

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
Patent No. US 7,357,310 B2

PATENT OWNER RESPONSE
37 CFR § 42.120

TIMING OF PATENT OWNER RESPONSE

A Decision Granting Institution of *Inter Partes* Review, Paper 6, issued on June 27, 2024. The due date for Patent Owner Response, which was originally set to September 20, 2024 in the Scheduling Order, has been extended to September 27, 2024.

EXPERT TESTIMONY

In this response, Patent Owner does not rely on expert testimony or any extrinsic evidence. It is believed that the issues before the Board may be

resolved with proper claim construction. Once the claims are properly construed, the alleged anticipation and alleged obviousness will be overcome. Patent Owner nevertheless reserves the right to introduce additional testimony and evidence should developments in this IPR require such submissions.

LEGAL STANDARDS AND BURDEN OF PROOF

Patent Owner agrees, in the essential portions, with the analysis of the applicable legal standards as outlined on pages 6-7 of the Institution Decision. In addition, Patent Owner would add that:

An anticipation rejection is proper only when a single prior art reference discloses, expressly or under the principles of inherency, each and every element of a claimed invention as well as disclosing structure which is capable of performing the recited functional limitations.

RCA Corp. v. Applied Digital Data Sys., Inc., 730 F.2d 1440, 221 USPQ 385 (Fed. Cir. 1984).

With regard to the outline of the obviousness query under *Graham v. John Deere Co.*, 383 U.S. 1 (1966) on page 7 of the Institution Decision (“Because Patent Owner does not address . . .”), it is noted that the instant Patent Owner Response is the first submission on the merits by Patent Owner. It should also be noted, as addressed towards the end of the Patent Owner Response, that neither the Petition nor the Institution Decision provide details on the application of the *Graham* tests and, accordingly, Patent Owner is not able to respond with any particularity to the allegations regarding obviousness. Patent Owner reserves its right to address any details concerning a cogently argued allegation of obviousness, and also to “address objective evidence of non-obviousness” under *Graham*.

Patent Owner also adopts, for the purposes of this submission, the definition of the level of ordinary skill in the art as proffered by Petitioner, Pet. 7-8, and as adopted by the Board, Dec. 7-9, with the “exception of the open-ended phrase ‘at least.’” *Id.* at 9. Patent Owner, however, suggests that additional or different qualifications may be applicable in the case at hand. For instance, instead of a degree in computer science, computer engineering, or electrical engineering, the person of ordinary skill in the art may also be educated in general physics and/or have experience in wireless and wired network technology. Further, the person of ordinary skill in the art will be experienced in data transmission over secure transmission channels and open, non-secured transmission channels.

In an *Inter Partes* Review, the burden of proof lies with the Petitioner and the alleged unpatentability must be proven “by a preponderance of the evidence,” 35 U.S.C. § 316(e). The burden of proof remains with the Petitioner throughout this *Inter Partes* Review. *Dynamic Drinkware, LLC v. Nat’l Graphics, Inc.*, 800 F.3d 1375, 1378 (Fed. Cir. 2015). As will be pointed out in the following, Petitioner has not carried its burden and Petitioner has not shown that the claims are either anticipated by, or obvious over, the prior art of record. Petitioner has not identified with particularity any evidence that properly challenges the validity of the claims of the ‘310 Patent.

The challenge to the claims will be discussed below with reference to a claim construction that is presented in a “clearly designated section” of this paper. See, Dec. n4.

MERCHANT'S

With reference to note 5 on page 10 of the Institution Decision, Patent Owner submits that the expression “merchant’s” in the specification and in the claims is not a typographical error. Instead, it makes use of a (slightly antiquated) grammatical form. The form is still in use in England and, probably less, in the United States. A better-known use of the apostrophic expression, by way of example, is in the term “butcher’s.” There, the term refers to a store or a location and it is understood, by implication, that the speaker refers to a “butcher’s store” or to a “butcher’s location.” Similarly, the expression “merchant’s” will be readily understood as a “merchant’s store” or “merchant’s location,” or “merchant location.” Reference is also had to the related Patent No. US 7,954,706 B2, where applicant opted for the claim term “merchant location.” The specific expression was used in the related patent, because the reference to the merchant’s pertained to a physical location, as opposed to the instant case, where the patent claims more generally refer to an entity (i.e., a device, a location, a store, etc.) under the control of the merchant.

In the context, the expression may refer to anything in possession of, or under the control of the merchant, as the use of the possessive form implies. As mentioned in the Petition, Pet. 9-10, the file history contains an exemplary argument, where the applicant (Patent Owner) refers to a “merchant’s terminal.” Id., 10.

The above explanation of the semantic equivalence of the terms “merchant’s” and “butcher’s” should not be confused with the meaning of the expression “baker’s dozen,” which refers to a numerical increase from the number 12 to 13.

The claims require a gathering of account information by the merchant and a transmission of the account information from the merchant (i.e., the merchant's store or terminal) to the financial authorization system (i.e., the acquirer 6). Accordingly, in the context, the addition of the word "terminal" would not have any limiting impact on the expression. Patent Owner believes that no specific construction or correction of the term "merchant's" is necessary. Should the Board come to the opposite conclusion that a construction, or a correction, is required, Patent Owner will not object.

ARGUMENTS IN SUPPORT OF THE CLAIMS

Petitioner asserts that the claims are anticipated by Japanese patent application 2002-133100 (hereinafter "Horie") and that the claims are obvious over Horie as modified by "knowledge of a POSITA."

The Board, after reviewing the Petition, determined that Petitioner has shown a reasonable likelihood of success and, accordingly, instituted the *Inter Partes* Review. Dec. 22.

Patent Owner submits that the claims, when properly interpreted, are neither anticipated by, nor obvious over, Horie. Patent Owner is presenting a claim construction in this paper which will clearly and unambiguously disqualify Horie as a patent-defeating reference.

The Board should enter a decision in this *Inter Partes* Review affirming the claims of the subject patent, US 7,357,310 B2.

Claim 1

Claim 1 of the '310 Patent describes a notification process that is triggered upon receiving an authorization request for a transaction. The

request is received via a first transmission channel. The “notification” is immediately separated from the “authorization.” The notification progresses entirely independently of the authorization, and *vice versa*. The customer is notified via a second and distinct transmission channel that the authorization request has been received. The notification is near instantaneous upon the receipt of an authorization request. The notification trigger does not depend on completing an authorization, nor waiting for a customer response.

The gist of the claimed invention of the ‘310 Patent is not that the authorization and the notification are simultaneous. Instead, the authorization and the notification are independent from one another. It is a core inventive concept underlying the claims of the ‘310 Patent that the notification to the customer should not delay the authorization process. Again, the invention is not simultaneously authorizing and notifying, as alleged by Petitioner. An important feature of the invention is that the notification is separated from the authorization, so as not to delay and encumber the authorization process. Or, *vice versa*, not to encumber the notification process. The two processes are “separated” immediately upon the receipt of an authorization request.

Analysis of Claim 1

In the following, Patent Owner shall use the same numbering within the claims as presented by Petitioner and as adopted by the Board. Patent Owner will also agree that the preamble of claim 1 (“payment authorization method”) appears to render Horie a pertinent and analogous prior art reference. Claim 1 of the ‘310 Patent recites the following steps:

1a: *gathering, at a merchant's, account information for payment of a customer's purchase;*

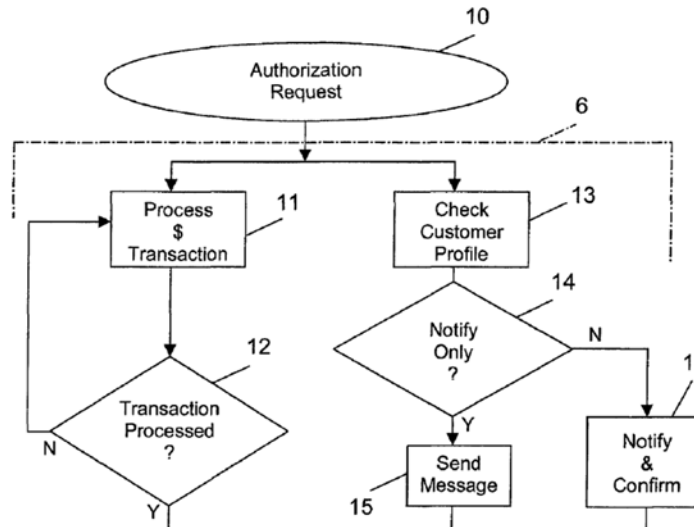
1b: *transmitting an authorization request to a financial authorization system requesting payment authorization for the customer's purchase via a first transmission channel;*

The claim deals with a financial transaction and the merchant gathers account information. The authorization request, which requests authorization for the purchase, contains confidential account information. The *first transmission channel*, therefore, must be a secure channel. The authorization request logically includes an identification of the customer's account. The transmission must be secure.

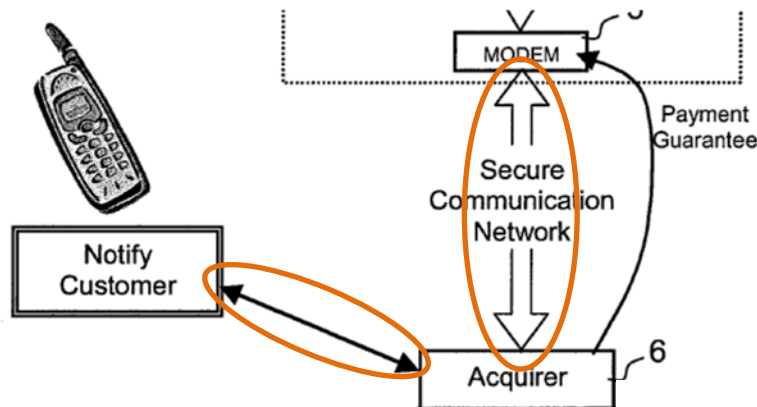
1c: *notifying the customer that the authorization request has been received by transmitting, via a second transmission channel independent of and separate from the first transmission channel between the merchant's and the financial institution, a notification to a communications device associated with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

The claim specifically calls for a *second transmission channel* through which the customer is notified of the transaction to be ***independent of and separate from*** the first transmission channel through which the merchant communicates with the financial institution.

The immediate separation of the two processes (authorization vs. notification) is illustrated in Fig. 2. See, e.g., the first steps in the flowchart of Fig. 2:

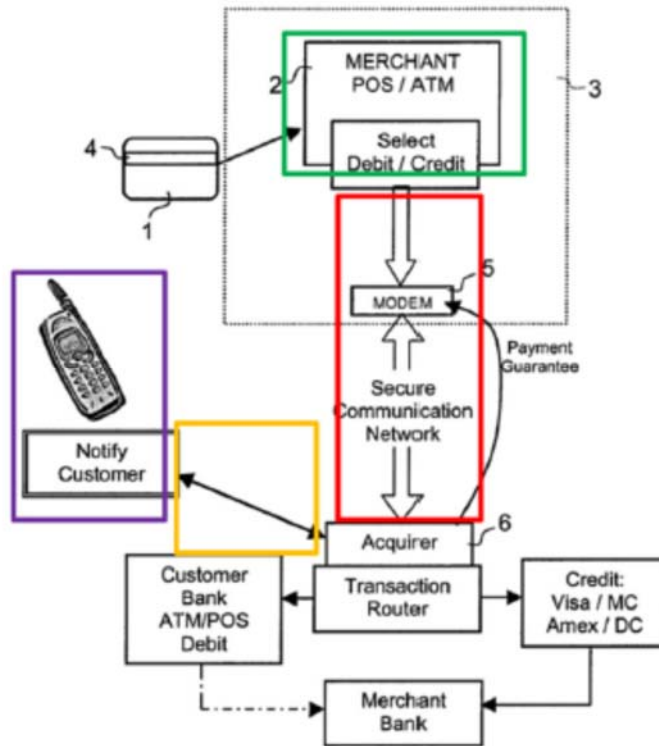


As shown in Fig. 2, one process does not encumber the other. The charge authorization and the notification are processed separately, and the communications between the parties (i.e., merchant, authorizing authority, customer) are handled via different and distinct transmission channels.



As shown in Fig. 1, the transmission channels are independent and separate, in that they are completely different. There is no overlap between the two transmissions, both in process and in structure.

The separation of the two transmission channels was also recognized by Petitioner in the concurrent IPR in Patent No. US 7,954,706 B2 (IPR2024-00369), where Petitioner annotated Fig. 1 as follows:



The red box pertains to the first transmission channel. The orange box pertains to the second transmission channel. The two transmission channels are separate, they are independent of one another, and they do not overlap. As claimed in the related Patent No. 8,783,564 B2 (IPR2024-00368), the two channels are “distinct.” The related ‘564 Patent and the instant ‘310 Patent, as will be explained in the following, are subject to a related claim construction.

The separation between the two processes and the feature that the first and second transmission channels are “independent” and “separate” requires a proper interpretation of the claimed steps.

As noted above, the first transmission channel carries account information. It must be a secure transmission channel. The second transmission channel is used for a notification, an alert that an authorization request has been received.

According to claim 2, the authorization request includes account information and a monetary amount. The request must be secured. The notification, according to claim 2, includes the monetary amount. There is no necessity for the notification to be secure, and certainly not to a level of security that is assigned to the authorization request.

According to claim 4, the notification is independent of the authorization, in that it is transmitted before the charge request is authorized.

Dr. Akl states

[A] person of ordinary skill 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, because that would have been the only way in which fraudulent card use could have been prevented.

Dr. Akl, ¶ 122 (emphasis added).

First, Horie does not teach “how” this would be accomplished because all the detailed teachings in Horie describe sending out a notification after authentication. In fact, it appears that the quoted statement is but a conclusory statement and the specifics of the allegedly obvious feature are not explained.

Second, the statement “that would have been the only way in which fraudulent card use could have been *prevented*” points into a different direction. The Calabrese design described in Claim 1 DOES NOT, OR CANNOT, prevent fraud because the notification is independent of the authentication process (this is only possible if “during” or “after”). Horie rather teaches away from the claimed invention of the ‘310 Patent. Horie’s design mandates that the notification system be integrated with the authentication process. The Calabrese design (at least claim 1 of the ‘310

Patent and claim 1 of the '564 Patent) mandates that it be independent per Fig. 2. There is no mention in Horie that the “authorization request” triggers the notification. We find no suggestion in Horie that a “request” would trigger the notification. We shall return to this issue below.

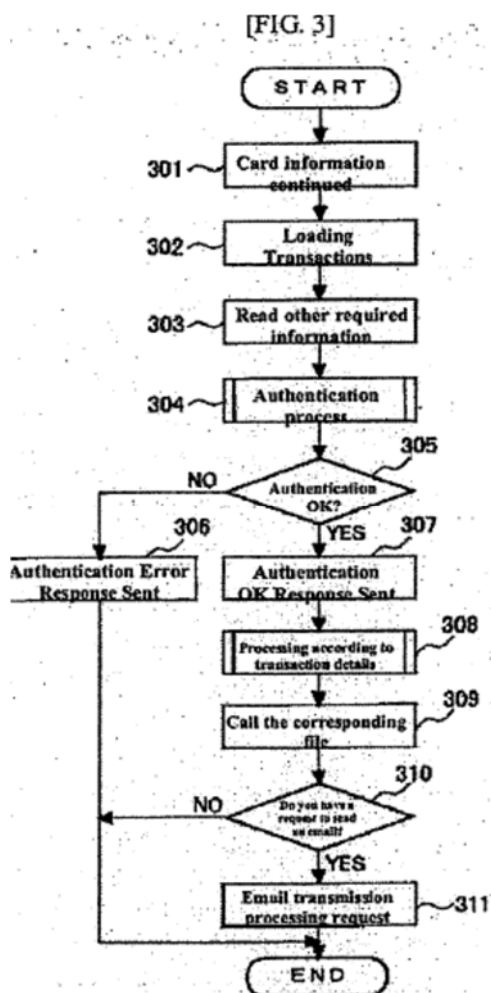
The written specification of the '310 Patent carefully distinguishes between the transmission channels. The first and second transmission channels do not overlap, not even partially. According to the claimed concept, the second channel does not overlap with the channel carrying account information. If there were an overlap, even a partial overlap, then the data packets must be secure as well in both explicitly recited transmissions. In that case, the same protocol would have to be used for the notification as the packets that came in, since they are passing through the same secure network again. The result would be a slowing down of the process. We shall return to this issue below.

Prior Art - Horie (JP 2002-133100)

Horie's primary object is broadly similar to that of the '310 Patent, namely, to notify the charge account holder after making a purchase. Early card usage notification, as explained by Horie, enables the “legitimate card user and his/her family [to be] notified of this via e-mail,” and the quick notification makes it “possible to quickly respond to fraudulent card usage.” Horie, [0013].

As such, there exists an overlap between the objects of the '310 Patent and Horie. Both recognize that early and quick notification is advantageous.

Horie's implementation, however, is different from that of the '310 Patent and, importantly, from the claimed invention.



Horie's primary implementation is illustrated in Fig. 3 (*Flowchart showing card authentication host side processing in Horie*).

In Horie, upon receiving a charge request, the card processing system proceeds with the authentication. If the authentication fails, the merchant (*card transaction terminal device*) is so notified at 306 and the process is ended. The customer is not notified. The customer is not informed that a charge request was received.

If the authentication is successful in Horie, the system proceeds with the authorization process according to the "transaction details" at 308. After the transaction is authorized, the system queries the database at 310 whether the customer has a request on file to be sent an e-mail. When the answer to the query is "yes," an email is prepared and sent as requested at 311. The email is processed after the charge has been authorized. The "notification" appears as the last step in the charge authorization scheme and in-line with the remaining steps. As shown in Fig. 3, Horie's notification trigger is the completion of the authorization process, not the receipt of an authorization request.

[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*

In a broad reading of the claims, Horie may be argued to disclose this limitation. Horie explains:

Whether or not notification is to be provided by email is recorded in advance . . . [if] the email notification service is not requested . . . a normal card payment transaction is performed as usual and the process ends.

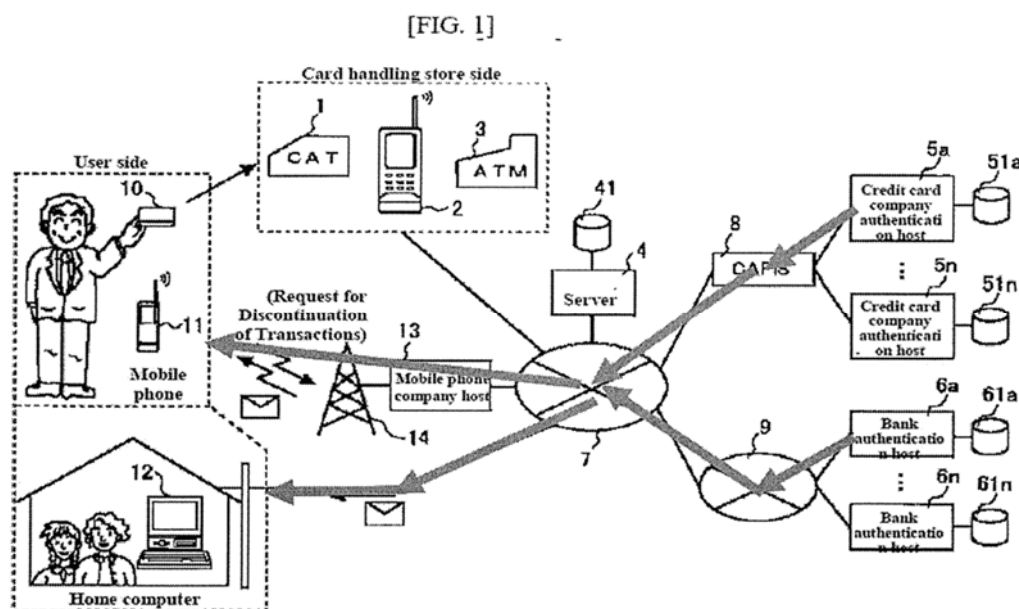
Here, Horie describes nothing more than a regular prior art transaction – without notification and without a confirmation request.

The differences between the designs of Horie and the '310 Patent claims have implications for the speed in which the customer receives the notification. In the '310 Patent design, a simple and short message with limited information can be sent instantaneously via a second separate and independent transmission channel with either no security or limited security. This is impossible in Horie because the notification must pass through the same robust and secure line that is used to protect the customer's credit card information and identity. Accordingly, Horie's relevant transmission channels are not independent of and separate from one another, as claimed in the '310 Patent. They overlap.

1. First, Horie does not discuss the concept of sending one message over a line that is secure and another message over a different line that may or may not be secure. The concept is not discussed in Horie; on the other hand, the concept is central to the speed of the '310 invention.
2. In Fig 1 of Horie, CAFIS (8) and “dedicated bank line” (9) are both secure. They carry the user’s password/pin (see Horie [0047]). All communications coming in and out of Horie 5 and 6 must be secure because they travel through secure networks CAFIS (8) and “dedicated bank line” (9).
3. Fig. 9 of Horie also includes the CAFIS (8) network and the “dedicated bank line” (9). Fig. 9, which includes everything from Fig. 1, is simplified relative to Fig. 1. See, for example, the use of “5” and “6,” as opposed to “5a – 5n.” The network in Fig. 9 uses the same pathways as Fig. 1. Only the description and the illustration are simplified and abbreviated for space.
4. With reference to the Institution Decision, n.8, it is generally not proper in an anticipation context to combine different embodiments of a prior art disclosure and to pick and choose elements from the different embodiments. In the instant case, it appears that Petitioner’s use of Fig. 1 and Fig. 9 of Horie in their argumentation is of little impact. As noted above, Figs. 1 and 9 are related and, in terms of their pertinency to the anticipation allegation, they both fail in the same manner. Neither of the two embodiments of Figs. 1 and 9 of Horie shows independent and separate (and non-overlapping) communication channels.

5. This brings us back to the essence of the invention, where speed and efficiency of the process are essential. The network channels CAFIS (8) and dedicated bank line (9) will be relatively slow (since they are heavily congested, given they deal with all card transactions in Japan).

In the Expert Declaration of Dr. Robert Akl (“Dr. Akl”), he argues that the transmission channels of Horie through which the request is received and through which the notification is sent are “different” from each other. Dr. Akl provides an annotated copy of Fig. 1 of Horie. To wit:



The annotation shows that the “response” to an authorization request is sent from the box 5a (*Credit card company authentication host*) through CAFIS 8 to the network and from the box 6a (*Bank authentication host*) through the dedicated bank line 9. From the network 7 (Fig. 1) or from the server 4 (Fig. 9), the notification is sent by email to the home computer 12 and/or to the mobile phone 11.

There exists a considerable overlap between the first and second transmission channels. As shown by Dr. Akl's annotation, the notification from the network 7 or the server 4 to the user (11, 12) progresses through a different channel than the channel that connects the "Card handling store side" to the server 7. As such, the transmission of the authorization request from the "merchant" (1, 2, 3) to the server 7 uses a different communication channel than the notification from the server 4/network 7 to the user (11, 12). The communication between the server 7 and the credit card company 5, as well as the communication between the server 7 and the bank 6, proceed on the same channels, whether it be the authorization request or the notification/authorization. Again, as shown in Dr. Akl's annotation, there exists a considerable overlap between the first and second transmission channels. They are not different and separate in the sense of the claimed invention.

The claimed invention relies heavily on the speed and efficiency of the process. The claimed feature that the first and second transmission channels are "independent" and "separate" lies at the very heart of the invention. The terms exclude any overlap between (parts of) the transmission channels and any use of a common channel for the transmission.

CLAIM CONSTRUCTION

Patent Owner submits that the corresponding feature of claim 1 should be read as follows:

*notifying the customer that the authorization request has been received by transmitting, via a second transmission channel **that is** independent of and separate from the first transmission channel*

*between the merchant's and the financial institution **and that does not overlap with the first transmission channel**, a notification to a communications device associated with the customer*

The foregoing construction may take any of a number of forms. The important feature is that **the first and second transmission channels do not overlap** one another.

When two transmission channels are separate and independent from one another, they do not overlap. There is no overlap, not even a partial overlap, between the two transmission channels. They are independent of one another and they are separate from one another.

We once more return to Dr. Akl's opinion that the second transmission channel in Horie is "different and separate" from the first transmission channel if the different channels "use different hardware and network connections." This misses the point of the claim limitation. The two transmission channels are representative of the two processes (authorization vs. notification), which are independent of one another. Also, the second channel is distinct if it does not have to carry "account information," as is required of the first transmission channel in claim 1. This is so that one channel can be secure while the other does not have to be. It will be understood that any channel that carries "account information for payment of a customer's purchase" must be secure (in the Japanese context of Horie, the secure channel would also carry a password/pin). Again, the "first transmission channel" must be secure.

Also, any (partial) overlap between the channels would be detrimental to the speed and efficiency of the process because the overlap would force the

second transmission channel to be secure as well. The channel going in and out of the *Credit card company authentication host* (box 5a) in Horie must be secure, which would defeat the purpose of the claim limitation and which also is in contradistinction to Fig. 1. Horie teaches sending the notification over a secure channel because it is the same channel coming in and out of the credit card authentication host 5a which, again, we know must be secure since it carries “account information for payment of a customer's purchase.”

Dr. Akl argues:

The first and second transmission channels described and depicted in Horie are “independent of and separate from” each other for several reasons, as would have been understood by a person of ordinary skill. Each of those channels uses different hardware and network connections. For example, the first transmission channel uses CAT / wireless CAT / ATM, and the wired/wireless connection between those devices and the network 7

Dr. Akl, ¶ 94. While Patent Owner agrees that there exists a partial independence between the two transmission channels – one response from the authorization system goes to the merchant while the other response goes to the customer – the two channels overlap one another. They are not independent and they are not separate from each other.

Horie does not disclose a second transmission channel that is *independent of and separate from* a first transmission channel, nor does Horie disclose two transmission channels that do not overlap.

The two transmission channels of Horie *overlap* one another.

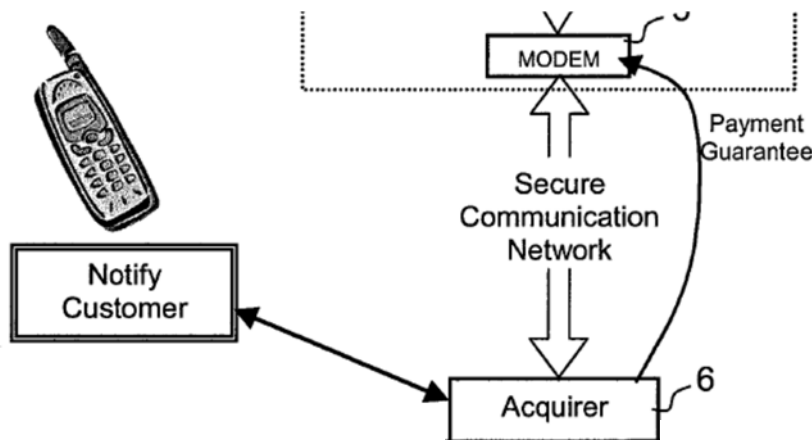
Support for *separate and independent* as argued

Claims in *inter partes* review proceedings are construed “using the same claim construction standard” that is applicable in a proceeding under 35 U.S.C. § 282(b). 37 CFR § 42.100(b). Claim construction is subject to a certain hierarchy with regard to its acceptable evidence. *Phillips v. AWH Corp.*, 415 F.3d 1310, 75 USPQ2d 1322 (Fed. Cir. 2005) (en banc). *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576 (Fed. Cir.1996); *Pitney Bowes Inc. v. Hewlett-Packard Company*, 182 F.3d 1298 (Fed. Cir. 1999); and *Wang Laboratories, Inc. v. America Online, Inc.*, 197 F.3d 1377 (Fed. Cir. 1999). First, the claim itself must be reviewed and read as if it stood alone. The words of the claim must be interpreted in accordance with the use of the words in the specification. Furthermore, any file wrapper statements presented by applicants may be introduced into the record. These form the intrinsic record. Words and phrases may be further interpreted with the aid of dictionaries and lexica.

The words of the claims must be given their plain meaning, unless the plain meaning is inconsistent with the specification. *In re Zletz*, 893 F.2d 319, 13 USPQ2d 1320 (Fed. Cir. 1989); *Chef America, Inc. v. Lamb-Weston, Inc.*, 358 F.3d 1371, 69 USPQ2d 1857 (Fed. Cir. 2004) (“the ordinary and customary meaning of a claim term is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention.” *Phillips*, 415 F.3d at 1313, 75 USPQ2d at 1326. See, also, *Brookhill-Wilk 1, LLC v. Intuitive Surgical, Inc.*, 334 F.3d 1294 67 USPQ2d 1136 (Fed. Cir. 2003) (“In the absence of an express intent to impart a novel meaning to the claim terms, the words are presumed to take on the ordinary and customary meanings attributed to them by those of ordinary skill in the art”).

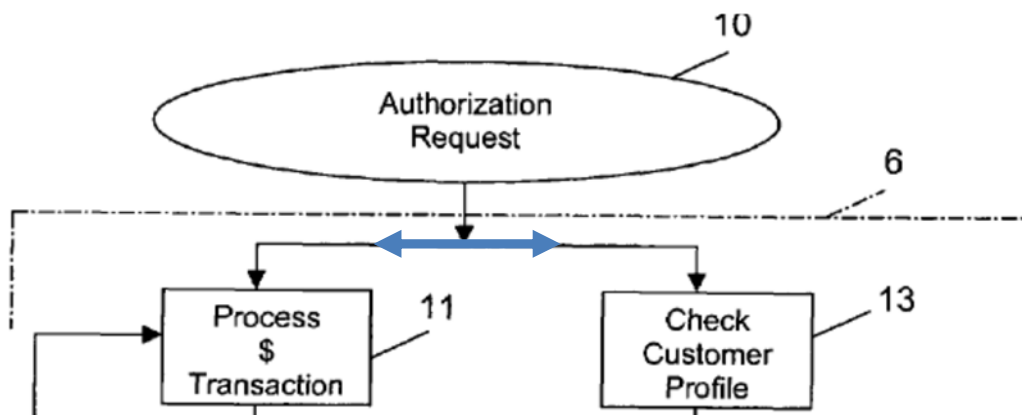
The “disputed terms” in this context are the terms “independent” and “separate” as they relate to the recitation in element 1c of claim 1, according to which the second transmission channel is independent of and separate from the first transmission channel. The terms must be understood with a view to the contextual use thereof. The ordinary and customary meaning of the terms is that the objects of the juxtaposition (i.e., the first and second transmission channels) are not identical, they are not the same, they are distinguishable, they are not indistinguishable, they are discrete and individual, etc.

The specification of the ‘310 Patent does not express any intent to impart a novel meaning to the terms. The specification nevertheless “narrows” the terms by their use in the context. The two transmission channels are illustrated as entirely separate and mutually independent channels. Fig. 1 shows a “Secure Communication Network” between the merchant’s modem 5 and the acquirer 6 and also an entirely separate, non-overlapping connection between the acquirer 6 and the customer’s mobile phone.



The two channels are different from one another. There is no overlap. They are not even partially congruent. The separation is also suggested in Fig.

2 (primarily in terms of the process), where the authorization request is immediately separated into the transaction processing branch at 11 and the notification branch which starts by checking the customer profile at 13.



In addition to consulting the specification, the fact finder should also consider the prosecution history. *Markman* at 980. The prosecution history may reveal how the inventor understood the invention and whether the inventor limited the invention during prosecution, making the claim scope narrower than it would otherwise be. *Phillips* at 1317. The prosecution history of application No. 11/077,783, which matured into the '310 Patent, contains the following statement with reference to a claim amendment that was filed in response to a prior art rejection over the prior art reference US 6,442,532 B1 (“Kawan”):

Claim 1 has been clarified with regard to the communication between the merchant terminal and the authorization system, on the one hand, and between the customer and the authorization system, on the other hand. Support for the added language is found in Fig. 1, for example, where the secure network and the “payment guarantee” channel are illustrated between the acquirer 8 [sic] and the modem 5 of the merchant’s terminal. The communications channel between the acquirer 6 and the customer’s mobile device is illustrated to the left. The two

communications channels are independent of one another, they are separate and distinct.

[T]he independent claims of the application have been clarified with regard to the separate communications channels. The communication between the financial transaction system and the customer is separate (in terms of the physical channel and in terms of the content) from the communication between the financial transaction system and the merchant. The prior art reference Kawan does not utilize such separate communications.

File History of '310 Patent, amendment filed July 12, 2006 (emphasis added) in response to a non-final rejection. In addition to “separate” and “independent,” applicant also used the term “distinct.” The latter term was used in the claims of the related Patent No. 8,783,564 B2 (IPR2024-00368).

In the context of the claimed invention, where the terms “independent” and “separate” should be afforded their ordinary meaning as defined by the specification and understood by one of ordinary skill in the pertinent art, and as further defined during the prosecution of the instant application, the second transmission channel is **independent of and separate from** the first transmission channel **and the first and second transmission channels do not overlap.**

In summary, Patent Owner, having thus shown that the interpretation of “independent” and “separate” is fully supported, herewith proffers the following claim construction: The terms “separate” and “independent” define the fact that the channels do “not overlap.” The corresponding limitation 1c of claim 1 should be read as follows:

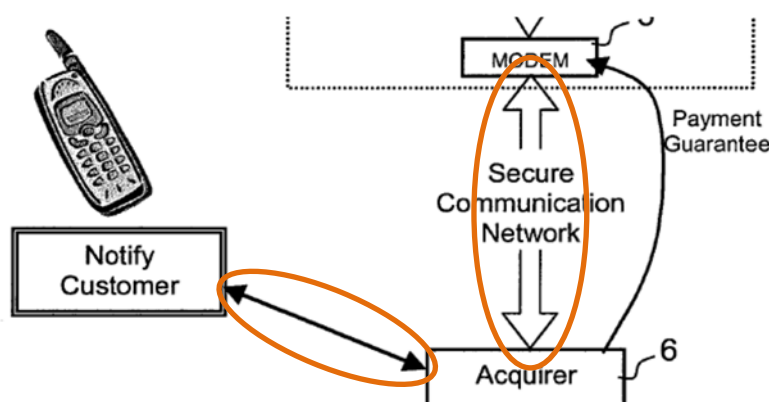
*notifying the customer that the authorization request has been received by transmitting, via a second transmission channel **that is***

*independent of and separate from the first transmission channel between the merchant's and the financial institution **and that does not overlap with the first transmission channel**, a notification to a communications device associated with the customer*

The limitation excludes Horie's partially overlapping channels, which are not separate and independent from one another. The construction, as suggested, does not allow for a partial overlap between the first and second transmission channels.

Support for "no overlap"

The construction is supported in Fig. 1 and in its description in the specification. To wit:



There is no overlap between the two transmission channels. The first channel extends between the acquirer 6 and the modem 5. The first transmission channel ("secure communication network") is shown with a double arrow. The authorization request travels from the merchant towards the acquirer 6 and the authorization travels from the acquirer to the merchant. Similarly, the second transmission channel (i.e., the notification channel) is also shown with a double arrow. The notification travels from the acquirer 6 to the user's mobile phone. The reverse arrow direction pertains to a non-

claimed variation of the invention, namely, where the user is requested to respond so as to authorize or decline the transaction. In either case, the two transmission channels are completely independent from one another, they do not overlap.

Patent Owner has thus shown that the interpretation of the no overlap is fully supported.

Summary - Anticipation

The '310 Patent and Horie have similar goals, namely, to inform a customer that their credit card has been used. The implementation of the respective processes is quite different. The claimed invention is not anticipated by the disclosure of Horie.

Horie describes a concept in which the authorization authority sends a notification to a customer at his or her request through the same secure channels (CAFIS 8, dedicated bank line 9) through which the authorization request has been received. The inventors of the '310 Patent sought to speed up the prior art implementation by moving the notification trigger forward in the process as far as possible and to split, and completely separate, the steps of authorizing and notifying. In the claims, the authorization request and the notification are transmitted through entirely distinct, separate, and independent channels that do not overlap one another.

The prior art reference Horie does not disclose each element of claims 1-4. Accordingly, the invention defined in the claims of the '310 Patent is not anticipated by Horie under 35 U.S.C. § 102.

Obviousness

The Petition does not explain, with particularity, how the claimed invention of the '310 Patent is allegedly obvious over Horie. Patent Owner agrees with Footnote 10 on page 21 of the Institution Decision, namely, that the Petition has not presented particular arguments to support a finding of obviousness. Only Dr. Akl's declaration appears to support an obviousness assertion. Patent Owner, however, submits that the allegation of obviousness is proffered in its entirety by a conclusory statement in Dr. Akl's declaration. The conclusory statement in the expert declaration is but an expression of an opinion that is not supported by any factual detail and/or proper argumentation. It represents a conclusion without a factual underpinning.

The allegation in the Petition appears to be that it would have been obvious to one of ordinary skill in the art to replace the secure and overlapping channels (CAFIS 8, dedicated bank line 9) of Horie with distinct (separate, independent) transmission channels that do not overlap. Petitioner has not shown any suggestion or motivation that such a modification of the prior art teaching would be obvious. Petitioner has not pointed to any teaching in the prior art (either in Horie or in the prior art as a whole) that would render the modification obvious. The conclusory statement rendered in Dr. Akl's Declaration cannot carry Petitioner's burden, because, in part, it is based on the incorrect understanding that the Horie transmission channels are separate and independent. Also, a mere statement that the modification – which statement Petitioner never presented with particularity – would be “well within the ordinary skill of the art” is not sufficient to establish a *prima facie* case of obviousness. MPEP 2143.01(IV); see also, *Ex parte Levengood*, 28 USPQ2d 1300 (Bd. Pat. App. & Inter. 1993), and *KSR*, 550 U.S. at 418.

The allegation is further impeached with reference to MPEP 2143, which explains that if “the proposed modification or combination of the prior art would change the principle of operation of the prior art invention being modified,” then the modification cannot be obvious, 2143.01(VI). While this section in the MPEP pertains to a secondary prior reference that is alleged to suggest the modification, it may be pertinent here as well. In the instant case, Petitioner has not even pointed to any prior art reference that would suggest the modification. The conclusory statement by Dr. Akl that is not supported by any evidence cannot take the place of a secondary reference teaching. The conclusions – see, Dr. Akl, ¶¶ 98, 99 – are not argued with any particularity that would enable Patent Owner to even apply any of the tests outlined in MPEP 2143.01, and especially MPEP.01(VI) to the case at hand. Similarly, the multi-prong test of obviousness according to *Graham v. John Deere* cannot be properly applied where the “modification” is not argued with any particularity and the “prior art” is defined only with the generalized statement of the applicable level of ordinary skill in the art.

The teaching of Horie, whether by itself or in combination with the knowledge of a person of ordinary skill in the art (POSITA), does not render claim 1 of the ‘310 Patent obvious under 35 U.S.C. § 103.

Claims 3-4

The independent claim 3 is written as an improvement claim, in the so-called *Jepson* format. See, Ex parte *Jepson*, 243 Off. Gaz. Pat. Off. 525 (Ass’t Comm’r 1917). The preamble of claim 3 pertains to a “normal,” “typical” charge card transaction. The body of the claim following the transitional

phrase “the improvement which comprises:” pertains to the improvement, which defines the invention.

According to claim 3, the charge request is processed

substantially exclusively through communication between the merchant’s and the remote processing facility and substantially without requiring activity on the part of the customer.

The limitation in claim 3 disqualifies Horie’s primary embodiment, in which a response from the customer is required. Claim 3 then continues with a transmitting step, namely:

transmitting a notification . . . to a wireless device associated with the customer no later than immediately after authorizing the charge request.

That is, the time window within which the notification is sent is framed by the “receipt of the charge request” and the time instant “immediately after” the charge request is authorized. Claim 4, which depends from claim 3, then “shortens” the applicable time window. To wit:

transmitting the notification immediately upon receiving the charge request and prior to authorizing the charge request.

According to claim 4, the notification to the customer’s wireless device is transmitted before the charge request is authorized. Horie does not disclose, nor fairly suggest, this feature, as outlined above.

Patent Owner submits that Petitioner has not carried its burden to show that claim 4 is unpatentable over Horie or over Horie as modified by another teaching in the prior art.

Claim Construction

Patent Owner suggests the following claim construction for claim 1:

The second transmission channel is **independent of** and **separate from** the first transmission channel, and it **does not overlap** (with) the first transmission channel. In the wording of claim 1:

*notifying the customer that the authorization request has been received by transmitting, via a second transmission channel **that is independent of and separate from the first transmission channel between the merchant's and the financial institution and that does not overlap with the first transmission channel**, a notification to a communications device associated with the customer.*

Conclusion

The Board should uphold the validity of the claims of the subject patent, US 7,357,310 B2. Claims 1-4 are patentable over the prior art.

Respectfully submitted,

/Werner H. Stemer/

Werner H. Stemer
Calabrese Stemer LLC

September 26, 2024

CERTIFICATE OF WORD COUNT

The undersigned herewith certifies that the foregoing Patent Owner Answer contains fewer than 7,000 according to the word processing program used to prepare this paper.

/Werner H. Stemer/
Werner H. Stemer
Calabrese Stemer LLC

September 26, 2024

CERTIFICATE OF SERVICE

The undersigned herewith certifies that a copy of the foregoing paper was served on September 26, 2024. The parties have agreed that electronic filing with the Board satisfies the service requirements.

/Werner H. Stemer/

September 26, 2024

Werner H. Stemer
Calabrese Stemer LLC