

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Askeladden L.L.C.,
Petitioner

v.

Calabrese Stemer LLC,
Patent Owner

Case: IPR2024-00367
U.S. Patent No. 7,357,310

PETITION FOR *INTER PARTES* REVIEW

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LIST OF EXHIBITS

PETITIONER EXHIBIT	DESCRIPTION
1001	U.S. Patent No. 7,357,310 (“the ’310 patent”)
1002	Prosecution History of the ’310 patent
1003	Declaration and <i>curriculum vitae</i> of Dr. Robert Akl, D.Sc.
1004	Declaration of Glenn J. Perry
1005	Supporting Exhibit to Declaration of Glenn J. Perry
1006	Certified English Translation of Japanese Patent Application No. 2002-133100 (“Horie”) and Certification
1007	<i>Not used</i>
1008	U.S. Patent No. 5,915,222 (“the ’222 patent”)
1009	Japanese Patent Application No. 2002-133100 (“Horie”)

CLAIM LISTING

Claim 1
[1pre] 1. A payment authorization method, which comprises:
[1a] gathering, at a merchant's, account information for payment of a customer's purchase;
[1b] transmitting an authorization request to a financial authorization system requesting payment authorization for the customer's purchase via a first transmission channel;
[1c] notifying the customer that the authorization request has been received by transmitting, via a second transmission channel independent of and separate from the first transmission channel between the merchant's and the financial institution, a notification to a communications device associated with the customer; and
[1d] processing the transaction for payment authorization substantially without requiring a direct communications link between the communications device associated with the customer and the merchant's and substantially without requiring a response to the notification from the communications device associated with the customer.
Claim 2
2. The method according to claim 1, wherein the authorization request includes the account information and a monetary amount, and the notification to the communications device associated with the customer includes the monetary amount.
Claim 3
[3pre] 3. In a charge card payment authorization method, wherein a charge is requested at a merchant's, account information for payment of a customer's purchase is acquired at the merchant's, an authorization request is transmitted from a terminal associated with the merchant's to a remote charge processing facility, and the charge request is processed, the improvement which comprises:
[3a] processing the charge request substantially exclusively through communication between the merchant's and the remote processing facility and

substantially without requiring activity on the part of the customer,
[3b] and transmitting a notification of the charge request to a wireless device associated with the customer no later than immediately after authorizing the charge request.
Claim 4
4. The method according to claim 3, which comprises transmitting the notification immediately upon receiving the charge request and prior to authorizing the charge request.

I. Mandatory Notices.

A. Real Party-in-Interest.

Pursuant to 37 C.F.R. § 42.8(b)(1), Petitioner Askeladden L.L.C. certifies that it is the real party-in-interest in this proceeding. In this regard, Petitioner submits the Declaration of Glenn J. Perry (Ex. 1004) and supporting exhibit (Ex. 1005). As demonstrated in the Perry Declaration and supporting exhibit, no other party is in privity with or exercised control or could exercise control over Petitioner's participation in this proceeding, the filing of this Petition, or the conduct of any ensuing trial. Ex. 1004, ¶¶22-28; Ex. 1005.

B. Related Matters.

U.S. Patent No. 7,357,310 ("the '310 patent") was asserted against:

- Visa, Inc. in *Calabrese Stemer LLC et al. v. Visa, Inc.*, No. 09-cv-60269-Hurley/Hopkins (S.D. Fla.) (filed: February 19, 2009) (terminated: June 16, 2009).

There are no other lawsuits or PTAB proceedings Petitioner is aware of involving the '310 patent. To the best of Petitioner's knowledge, none of the grounds set forth in this Petition have been previously considered by the USPTO or any court. Concurrently with the filing of this Petition, Petitioner is submitting Petitions for *inter partes* review of two related patents, U.S. Patent Nos. 7,954,706 and 8,783,564.

C. Fee.

This Petition requests review of four (4) claims of the '310 patent and is accompanied by a payment of \$41,500, which includes the \$19,000 *inter partes* review request fee, and the \$22,500 post-institution fee. *See* 37 C.F.R. § 42.15. Thus, this Petition meets the fee requirements under 35 U.S.C. § 312(a)(1). The Board is hereby authorized to charge any additional fees required by this action to Deposit Account No. 20-1430.

D. Designation of Lead and Backup Counsel.

Lead counsel for Petitioner is Alton L. Absher III, Registration No. 60,687 of Kilpatrick Townsend & Stockton LLP. Back-up counsel for Petitioner is Andrew W. Rinehart, Registration No. 75,537, and Philip E. Hawkyard, Registration No. 81,629, also of Kilpatrick Townsend & Stockton LLP.

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E. Service Information.

Petitioner may be served via email to its counsel and to

Askeladden_IPR@ktslaw.com.

II. Introduction.

The '310 patent is invalid. The only alleged point of novelty in the '310 patent—simultaneously authorizing a card transaction and notifying a card holder of the transaction via text —was already known in the art. The dependent claims of the '310 patent recite nothing more than the use of account information and customer notifications that were typical of every card transaction, and thus were well within the knowledge of a POSITA at the time of invention. All claims of the '310 patent should be cancelled as anticipated or obvious.

III. The '310 Patent.

The '310 patent was filed on March 11, 2005, as U.S. Serial No. 11/077,783 (“the '783 Application”) and issued on April 15, 2008. For the purposes of this Petition, Askeladden assumes that the earliest potential effective filing date is March 11, 2005. Because its earliest effective filing date is before March 16, 2013, the '310 patent is subject to the pre-AIA provisions of 35 U.S.C. *See* AIA § 3(n)(1).

According to the '310 patent, “[c]redit cards and charge cards have become the primary vehicle by which payments . . . are transacted” but “charge errors and charge fraud causes millions of dollars in losses in the United States.” Ex. 1001, at 1:13-15, 32-33. These errors occur, according to the patent, when the consumer is “charged too much” or “authorize[s] the incorrect amount,” but more often errors

occur when there are “incorrect or non-authorized charges” related to “fraudulent or even innocent mistakes.” *Id.* at 1:22-23, 29-30. The patent proposes that these errors “could have been avoided, had better authorization security been assured” during the time of purchase. *Id.* at 1:30-31.

The '310 patent, titled “Mobile Phone Charge Card Notification and Authorization Method,” generally describes “a credit card transaction notification and authorization method.” *Id.* at Title, 1:57-58. The method begins when a customer “swipe[s]” or “manually enter[s]” a “charge card” at a “merchant terminal.” *Id.* at 2:44-47. According to the patent, the merchant terminal can be either “a store, . . . a teller or an automated teller machine (ATM), or . . . a virtual terminal in an internet-type transaction.” *Id.* at 2:47-49. The “charge card” refers to “credit cards” as well as “debit and ATM card processing” and any “equivalent or similar payment mechanisms.” *Id.* at 4:12-16.

Before the customer signs for the purchase, the “merchant terminal 3 connects, through a modem 5, to an acquirer 6” and the acquirer “checks against its data sources whether or not the transaction should be authorized.” *Id.* at 2:56-60. At the same time, the acquirer also checks “the customer’s set preferences concerning the notification/authorization options.” *Id.* at 2:60-63. The customer’s profile can be “set to simple ‘notification,’ which means the system only notifies the cardholder by sending a message” to the customer. *Id.* at 2:64-66.

Alternatively, the profile may require a “prompt [to the customer] to confirm the purchase.” *Id.* at 3:4-6 (marked up to show “user” in red, “merchant” in green, “card” in blue, “authorization” in orange, “notification” in purple, “request” in light blue, “first transmission channel” in tan, and “second transmission channel” in teal.).

The patent asserts that this notification/authorization method “does not add any time to the transaction” but that any “delay” may be justified by “[t]he added security.” *Id.* at 3:15-18. However, any delay can be avoided if the customer “provide[s] preauthorization when a charge request is imminent” by “call[ing] ‘ahead’ and provid[ing] preauthorization for the impending purchase.” *Id.* at 3:20-25.

Finally, the invention contemplates that the notification/authorization can go to “a third party” which would “be beneficial in a parent/child relationship, or in an employer/employee relationship.” *Id.* 4:27-30.

Figures 1 and 2 of the ’310 patent are reproduced below.

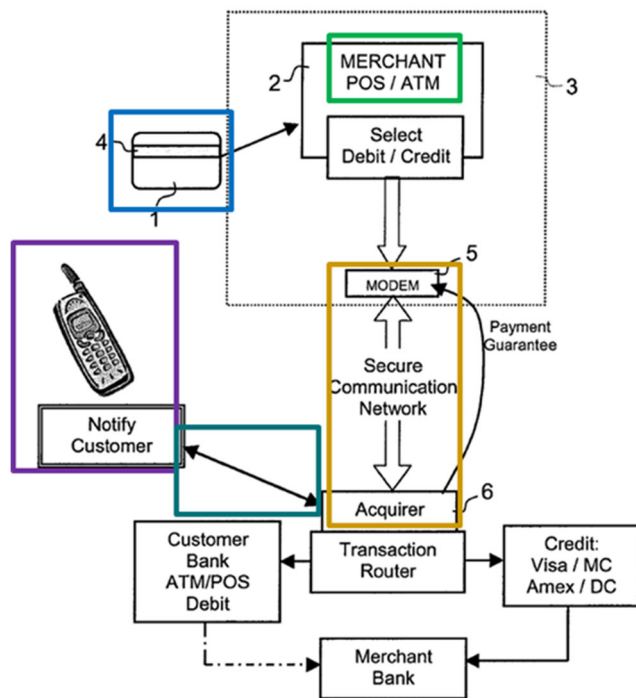


FIG. 1

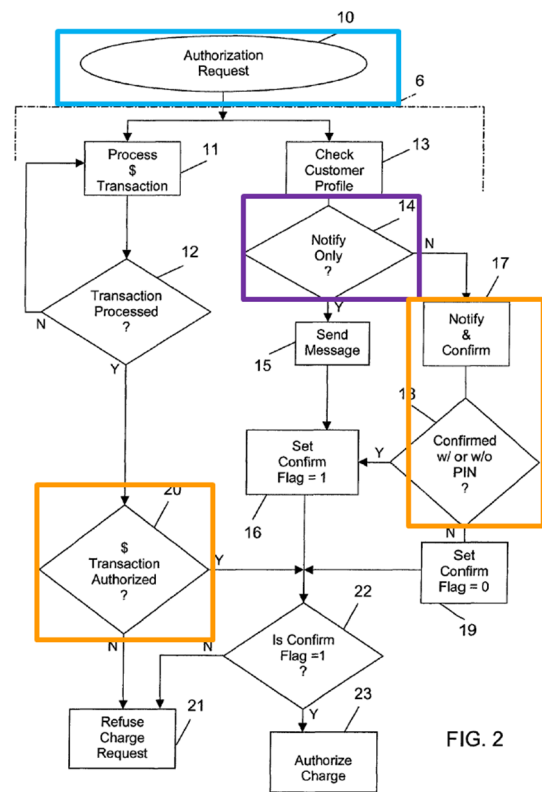


FIG. 2

Ex. 1001, Figs. 1 and 2 (annotations added).

A. Prosecution of the '310 patent.

During prosecution of the '310 patent, the applicant amended pending claim 1 to add that that an “authorization request” is transmitted “via a first transmission channel,” and that “notifying the customer” is done “via a second transmission channel independent of and separate from the first transmission channel between the merchant’s and the financial institution.” Ex. 1002, at 42. The applicant noted that the “secure network and the ‘payment guarantee’ channel are illustrated between the acquirer 8 [*sic*] and the modem 5 of the merchant’s terminal.” Ex. 1002, at 45. Regarding the second channel, the applicant stated that the

“communications channel between the acquirer 6 and the customer’s mobile device is illustrated to the left” in Figure 1. *Id.*

Regarding pending claim 5 (which issued as claim 3 of the ’310 patent), the applicant stated that it “is indeed a *Jepson*-type claim” and that the “preamble of the claim (“In a charge card payment...the charge request is processed”) indeed is admitted to belong to the prior art.” Ex. 1002, at 46-47. According to the applicant, the “improvement—following the transitional phrase—resides in the transmission of the notification to the customer.” *Id.* at 47. Accordingly, the applicants conceded that the following elements were known in the prior art: “[i]n a charge card payment authorization method, wherein a charge is requested at a merchant’s, account information for payment of a customer’s purchase is acquired at the merchant’s, an authorization request is transmitted from a terminal associated with the merchant’s to a remote charge processing facility, and the charge request is processed.”

In the same office action response, the applicant distinguished a prior art reference which disclosed an embodiment in which a “cellular telephone thus ‘replaces’ the financial transaction terminal (e.g., ATM)” as allegedly failing to disclose “separate communications channels.” Ex. 1002, at 48-49. Regarding the prior art, the applicant argued “[i]n no case is the cellular telephone integrated into the system in parallel with another transaction terminal (and with separate

communications channels that may be operative simultaneously).” Ex. 1002, at 49.

In a later office action response, the applicant amended pending claims 1 and 5 to recite processing the “transaction without customer activity.” Ex. 1002, at 89. After this amendment, the examiner allowed claims 1 and 5 and their remaining dependent claims. Ex. 1002, at 101.

B. Level of Ordinary Skill in the Art.

A POSITA of the ’310 patent (“POSITA”) would generally have experience in the hardware and software used in the field of securely transmitting and processing authorization requests over wired and wireless networks, such as requests for the processing of financial transactions. Ex. 1003 ¶ 22. A POSITA in this context would have a bachelor’s degree in computer science, computer engineering, electrical engineering, or a related study, and would have at least one or two years of experience with wired and wireless networks used to securely process requests for authorization of activity such as financial transactions. *Id.* Less experience is necessary with additional education (e.g., a Master’s degree), and likewise, less education is necessary with additional work experience (e.g., 5-6 years). *Id.*

IV. Claim Construction.

At this stage of the proceedings, Petitioner respectfully submits that no claim terms require an express construction. Ex. 1003 ¶ 62. However, independent

claims 1 and 3 of the '310 patent recite a or the “merchant’s.” *See, e.g.*, claim 1[a] (“gathering, at a merchant’s, account information...”). Based on the applicant’s statements during prosecution, Petitioner submits that instances of “[a/the] merchant’s” in the challenged claims of the '310 patent refer to a merchant’s *terminal*. For example, during prosecution the applicant explained that the “secure network and the ‘payment guarantee’ channel are illustrated between the acquirer 8 [sic] and the modem 5 of the merchant’s *terminal*.” Ex. 1002, at 45 (emphasis added). While Petitioner respectfully submits that no express construction is necessary, Petitioner provides this clarification of the claim language based on the applicant’s statements. Ex. 1003 ¶ 63.

V. Relief Requested

A. Grounds for Standing

Pursuant to 37 C.F.R. § 42.104(a), Petitioner certifies that the '310 patent is available for *inter partes* review and that Petitioner is not barred or estopped from requesting an *inter partes* review challenging the patent claims on the grounds identified.

B. Identification of Challenge

Pursuant to 37 C.F.R. § 42.104(b) and 35 U.S.C. § 311, this Petition requests cancellation of claims 1-4 (“the challenged claims”) of the '310 patent based on the following prior art reference:

- Japanese Patent Application 2002-133100 (“the ’100 application” or “Horie”) [Ex. 1006];

Ground	35 U.S.C.	Claims	References
1	§ 102	1-4	Horie
2	§ 103	1-4	Horie in view of the knowledge of a POSITA

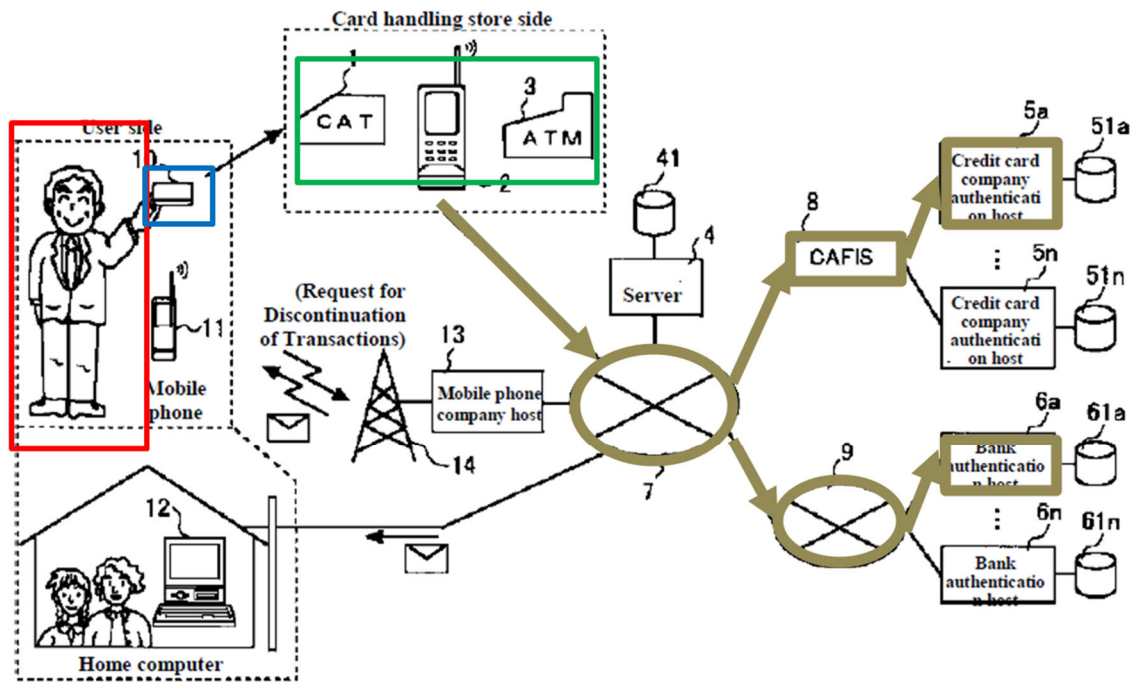
VI. Prior Art

A. Horie (Ex. 1006)

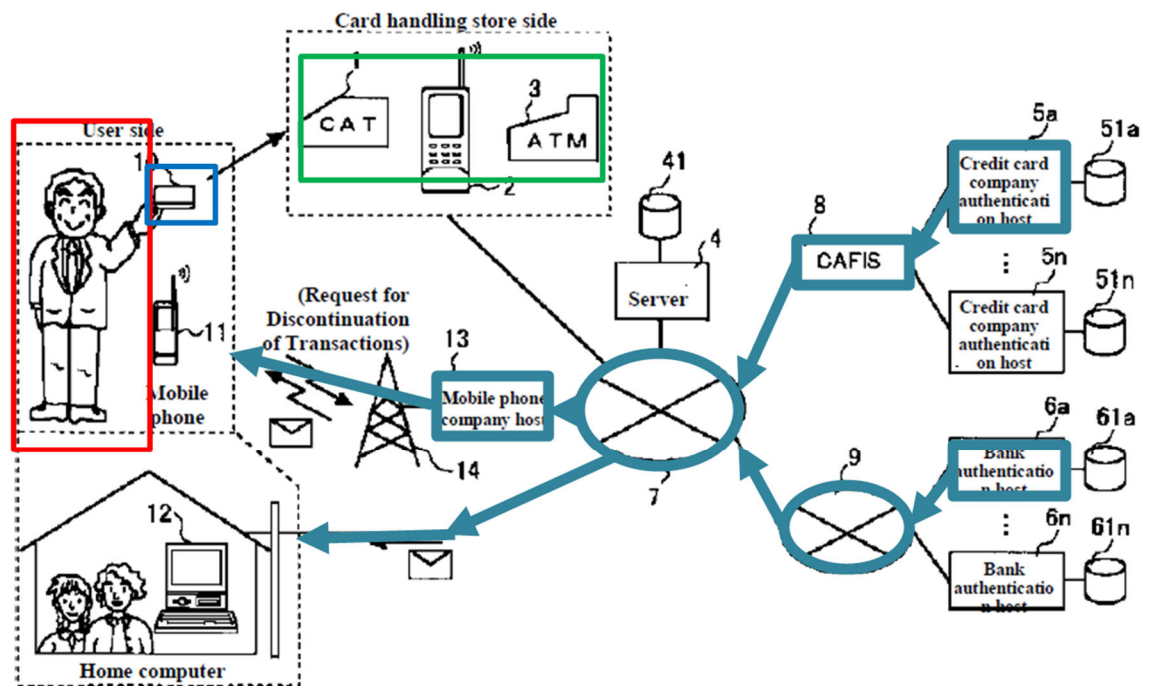
Horie was published on May 10, 2002, and is therefore prior art under pre-AIA 35 U.S.C. § 102(b). Horie was not cited during prosecution of the ’310 patent. Horie discloses “a card usage status notification method that automatically notifies a card user [] that a card payment transaction has occurred . . . using an informational terminal device such as a mobile phone or a personal computer” Ex. 1006, at [0001].

Figure 1 depicts “a schematic configuration of the entire card payment transaction system” *Id.* at [0039].

[FIG. 1]



[FIG. 1]



Ex. 1006, Fig. 1 (annotations added).

As shown, the method “has a card transaction terminal device . . . , an information processing company server 4, a credit card company authentication host 5 for card authentication processing when using a credit card, a bank authentication host 6 for card authentication processing when using a debit card (cash card), a network 7 connecting them, [and] a mobile phone company host 13 . . .” *Id.* at [0076]. According to Horie, “when there is a card payment transaction, a processing request for card usage status notification from the side of the card authentication host 5 to 6 is received at the server 4 once . . . and a processing request is sent from the side of the server 4 to the host of the applicable mobile phone company to make such a notification.” *Id.* at [0077].

In one embodiment of Horie, “the special processing for notification is continued until the specific signal and/or specific data is sent from the mobile phone company host 13 to the mobile phone 11.” *Id.* at [0078]. In this way, “various preset incoming behavior patterns” such as “an incoming melody, vibration in manner mode, [or] lighting of a light” “allow the mobile phone user to know that a particular card has been used for a payment transaction.” *Id.* at [0079]. Further, “specific data indicating the content of card payment transactions can be transmitted from the mobile phone company host to a mobile phone 12, and the mobile phone 12 can display the content on the display by text, etc.” *Id.*

Horie discloses as a goal “to provide a card usage status notification method

that more quickly and reliably notifies a user to that effect, thereby enabling detection of card fraud” *Id.* at [0006]. Therefore, “a father who wants to keep track of the credit card usage status of his wife and children at all times can find out more quickly and reliably without notification from his family.” *Id.* at [0013].

Horie discloses “card[s]” which can include “a credit card, a debit card” as well as “various payment transaction cards such as cash advance cards issued by consumer financial institutions.” *Id.* at [0009]. A “card payment transaction,” as described by Horie, includes “product purchases, cash advance services, deposits and withdrawals to and from bank accounts, and the like.” *Id.*

Finally, according to Horie, “when using card payment transactions, both normal card authentication processing and card usage status notification . . . are performed simultaneously.” *Id.* at [0043].

VII. Full Statement of the Reasons for the Relief Requested.

A. GROUND 1: Claims 1-4 should be cancelled as anticipated by Horie.

Horie discloses each element of claims 1 through 4 and therefore anticipates each challenged claim 1 through 4 (“Ground 1”).

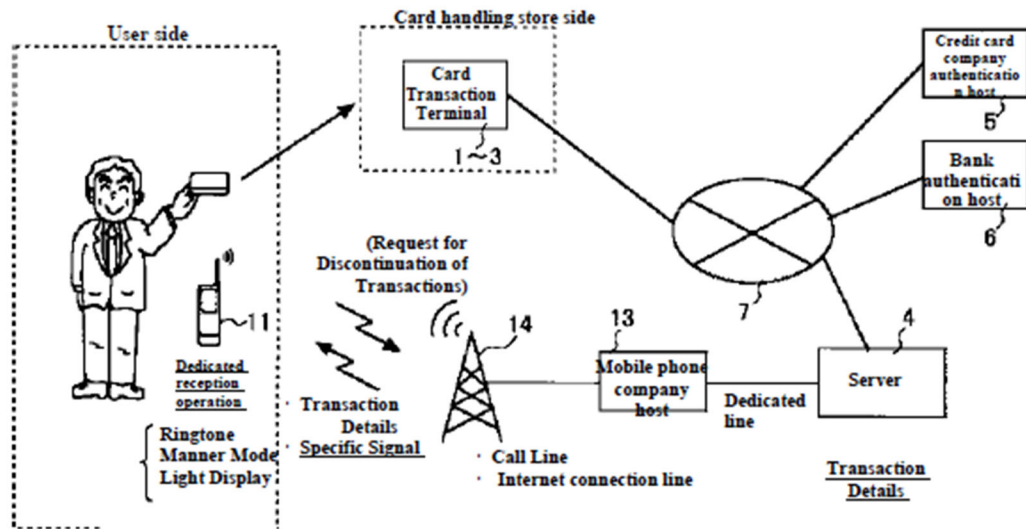
1. Independent claim 1.

i. Preamble – A payment authorization method, which comprises:

To the extent the preamble is limiting, it is disclosed by Horie. Horie “relates to a card usage status notification method that automatically notifies a card

user, etc. that a card payment transaction has occurred via a network, and a card payment transaction system using the same method.” Ex. 1006, at [0001]; Ex. 1003 ¶ 81.

The method of Horie is shown in Figure 9, below:



Ex. 1006, Fig. 9.

ii. Element [1a] – gathering, at a merchant’s, account information for payment of a customer’s purchase;

Horie discloses this limitation. Horie discloses a “transaction terminal device” that reads “card information, transaction details information, and other necessary information” and sends the information to a “card authentication host.” Ex. 1006, at [0046]-[0048]. Horie also discloses that “when the [card authorization] process is started, card information, transaction details information, and other necessary information are sequentially read on the card transaction terminal device side (steps 201, 202, and 203).” Ex. 1006, [0046]. Horie further

discloses that “when card 10 owned by a card user is used for payment transactions via **card transaction terminal devices 1 to 3**, card authentication processing is performed between card transaction terminal devices 1 to 3 and each authentication host” *Id.* at [0044]; Ex. 1003 ¶ 83. Horie defines “**card transaction terminal device**” as including “**CAT (wireless CAT etc. may also be used), ATM, Kiosk terminal device, etc.**” Horie, [0025], Ex. 1003 ¶ 83. Horie further discloses that the “card transaction terminal device[s] . . . [are] installed on the card handling store side.” Horie, [0076]; Ex. 1003 ¶ 83. Horie further explains that a CAT, which can be installed at a “card handling store” for a “product purchase.” *Id.*, at [0039], [0047]. Thus, the account information is gathered “at a merchant’s.” Ex. 1003 ¶ 83.

According to Horie, “card information includes card number information,” which is an example of account information. Ex. 1006, [0047]. Horie further discloses that “[t]ransaction details information” includes “transaction type,” “transaction amount,” and “payment method,” for example, which a POSITA would have considered to be examples of account information for payment of a customer’s purchase gathered at a merchant’s terminal. Therefore, Horie discloses this limitation because the card transaction terminal devices, which are “installed on the card handling store side” (i.e., the merchant store), “read” the “card information,” including “the card number information.” Ex. 1006, at [0047]; Ex.

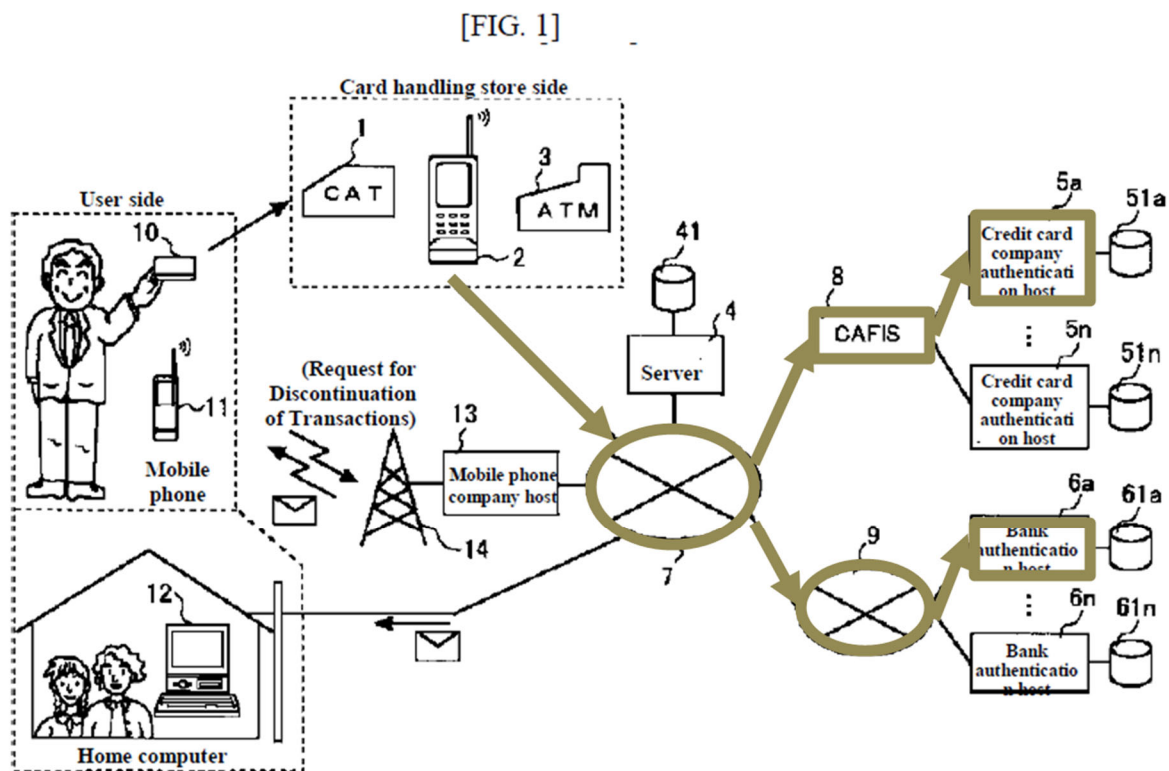
1003 ¶ 83.

iii. Element [1b] – transmitting an authorization request to a financial authorization system requesting payment authorization for the customer’s purchase via a first transmission channel;

Horie discloses this element. Horie discloses “a card authorization processing request” where a “transaction terminal device” reads “card information, transaction details information, and other necessary information” and sends the information to a “card authentication host.” Ex. 1006, at [0046]-[0048]. Horie also discloses that there is “a network” that connects “a card transaction terminal device” to “a credit card company authentication host” or a “bank authentication host.” *Id.* at [0076]; Ex. 1003 ¶ 85.

Horie further discloses that “when [a] card 10 owned by a card user is used for payment transactions via card transaction terminal devices 1 to 3, card authentication processing is performed between card transaction terminal devices 1 to 3 and each authentication host via CAFIS 8.” Ex. 1006, at [0044]. Horie explains that the “various types of information that have been read are sent as data to each card authentication host 5-6 (or CAFIS 8), thereby issuing a card authentication processing request.” *Id.* at [0048]. See Fig. 1 below. The “first transmission channel” disclosed by Horie is the communication line(s) from the “CAT 1 installed in a card handling store, [or] a portable wireless CAT 2...[or] an ATM 3 installed in a bank” (Horie, [0039]; through the “server 4” (Horie, [0040]);

the “network 7” (Horie, [0039]); the “CAFIS 8” (Horie, [0054]); and finally to the “credit card company authentication host 5a to 5n” (*Id.*). Alternatively, Horie discloses a “first transmission channel” that includes “an interbank network, which connects the network 7 and each bank authentication host 6 to 6n” instead of the CAFIS and credit card authentication hosts. *Id.* at [0042]; Ex. 1003 ¶¶ 86-87.



Ex. 1006, Fig. 1 (annotated).

Therefore, Horie discloses “transmitting an authorization request to a financial authorization system requesting payment authorization for the customer’s purchase via a first transmission channel” because it discloses a channel that receives the authentication request from the merchant terminals and communicates

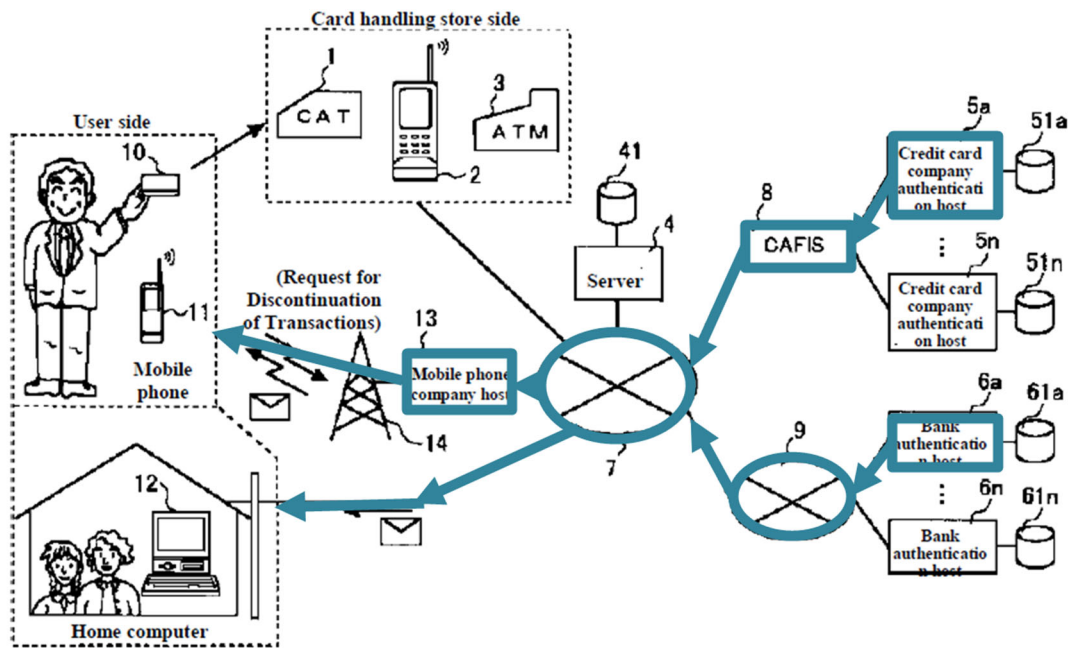
the authentication request to the credit card or bank authentication hosts. Ex. 1003

¶¶ 86-88.

iv. Element [1c] – notifying the customer that the authorization request has been received by transmitting, via a second transmission channel independent of and separate from the first transmission channel between the merchant's and the financial institution, a notification to a communications device associated with the customer; and

Horie discloses this limitation. Horie discloses that “when [a] card 10 owned by a card user is used for payment transactions via card transaction terminal devices 1 to 3, card authentication processing is performed between card transaction terminal devices 1 to 3 and each authentication host via CAFIS 8, and an email is sent from the side of sever 4 to the mobile phone 11 owned by the card user and the PC 12 owned by the card user at home to notify the user that there was a card payment transaction.” Ex. 1006, [0044]; Ex. 1003 ¶ 90. See Fig. 1 below.

[FIG. 1]



Ex. 1006, Fig. 1 (annotated).

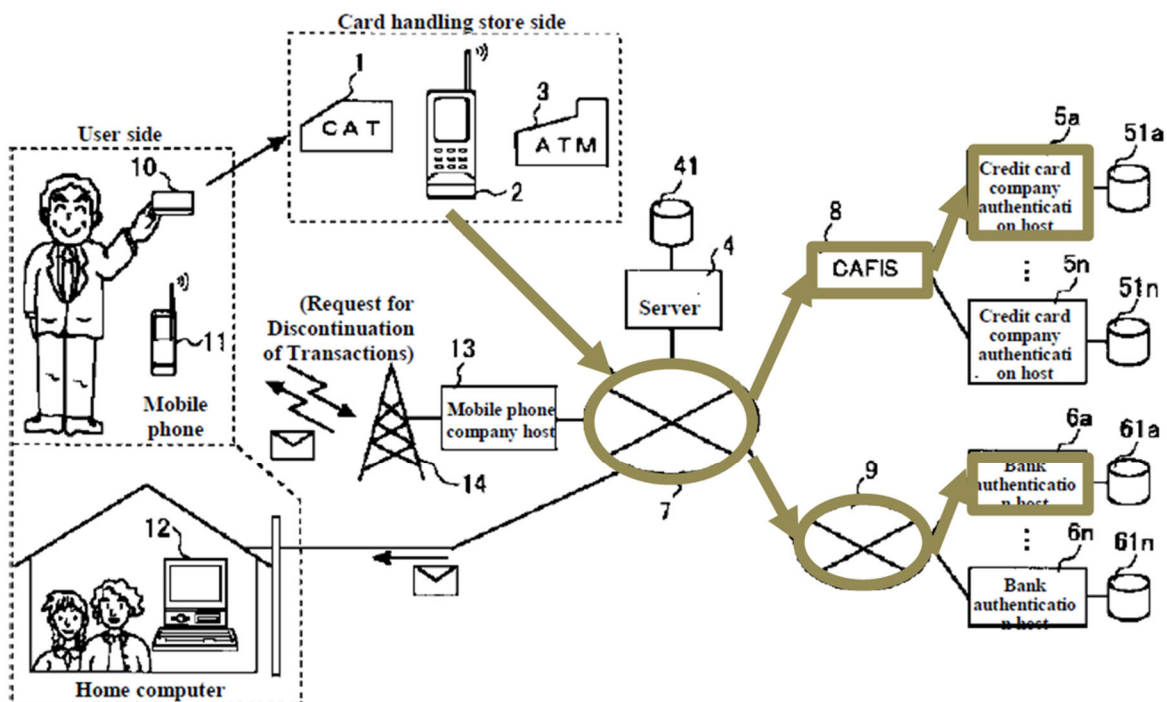
The “a second transmission channel” disclosed in Horie is the communication line(s) from the credit card or bank authentication hosts; through the CAFIS or interbank network, respectively; through the network 7 and server 4; and then through the “mobile phone company host 13” (Horie, [0076]) via a “relay base station 14” to the customer’s “mobile phone 11” (Horie, [0041]).

Alternatively, Horie discloses that the notification can be sent to “a personal computer 12 owned by the card user at home [] connected to the network 7.”

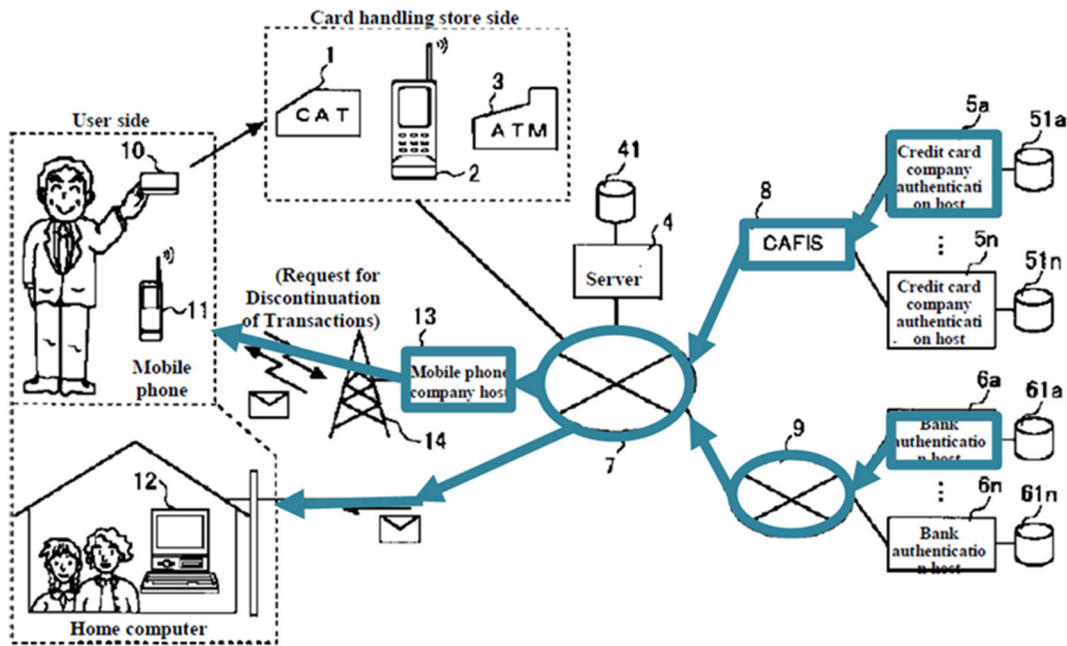
Horie, [0041]; Ex. 1003 ¶¶ 91-92. Each of the customer’s mobile phone and the card user’s personal computer as disclosed by Horie are a communications device associated with the customer. Ex. 1003 ¶ 93.

Horie further discloses the second transmission channel is independent of and separate from the first transmission channel between the merchant's terminal and the financial institution. Ex. 1003 ¶ 94. Horie discloses that "when [a] card 10 owned by a card user is used for payment transactions via card transaction terminal devices 1 to 3, card authentication processing is performed between card transaction terminal devices 1 to 3 and each authentication host via CAFIS 8, and an email is sent from the side of sever 4 to the mobile phone 11 owned by the card user and the PC 12 owned by the card user at home to notify the user that there was a card payment transaction." Ex. 1006, [0044]. See Fig. 1 below.

[FIG. 1]



[FIG. 1]



Ex. 1006, Fig. 1 (annotated).

Therefore, in Horie, the “first transmission channel” and the “second transmission channel” are separate and independent of each other because the “first transmission channel” includes the CAT / wireless CAT / ATM, and the wired/wireless connection between those devices and the network 7, and does not include the wired/wireless connections between network 7 and the customer’s home computer 12 or the mobile phone company host 13, relay base station 14, or the customer’s mobile phone 11. Conversely, the “second transmission channel” includes the wired/wireless connections between network 7 and the customer’s home computer 12 or the mobile phone company host 13, relay base station 14, or the customer’s mobile phone 11, and excludes the CAT / wireless CAT / ATM,

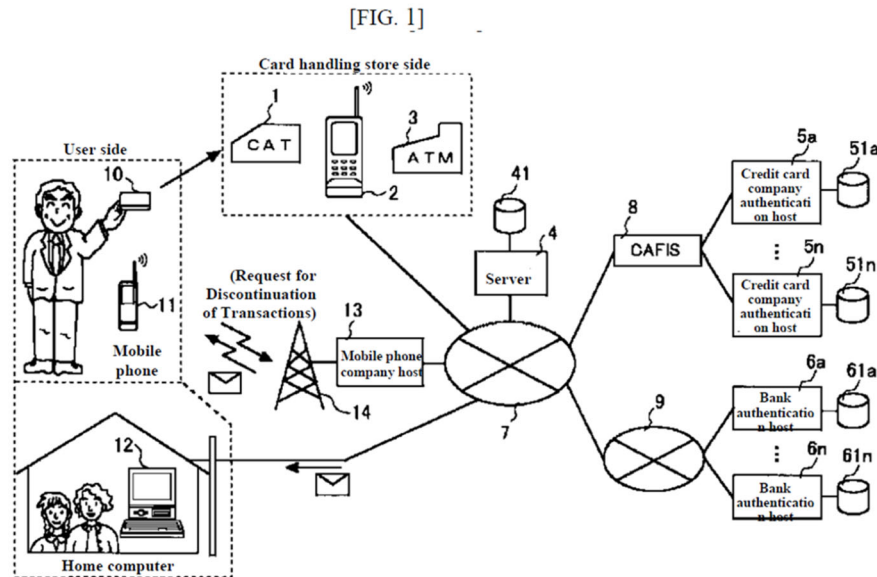
and the wired/wireless connection between those devices and the network 7. Ex. 1003 ¶ 94. Moreover, Horie discloses that “mobile phone company host 13 is connected to the server 4 via a dedicated line,” which a POSITA would have understood to mean a line distinct from other lines of communication. Ex. 1003 ¶ 95.

The first and second transmission channels in Horie are also separate from and independent of each other because Horie discloses that the channels include separate hardware components, including CATs (both wired and wireless); ATMs; servers; relay base stations; mobile phones; and home computers. Ex. 1003 ¶ 96. Each of these devices would have at least its own processor(s), memory, and network/cellular connections, and each of these devices would have operated independent of one another in the sending/receiving of a particular network transmission of data to another device along the channel. *Id.*

- v. ***Element [1d] – processing the transaction for payment authorization substantially without requiring a direct communications link between the communications device associated with the customer and the merchant’s and substantially without requiring a response to the notification from the communications device associated with the customer.***

Horie discloses this limitation. In Figure 1, the communications devices associated with the customer (*i.e.* mobile phone 11 and home computer 12) are depicted without any direct link between either of those devices and the merchant’s terminals (*i.e.* CAT 1, wireless CAT 2, or ATM 3). *See* Ex. 1006, Fig. 1; *see also*

Ex. 1003 ¶ 101.



Horie further discloses processing the transaction for payment authorization substantially without requiring a response to the notification from the communications device associated with the customer. Ex. 1003 ¶ 102. Horie explains that “when a payment transaction is made using a card owner by the card user or a family member, the card user can be informed of the fact via e-mail, and can also receive notification of the transaction.” Ex. 1006, [0071]. Horie further discloses that either “an e-mail is sent to notify the user after the card authentication process in the card payment transaction, [or] the e-mail can also be sent, for example, during the card authentication process.” Ex. 1006, [0073]. For the latter, Horie explains that “[i]n such a case, for example, it would be possible to prevent fraudulent card use by making it possible to issue a transaction cancellation request to the authentication hosts 5 and 6 via the mobile phone 11.”

Ex. 1006, [0073] (emphasis added). In either of the two above embodiments, Horie does not disclose requiring any response from the customer's communications device to the notification prior to processing the transaction for payment authorization—in other words, the card authentication process disclosed in Horie will absent any input, and a user has the option to issue a transaction *cancellation* request to *stop* the processing. Ex. 1003 ¶¶ 102-103.

2. Dependent claim 2 – The method according to claim 1, wherein the authorization request includes the account information and a monetary amount, and the notification to the communications device associated with the customer includes the monetary amount.

See claim 1 above. Horie anticipates this claim. Horie discloses a “transaction terminal device” that reads “card information, transaction details information, and other necessary information” and sends the information to a “card authentication host.” Ex. 1006, at [0046]-[0048]. According to Horie, “card information includes card number information,” which is an example of account information. Ex. 1006, [0047]. Horie further discloses that “[t]ransaction details information” includes “transaction type,” “transaction amount,” and “payment method,” for example, which are examples of account information and a monetary amount. Ex. 1006, at [0047]; Ex. 1003 ¶ 106.

Horie also discloses that the notification to the communications device associated with the customer includes the monetary amount. Ex. 1003 ¶ 107.

According to Horie, “the email sent to the user shows...payment amount.” Ex. 1006, [0069]; *see also* Fig. 8.

[FIG. 8]

Card usage information

About the card used by Mr. Horie

The following card payment transactions have been confirmed:

Card Number: 1234-5678-9012-1234

Transacti ☐ month ☐ hour

Name of Access

Terminal 000000

Processing 6 7 8 9 0 - 1

Approval 0 0 0 0 0 0 1

Product classification Electrical appliances

Transacti ¥ . . . Purchase

Amount

Contact information for the above transactions

Tel: 0 3 - 1 2 3 4 - 0 0 0 0

Email: . . . @ co . jp

Web : http://www.acac.co.jp

Ex. 1006, Fig. 8.

3. Independent claim 3.

- i. Preamble* – In a charge card payment authorization method, wherein a charge is requested at a merchant’s, account information for payment of a customer’s purchase is acquired at the merchant’s, an authorization request is transmitted from a terminal associated with the merchant’s to a remote charge processing facility, and the charge request is processed, the improvement which comprises:

Independent claim 3 is written in *Jepson* form, as the applicant admitted during prosecution of the ’310 patent. *See* Section III.A, *supra*. The applicant further admitted that the “preamble of the claim (“In a charge card payment...the

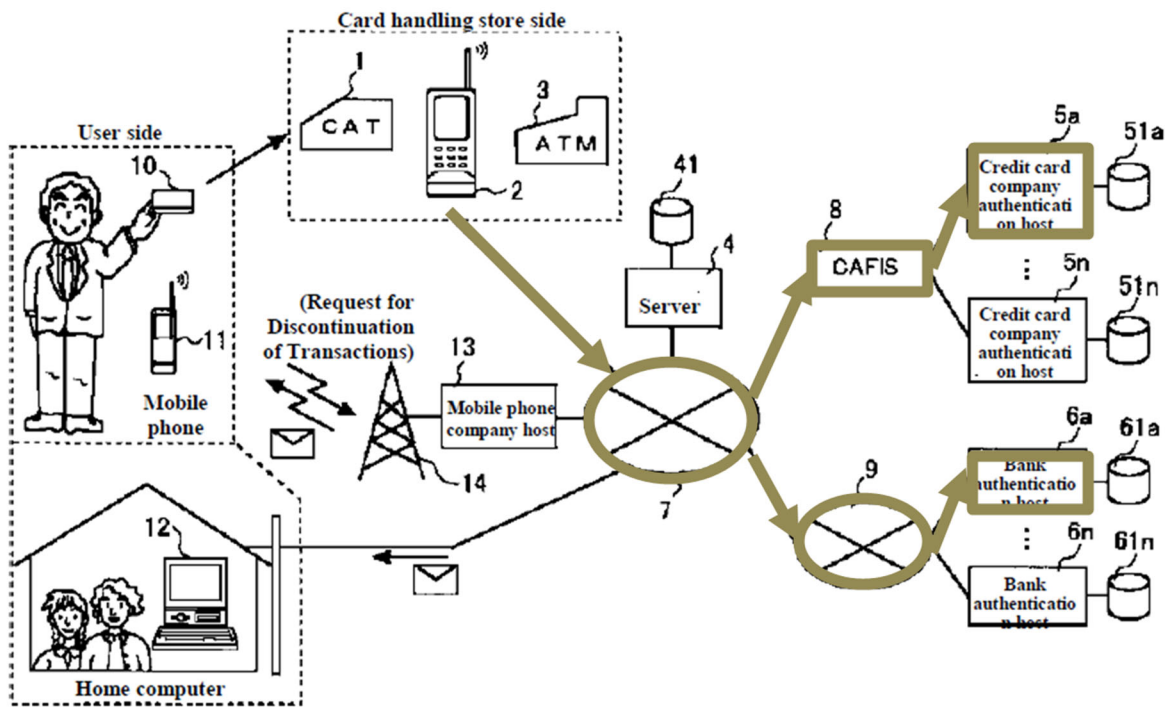
charge request is processed”) indeed is admitted to belong to the prior art.” Ex. 1002 at 47. Nevertheless, the preamble is disclosed by Horie. Ex. 1003 ¶¶ 108-109.

See analysis for claim 1, preamble, in Section VII.A.1.i; claim [1a] in Section VII.A.1.ii; claim [1b] in Section VII.A.1.iii; and claim [1d] in Section VII.A.1.v.

ii. Element [3a] – processing the charge request substantially exclusively through communication between the merchant's and the remote processing facility and substantially without requiring activity on the part of the customer,

Horie discloses this limitation. See analysis for claim [1b] in Section VII.A.1.iii. The charge request disclosed in Horie is processed substantially exclusively through communication between the merchant’s terminal and the remote processing facility because none of that communication occurs or otherwise involves the customer. Ex. 1003 ¶ 112. For example, Horie discloses that “when [a] card 10 owned by a card user is used for payment transactions via card transaction terminal devices 1 to 3, **card authentication processing** is performed between card transaction terminal devices 1 to 3 and each **authentication host via CAFIS 8**.” Ex. 1006, [0044]. And as depicted below, the communication between the merchant’s terminal and the authentication hosts in Horie does not involve the customer. Ex. 1003 ¶ 113.

[FIG. 1]



Ex. 1006, Fig. 1 (annotated).

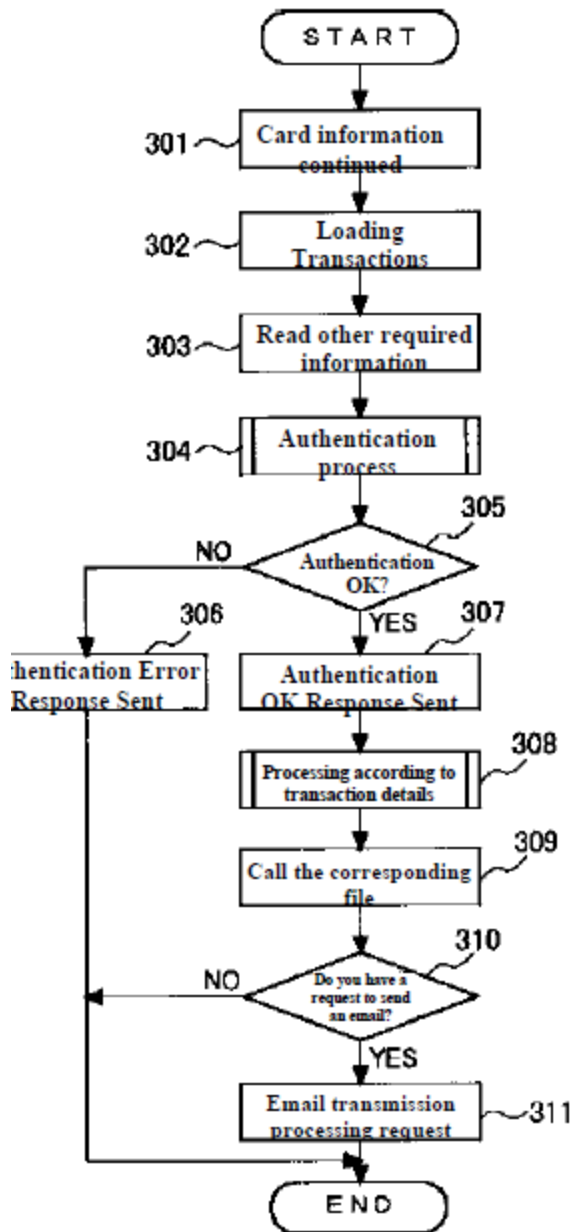
Horie further discloses the processing is performed substantially without requiring activity on the part of the customer. See analysis for claim [1d] in Section VII.A.1.v; Ex. 1003 ¶ 114.

iii. Element [3b] – and transmitting a notification of the charge request to a wireless device associated with the customer no later than immediately after authorizing the charge request.

Horie discloses this element. According to Horie, “when using card payment transactions, both normal card authentication and card usage status notification via email are performed simultaneously.” Ex. 1006, [0043]. Horie explains that “an e-mail is sent to notify the user *after* the card authentication

process in the card payment transaction.” Ex. 1006, [0073] (emphasis added). As depicted in Figure 3 of Horie, after the transaction is processed according to the transaction details (Step 308), Horie’s system then determines whether the customer requested notifications and, if so, begins the email transmission processing request to send to the customer (Steps 309-311). Ex. 1003 ¶ 119.

[FIG. 3]



Flowchart showing card authentication host side processing

Ex. 1006, Fig. 3.

This notification occurs immediately, according to Horie. Ex. 1003 ¶ 120.

“[W]hen a payment transaction is made using a card that the card user owns, the

card user can immediately know through the mobile phone 11 that the card payment transaction has been made.” Ex. 1006, [0072].

4. Dependent claim 4 – The method according to claim 3, which comprises transmitting the notification immediately upon receiving the charge request and prior to authorizing the charge request.

See claim 3 above. Horie anticipates this claim. According to Horie, “when using card payment transactions, both normal card authentication and card usage status notification via email are performed simultaneously.” Ex. 1006, [0043]. In an embodiment of Horie, “the e-mail can also be sent, for example, *during* the card authentication process.” *Id.* at [0073] (emphasis added). Horie explains that “[i]n such a case, for example, it would be possible to prevent fraudulent card use by making it possible to issue a transaction cancellation request to the authentication hosts 5 and 6 via the mobile phone 11.” Based on Horie’s disclosure, a POSITA would have understood that sending the e-mail notification during the card authentication process in Horie would have been prior to the conclusion of the process where the charge is authorized—otherwise, there would be no way to prevent fraudulent card use as described by Horie. Ex. 1003, ¶¶ 121-122.

B. GROUND 2: Claims 1-4 should be cancelled as obvious by Horie in combination with the knowledge of a POSITA.

The combination of Horie and the knowledge of a POSITA (“Ground 2”) teaches or renders obvious each element of the claims 1 through 4, and each

challenged claim 1 through 4 as a whole.

1. Independent claim 1.

i. Preamble – A payment authorization method, which comprises:

See analysis of claim 1, preamble, in Section VII.A.1.i.

ii. Element [1a] – gathering, at a merchant's, account information for payment of a customer's purchase;

See analysis of claim [1a] in Section VII.A.1.ii.

iii. Element [1b] – transmitting an authorization request to a financial authorization system requesting payment authorization for the customer's purchase via a first transmission channel;

See analysis of claim [1b] in Section VII.A.1.iii.

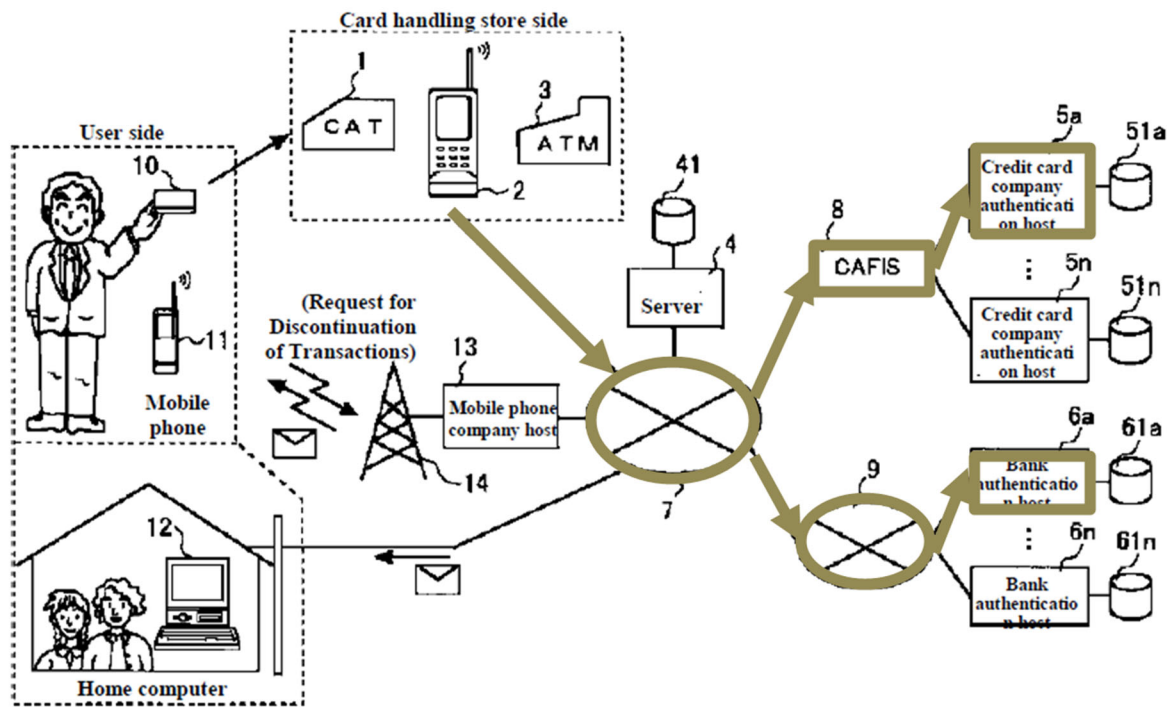
iv. Element [1c] – notifying the customer that the authorization request has been received by transmitting, via a second transmission channel independent of and separate from the first transmission channel between the merchant's and the financial institution, a notification to a communications device associated with the customer; and

See analysis of claim [1c] in Section VII.A.1.iv. To the extent that Horie does not disclose that the second transmission channel is independent of and separate from the first transmission channel, a POSITA would have understood that the transmission channels were independent and separate. Ex. 1003 ¶ 97. In Horie, the “first transmission channel” and the “second transmission channel” are separate and independent because the “first transmission channel” includes the

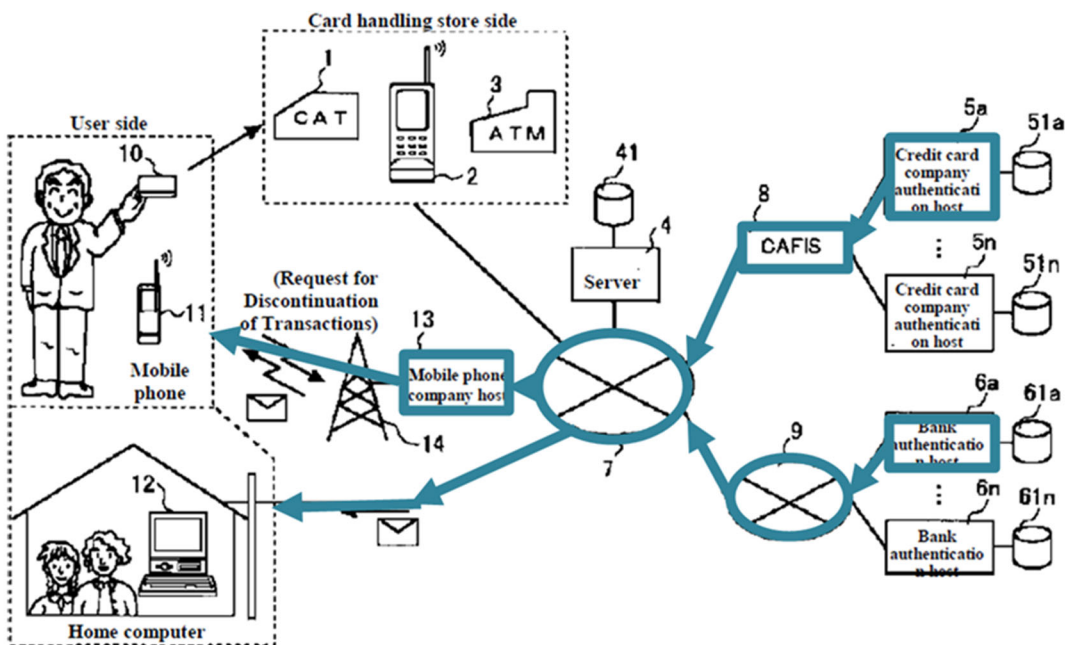
CAT / wireless CAT / ATM, and the wired/wireless connection between those devices and the network 7, and does not include the wired/wireless connections between network 7 and the customer's home computer 12 or the mobile phone company host 13, relay base station 14, or the customer's mobile phone 11. Conversely, the "second transmission channel" includes the wired/wireless connections between network 7 and the customer's home computer 12 or the mobile phone company host 13, relay base station 14, or the customer's mobile phone 11, and excludes the CAT / wireless CAT / ATM, and the wired/wireless connection between those devices and the network 7. Ex. 1003 ¶ 98. Moreover, Horie discloses that "mobile phone company host 13 is connected to the server 4 via a dedicated line," which a POSITA would have understood to mean a line independent of and separate from other lines of communication. Ex. 1003 ¶ 98.

The first and second transmission channels in Horie are also independent of and separate from each other because Horie discloses that the channels include distinct hardware components, including CATs (both wired and wireless); ATMs; servers; relay base stations; mobile phones; and home computers. Ex. 1003 ¶ 99. Each of these devices would have at least its own processor(s), memory, and network/cellular connections, and each of these devices would have operated independent of one another in the sending/receiving of a particular network transmission of data to another device along the channel. Ex. 1003 ¶ 99.

[FIG. 1]



[FIG. 1]



Ex. 1006, Fig. 1 (annotated).

- v. ***Element [1d]* – processing the transaction for payment authorization** substantially without requiring a direct communications link between the communications device associated with the customer and the merchant's and substantially without requiring a response to the notification from the communications device associated with the customer.

See analysis for claim [1d] in Section VII.A.1.v.

- 2. **Dependent claim 2 – The method according to claim 1, wherein the authorization request includes the account information and a monetary amount, and the notification to the communications device associated with the customer includes the monetary amount.**

See claim 1 above. See analysis for claim 2 in Section VII.A.2.

- 3. **Independent claim 3.**

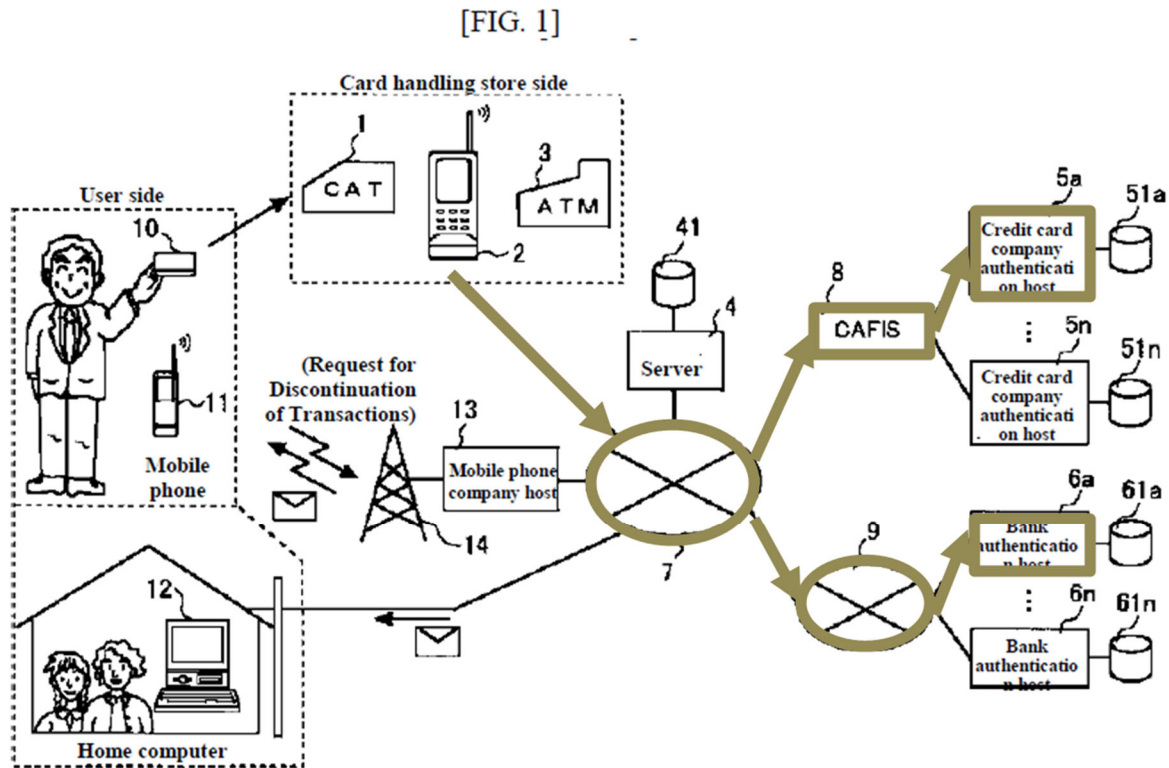
- i. ***Preamble* – In a charge card payment authorization method, wherein a charge is requested at a merchant's, account information for payment of a customer's purchase is acquired at the merchant's, an authorization request is transmitted from a terminal associated with the merchant's to a remote charge processing facility, and the charge request is processed, the improvement which comprises:**

See analysis for claim 3, preamble, in Section VII.A.3.i.

- ii. ***Element [3a]* – processing the charge request substantially exclusively through communication between the merchant's and the remote processing facility and substantially without requiring activity on the part of the customer,**

See analysis for claim [3a] in Section VII.A.3.ii. To the extent Horie does not expressly disclose this limitation, this limitation would have been obvious in

view of the disclosure of Horie. Ex. 1003 ¶ 115. As depicted below, the communication between the merchant's terminal and the authentication hosts in Horie does not involve the customer. Ex. 1003 ¶ 116.



Ex. 1006, Fig. 1 (annotated).

Horie discloses that the transaction processing request and the customer notifications are both transmitted, *inter alia*, network 7. See generally Ex. 1006, [0039] – [0042]. However, a POSITA at the time of the alleged invention would not have considered the use of Horie's disclosed network 7 by both the merchant and the customer to render the processing of the charge request through communication between the merchant's and the remote processing facility as not

“substantially exclusively” in any manner because of the nature of communications sent over a network such as, for example, the Internet. Ex. 1003 ¶ 117. Network communications such as those described in Horie were, at the time of the alleged invention, transmitted as individually packetized and routed pieces of data, each of which was separately addressed to its final destination. Ex. 1003 ¶ 118.

Furthermore, Horie discloses that “one host does not necessarily indicate one device or computer,” and “it is possible to realize the host of said [one] by connecting multiple devices to computer, etc. scattered over a network.” Ex. 1006, [0026]. As such, a POSITA would not have considered Horie’s schematic in Figure 1, where “network 7” is depicted as a single icon, to suggest that any traffic flowing therein would be any less “substantially exclusive” of any other network traffic, and thus this limitation would have been obvious. Ex. 1003 ¶ 118.

Horie further discloses the processing is performed substantially without requiring activity on the part of the customer. See analysis for claim [1d] in Section VII.A.1.v.

iii. Element [3b] – and transmitting a notification of the charge request to a wireless device associated with the customer no later than immediately after authorizing the charge request.

See analysis of claim [3b] in Section VII.A.3.iii.

- 4. Dependent claim 4 – The method according to claim 3, which comprises transmitting the notification immediately upon receiving the charge request and prior to authorizing the charge request.**

See claim 3 above. *See* analysis for claim 4 in Section VII.A.4.

VIII. Denial Under § 325(d) is Inappropriate.

The Board should not exercise its discretion under 35 U.S.C. § 325(d) to deny this Petition. None of the prior art in Grounds 1 and 2 was of record or cited during examination of the '310 Patent. Thus, the first part of the *Advanced Bionics* framework is not met. *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6 (PTAB Feb. 13, 2020) (precedential) (“*Advanced Bionics*”). The Board should therefore institute review.

IX. Discretionary Denial is Inappropriate.

The Board should not exercise its discretion under § 314(a) because there is no co-pending litigation between Petitioner Askeladden and the Patent Owner Calabrese Stemer, which means that the *Fintiv* framework does not apply. *See Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020). The Board should thus decline to exercise its discretion under § 314(a) and institute *inter partes* review.

X. Conclusion.

Petitioner respectfully requests that the Board institute review and find all challenged claims unpatentable.

Dated: January 2, 2024

Respectfully submitted,

By: /Alton L. Absher III/

Alton L. Absher III

Lead Counsel for Petitioner

CERTIFICATE OF WORD COUNT

The undersigned certifies pursuant to 37 C.F.R. § 42.24(d) that the foregoing **Petition for *Inter Partes* Review** excluding any mandatory notices, table of contents, table of authorities, certificates of service or word count, or appendix of exhibits or claim listing, contains fewer than 14,000 words according to the word-processing program used to prepare this paper (Microsoft Word).

Dated: January 2, 2024

/Alton L. Absher III/
Counsel for Petitioner

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Petition for *Inter Partes* Review was served on January 2, 2024 by Priority Mail Express upon the following counsel of record:

Lerner Greenberg Stemer LLP
PO Box 2480
Hollywood, FL 33022-2480

Dated: January 2, 2024

/Alton L. Absher III/
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