The prior art of record neither anticipates nor supports a conclusion of obviousness with respect to the allowable subject matter which is present in independent claims [1] and [8] . . . ” (Ex. 1008 at 430.)

## **2. Petitioner's Arguments Overlap Substantially with the Issues Addressed During Original Prosecution**

Petitioner asserts that its arguments are fundamentally different than those advanced in prosecution, (Pet. at 66-68), and attempts to cabin the Examiner's analysis of the same prior art:

First, Marshall was never considered by the Examiner against claims 30–33, 36–39, and 41–45, which were added late during prosecution and then issued as claims 1–13 of the '050 patent. (Decl., ¶77.)  
Second, even when the Examiner considered Marshall against the original claims that were all subsequently canceled, he considered Marshall only as a secondary reference and only for basic computer

processing limitations; for example, the Examiner found that Marshall disclosed limitations such as “the at least one processor comprises a cloud computing system” or “receiving a computer-readable file ... and storing ... in a database.”

(Pet. at 67.)

This description is demonstrably untrue, particularly the notion that the examiner considered Marshall “only for basic computer processing limitations.”

For example:

- The Examiner noted that in addition to computer processing limitations, “Marshall further discloses many other claim features [see at least Paras 0024, 0032, 0075, and 0142] already disclosed by Kessler, Delaney and Tidwell which are all performed by the discloses [sic] processor executing computer executable instructions stored in a memory.” (Ex. 1008 at 222-224.)
- The Examiner held that Marshall disclosed certain cloud computing features. (*Id.* at 215.)
- The Examiner found that Marshall disclosed aggregating information. (*Id.* at 216)
- The Examiner found that Marshall shows it was well known to distribute funds to an employee via payroll check. (*Id.* at 217.)
- The Examiner found that Marshall, in combination with other references, disclosed a web portal. (*Id.* at 217.)
- The Examiner found that Marshall, in combination with other references, disclosed multiple employers/employees having different tipping policies. (*Id.* at 217-218.)

Indeed, the Examiner reviewed Marshall exhaustively, both alone and in combination with other references. (*Id.* at 214 and 224.) After careful analysis, he considered Marshall to be substantially similar to and/or cumulative of other

references Kessler, Delaney and Tidwell. (*Id.* at 236 and 244.) The fact that Marshall as a secondary reference instead of a primary reference is a red herring; the original file history establishes that the Examiner reviewed Marshall thoroughly and applied it against the claims, some of which he rejected and others he later allowed.

Likewise, Phillips was actively cited in prosecution. The Examiner applied Phillips against then-pending claims 10-12 in an Office Action dated April 30, 2015 (*Id.* at 145), and further rejected claims 10-12 under Phillips in October 16, 2015 Final Office Action (*Id.* at 147). Clearly the Examiner was familiar with Phillips and its disclosures.

While Webb was not actively cited in the original prosecution, the Examiner was clear in his Statement of Reasons for Allowance that he considered all the art of record, which included Webb. “The examiner notes the cited limitations above in combination with the other limitations found within the independent claims are found to be allowable over the prior art of record.” (*Id.* at 432.)

Petitioner suggests that somehow the Examiner erred by first rejecting claims based on Marshall and then allowing others. This makes no sense, since the newly added claims were submitted in part to overcome these very arguments. In the end, Petitioner’s argument boils down to the assertion that the Examiner erred because he did not come to the same conclusions as Petitioner’s paid expert when

reviewing these same references. This argument is both conclusory and unconvincing. (Pet. at 6-9.) Where, as here, a petitioner fails to provide an adequate explanation as to how the examiner erred, the Board has found expert testimony insufficient to avoid denial under Section 325(d). *Ivantis, Inc., et al. v. Sight Sciences, Inc.*, IPR2022-01533, Paper 14 at 20 (P.T.A.B. Mar. 27, 2023).

#### **D. The Petition Fails on the Merits**

Neither Marshall, nor Phillips in view of Marshall, discloses nor renders obvious key limitations of independent claims 1 and 8, and the inclusion of Webb does nothing to cure this deficiency. The Petition fails to show that Marshall, Phillips and Webb, either alone or in combination, disclose: (1) a cloud-based system as recited by claims 1 and 8, (2) a “gratuity sync client application” as recited by claim 1.

More specifically, Marshall fails to disclose a cloud-based computing system remote from a plurality of client business systems, as recited in independent claims 1 and 8. (Ex 1001 at 22:38 and 23:30 to 24:25. With respect to claim 1, for example, Petitioner provides only a single citation to Marshall (Pet. at 21; Marshall at ¶400) and a string of citations to the *Russ* declaration, which in turn cites to itself, without providing any additional evidence beyond the single paragraph. Petitioner then selectively cites to the Examiner’s second Office Action (Pet. at 21), but neglects to note that the particular paragraph in Marshall cited by the

Examiner (Ex. 1008 at 215, Marshall at ¶25) says nothing about “cloud computing,” only data transmission.

Indeed, the Examiner pointed expressly to the separation of gratuity distribution functionality from the local client business computer system when explaining why the claims were patentable. With respect to pending claim 30, which issued as independent claim 1, the Examiner emphasized the following language:

*wherein the gratuity management system is further configured to execute, independently for each client, gratuity distribution rules for allocating gratuities among at least a portion of the employees and to determine a gratuity allocation based on at least the received extracted transaction information, the received extracted employee information, and the gratuity distribution rules and return the gratuity allocation to the gratuity sync client application of each respective client business system, without requiring the client business systems to execute the gratuity distribution rules.”*

(Ex. 1008 at 432, emphasis in original.)

Likewise, with respect to pending claim 39, which issued as independent claim 8, the Examiner emphasized:

*wherein the payment management system is further configured to execute, independently for each client, payment distribution rules based on at least the received extracted information and the independently configured payment distribution rules to generate payment information and return the payment information to the interface component of respective client business systems, without requiring the respective client business systems to execute the payment distribution rules.*

(*Id.* at 433, emphasis in original.) The Examiner found that these elements, in combination with the other recited elements of each claim, rendered the claims patentable over the prior art. (*Id.* at 433.)

As another example, Marshall at least fails to disclose the recited “gratuity sync client application” of claim 1, which is configured to extract information and initiate transfer of that information to the gratuity management system. (Pet. at 20.) Rather, what Marshall discloses in ¶108-110, as cited by Petitioner, is a manual process for file transfer and manipulation involving no special data-management software or interfaces beyond basic file system architecture and database files. This is not the recited “gratuity sync client application,” as the Examiner found.

The addition of Phillips does nothing to cure these issues. It also fails to provide the disclosures necessary to render either the cloud computing system or the gratuity sync client application obvious. Petitioner merely asserts, without evidence, that a gratuity sync client application would have been obvious to a POSITA and then cites to the Russ declaration where the same argument is parroted. (Pet. at 50-51.)

*Webb* is not even asserted to disclose the recited gratuity sync client application and thus it cannot cure the defects of Marshall and Phillips. In short, as set forth below, Petitioner fails to carry its burden of showing a reasonable

likelihood of success as to either independent claim 1 or 8. Institution should be denied as to these claims.

Because each of the dependent claims recites the elements of either claim 1 or 8, the Petition fails as to each of these claims as well. Nothing in the Petition suggests that the prior art cited with respect to each dependent claim somehow cures the above deficiencies with respect to claims 1 and 8. Accordingly, Institution should be denied as to the dependent claims, as well.

## **VI. CONCLUSION**

For the forgoing reasons, the Board should deny institution of the Petition.

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Dated: December 29, 2023

Respectfully submitted,

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## **CERTIFICATE OF WORD COUNT**

Pursuant to 37 C.F.R. § 42.24(d), the undersigned certifies that there are 5,584 words in this paper, excluding any table of contents, table of authorities, mandatory notices under 37 C.F.R. § 42.8, certificate of word count, certificate of service, or appendix of exhibits. This certification relies on the word count of the word-processing system used to prepare this paper.

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## **CERTIFICATE OF SERVICE**

Pursuant to 37 C.F.R. § 42.6(e), the undersigned certifies that on December 29, 2023, the foregoing document is being served via electronic mail upon the following counsel of record for Petitioner:

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