

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: IPR2024-00368
Patent No. US 8,783,564 B2

PATENT OWNER'S SUR-REPLY
37 CFR § 42.120

PATENT OWNER'S SUR-REPLY

Introduction

Claims 1-9 are subject to the *Inter Partes* Review. Claims 1-9 are valid. The Petition and Petitioner's Reply fail to present evidence and a properly reasoned argument that satisfies its burden of proof. Petitioner has not supported its challenge by a preponderance of the evidence. Any evidence of obviousness is outweighed by Patent Owner's objective evidence of secondary considerations. Petitioner's reliance on mere conclusory statements adopted from an expert report¹ is misplaced.

The Board should find in favor of Patent Owner and determine that claims 1-9 of the '564 Patent are valid.

Ordinary Skill in the Art

In its Reply, Petitioner takes issue with Patent Owner's modification of the definition of "Ordinary Skill in the Art."² Patent Owner respectfully requests that the definition of the level of ordinary skill in the art should be expanded beyond the definition adopted by the Board.³ The original standard, which was adopted by the Board in response to the Petition, was proffered, quite arbitrarily, by Petitioner in order to "match" the expert resume of its

¹ See, *In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364, 1378-80 (Fed. Cir. 2016) (Obviousness is a question of law – an expert cannot directly testify to an issue of law.)

² Petitioner's Reply, at 2.

³ Institution Decision, at 7-9; Petition, at 7-8

expert Dr. Akl.⁴ As noted in the Response, Patent Owner does not disagree that the adopted definition of the level of ordinary skill is apropos,⁵ but insists that different and additional expertise and qualifications are 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 physics⁶ 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. The Board is respectfully requested to adopt this (slightly expanded) definition of the “person of ordinary skill in the pertinent art.”

Burden of Proof

Patent Owner had also stated that it agrees that the burden of proof remains with the Petitioner throughout this *Inter Partes* Review.⁷ *Dynamic Drinkware, LLC v. Nat'l Graphics, Inc.*, 800 F.3d 1375, 1378 (Fed. Cir. 2015). Petitioner's Reply contains various statements that point to an attempt to shift the burden to Patent Owner.⁸ Individual such suggestions will be

⁴ The qualifications recited in the Petition, and adopted by the Board, appear tailored to Dr. Akl's background and resume. Patent Owner has not challenged the qualification of Dr. Akl as an expert, but is challenging the adopted qualifications, which would, by way of example, exclude various backgrounds that are clearly applicable in the case at hand.

⁵ Response, at 2.

⁶ Petitioner's questioning of the meaning of an education in “general physics,” Reply, at 2, or of “experience in wireless and wired network technology,” is less than helpful. Patent Owner's added qualifications are indeed pertinent in the context, as they pertain to the technology in the Patent-in-Suit and the cited prior art. Petitioner itself agrees that the qualifications “appear to be relevant,” Reply, at 2, but nevertheless complains of an apparent lack of supporting evidence. Yet, the supporting evidence is broadly present in the case, namely, in the Patent-in-Suit and the associated intrinsic evidence.

⁷ *Id.*, at 3; see

⁸ See, e.g., Reply, at 1 (“Patent Owner's Response (Paper 10) fails to present any coherent argument or evidence to [counter the challenge that the claims] are invalid”)

pointed out in the following sur-reply. Simply put, Petitioner has not carried its burden of proof 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 claims 1-9 of the '564 Patent.

Petitioner has Failed to Clearly Explain Whether its Challenge is Based on Anticipation or on Obviousness

After several perusals of the Reply, Patent Owner still cannot find an unambiguous and clear statement that the challenged claims are considered anticipated by the prior art or obvious over the prior art. The convoluted argument, based on a Federal Circuit case that stands for an unrelated issue,⁹ namely, that an anticipated claim is also obvious over the (anticipatory) reference,¹⁰ obfuscates the decisive issues and simply does not provide the Board with a proper foundation for a decision in the instant case.

The Board had properly questioned Petitioner's lack of clarity in the arguments concerning anticipation versus obviousness and its reliance on Dr. Akl's expert report.¹¹ The Reply, in its lengthy argument entitled "*The Petition Properly Demonstrated the Obviousness of the Challenged Claims in View of Horie*,"¹² still does not clearly demarcate the applicable legal

⁹ *Realtime Data, LLC v. Iancu*, 912 F. 3d 1368 (Fed. Cir. 2019) (*Realtime* stands for the proposition that a challenger need not show a "motivation to combine" where the secondary prior art reference is used to explain how a person of ordinary skill in the pertinent art would have understood the primary teaching).

¹⁰ Reply, at 3; In an attempt to excuse its ambivalent foundation of the attack on the validity of the claims, Petitioner now frames its arguments to have been brought "in the alternative to the anticipatory ground of Horie." *Id.*

¹¹ Paper 8, at 26.

¹² Reply, III, at 2-6; Unfortunately, this lengthy explanation still does not unambiguously state that the claims are challenged under Section 103 (obviousness), at the exclusion of Section 102 (anticipation), although the title strongly points towards an obviousness challenge.

framework. The details of the challenge to the claimed invention, however, strongly suggest, or imply, that this is a challenge under 35 U.S.C. § 103.

Patent Owner has presented clearly delineated arguments regarding the lack of anticipation and obviousness, respectively. To simplify matters even further, Patent Owner shall, in the following, once more lay out its argument that the claims are not anticipated by Horie under 35 U.S.C. § 102 and then follow up with a proper discussion dealing with the question of obviousness under 35 U.S.C. § 103.

THE CLAIMED INVENTION VERSUS THE PRIOR ART

Claims 1, 2, and 9 are not Anticipated by Horie

Patent Owner relies on the rule promulgated in the seminal case *RCA Corp. v. Applied Digital Data Sys., Inc.*:¹³

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.¹⁴

Horie does not disclose each and every element of the claimed invention. The independent claims 1 and 9 recite “distinct” transmission channels.¹⁵ Horie does not disclose “distinct” transmission channels, as claimed. Accordingly, Horie does not anticipate the invention of claims 1-9 of the subject ‘564 Patent.

¹³ *RCA Corp. v. Applied Digital Data Sys., Inc.*, 730 F.2d 1440, 221 USPQ 385 (Fed. Cir. 1984).

¹⁴ *Id.*

¹⁵ By definition, the dependent claims 2-8 also include “distinct” transmission channels.

Patent Owner summarized the claimed invention in its Response (Paper 10) and provided an analysis of claim 1. Due to the fact that the primary distinction between the prior art reference Horie and the claim resides in the definition of the transmission channels that are respectively used for the authorization and for the notification, Patent Owner's Response dealt in great detail with the transmission channels and with the term "distinct" that appears in claim 1.

As an aside, Patent Owner takes exception to Petitioner's apparent accusation that the Response "consists entirely of attorney argument bereft of citations to the evidence of record."¹⁶ The discussion of the transmission channels and the meaning of "distinct" in the Response was indeed supported by proper references to the intrinsic record, by referring to the written specification, to the file history, and to the file history of the related patent US 7,357,310 B2.¹⁷

"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." *Phillips v. AWH Corp.*, 415 F.3d 1303 at 1313 (Fed. Cir. 2005). Here, reference is once more had to the definition of the "person of ordinary skill," as discussed above. Where the person of ordinary skill in the art is educated in general physics and/or has experience in wireless and wired network technology, that person will understand transmission channels (for authorization and for notification) and will understand the meaning of "distinct" when referring to such transmission channels, and as described in the specification. Similarly, someone who is experienced in data transmission

¹⁶ Reply, at 1

¹⁷ See, Response, at 11-16

over secure transmission channels and over open, non-secured transmission channels is also a person of ordinary skill in the pertinent art to which the claims pertain.¹⁸

“Distinct” Transmission Channels are Separate, Independent

As recited in claim 1, *the second transmission channel [is] **distinct** from the first transmission channel*. The term “distinct,” as supported by the intrinsic record,¹⁹ must be understood to mean “separate” and “independent.” Patent Owner proposed a construction of claim 1, according to which the second transmission channel is “distinct from, separate, and independent of” the first transmission channel. The construction is fully supported by the intrinsic record, as detailed in the Response.²⁰

Petitioner's accusation that Patent Owner's construction of the term is “Unsupported by the Intrinsic Evidence,”²¹ is simply wrong and it disregards the great detail provided on pages 11-15 of the Response.

File History of the ‘310 Patent

Petitioner dedicates several pages of its Reply²² to a futile attempt to ascribe to Patent Owner certain statements that are alleged to negate Patent Owner's current interpretation of the claim term “distinct.” An outline of the pertinent parts of the file history in the ‘310 Patent may be summarized as

¹⁸ Petitioner's objection also begs the question why a patent attorney who is educated in general physics and, in this case, is an inventor in the subject Patent, should not be enabled to discuss the meaning and interpretation of a claim term.

¹⁹ Response, at 11-15 (“Support for *distinct, separate, and independent*”)

²⁰ Id.

²¹ Reply, at 6

²² Id., at 8-12

follows: In response to a first rejection over a prior art reference (Kawan, US 6,442,532)²³ applicants (i.e., Patent Owner) argued that the reference did not disclose separate communication channels. The argument was based on an amendment to claim 1, in which the second transmission channel was defined as “independent of and separate from” the first transmission channel.

Petitioner finds fault with the fact that applicant did not, in that context, “provide any express definition for ‘distinct.’”²⁴ Yet, Petitioner glaringly omits to express any reason why such an express definition or disavowal was, or should have been, required in the context of the examination of the application of the ‘310 Patent.

Petitioner continues in the Reply with an even more egregious accusation:²⁵ In response to a rejection of claim 1, which now contained the “independent of and separate from” limitation, over the prior art reference Woodward (US 7,024,396), applicant added the negative limitation that no direct communication was required between the customer and the merchant’s.²⁶ Again, Petitioner finds fault with applicant’s assertion on the record that this eliminated the “horizontal communications component,”²⁷ which is a feature that was required by the prior art Woodward. The communication between the patent examiner and applicants dealt with the rejection over a prior art reference that disclosed a given feature (i.e., the horizontal communication) and the issue was resolved by an amendment to claim 1 and a supporting argument that directly referred to the amendment

²³ Petitioner’s exhibit Ex. 1013

²⁴ Reply, at 9

²⁵ Id., at 9, et seq.

²⁶ Petitioner’s exhibit Ex. 1014, at 68

²⁷ Reply, at 11

and its effect of distinguishing over the prior art. Petitioner would somehow require extraneous statements and arguments that would be entirely misplaced in the context. This is simply not how patent examination works,²⁸ nor has Petitioner submitted any evidence that would support such a requirement.

Construction does not Exclude the Preferred Embodiment

Petitioner asserts that Patent Owner's alternative construction of the claim term "distinct" – no overlap between the first and second transmission channels – would exclude the preferred embodiment illustrated in Fig. 1.²⁹ Petitioner is mistaken.

The annotation of Fig. 1 appearing on page 14 of the Reply does not pertain to the first and second transmission channels, respectively, nor does the statement

*Patent Owner's proposed construction and arguments in support thereof ignore the depiction of overlapping transmission channels in Figure 1 for debit or credit transactions, and would exclude this embodiment from the scope of "distinct"*³⁰

make any logical or technical sense. It indeed mischaracterizes the actual illustration. The annotated illustration and the accompanying argument either show a complete and utter lack of understanding or Petitioner's

²⁸ See, MPEP, Chapter 700 (Detailing the examination process and the interaction/cooperation between applicants and examiners).

²⁹ Reply, at 13

³⁰ Id., at 15

comments are but a thinly veiled attempt to obfuscate the issues and to mislead the reader.

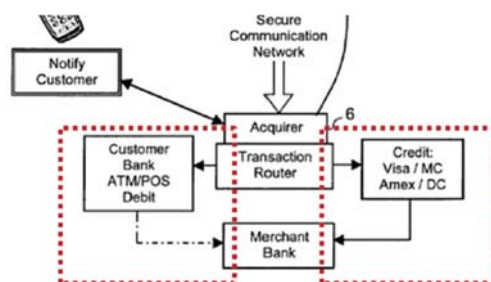
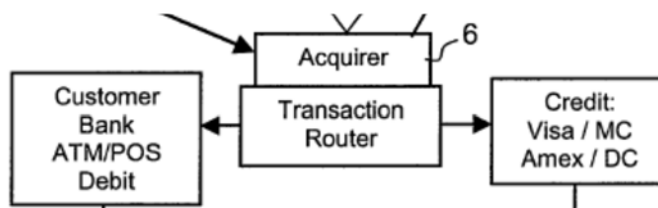


FIG. 1

Both of the two areas within the dashed rectangles in Petitioner's annotated Fig. 1 belong to the authorization branch of the process. After receiving the authorization request through the "first transmission channel," the "Acquirer" forwards the authorization request via the "Transaction Router" by querying the debit branch or the credit branch.³¹



This portion of the communication has absolutely nothing to do with the notification and, indeed, it does not even appear in the claims. The claims do not require a "separation" between the query to the credit branch and the query to the debit branch. Any such interpretation of claim 1 is entirely incorrect. The illustrated transmission channels in Fig. 1 – and of the claims – respectively extend between the merchant's and the acquirer ("first transmission channel") and between the acquirer and the customer ("second

³¹ '564 Patent, Fig. 1

transmission channel”). The separate transmission channels are encased in the annotated figure below:

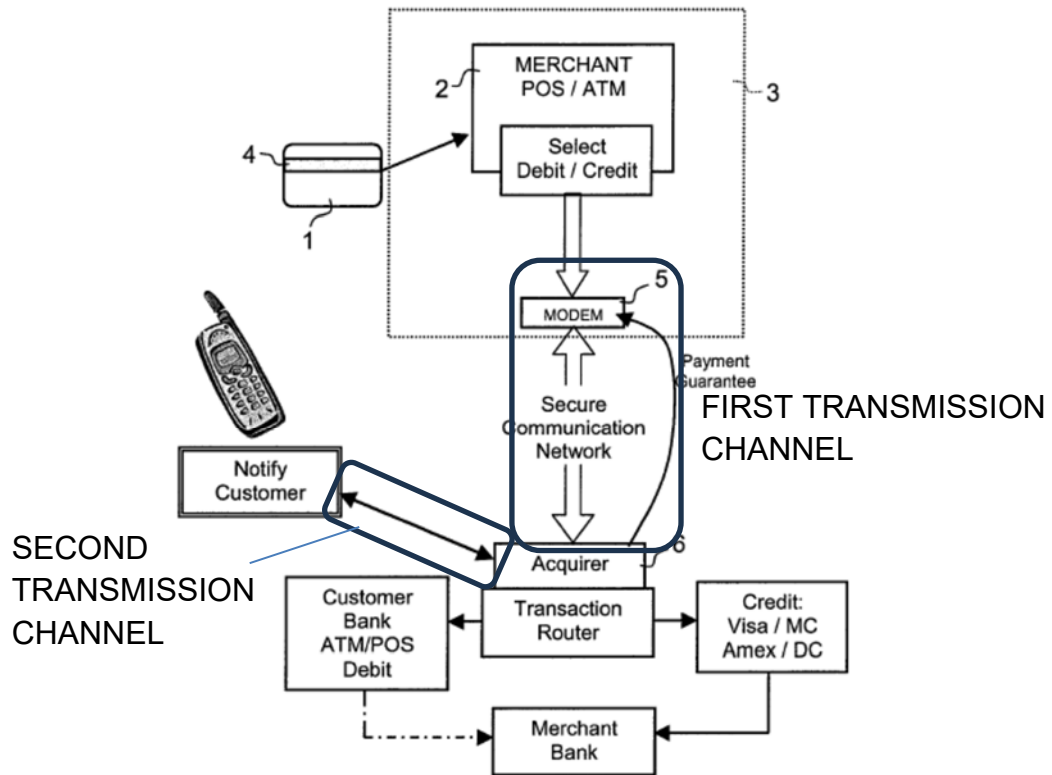
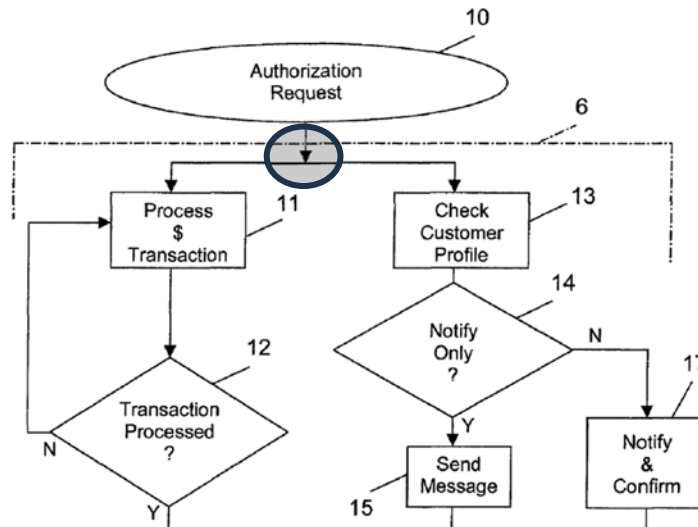


FIG. 1

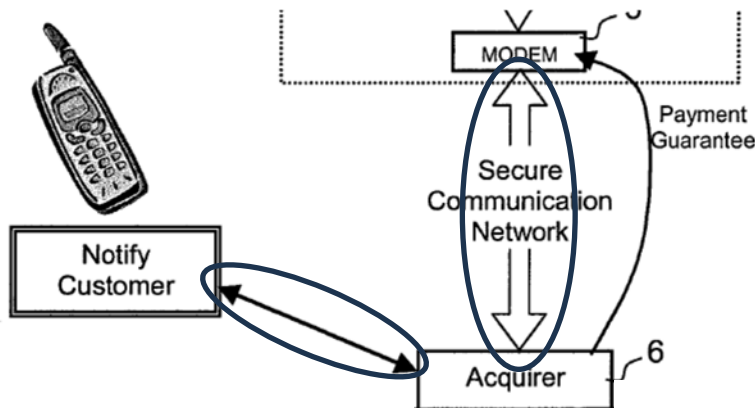
There is no overlap between the two illustrated transmission channels. Petitioner's reference to *Vitronics*³² is misplaced. The proposed construction of the term “distinct” does not exclude the illustrated embodiment of Fig. 1. Indeed, Fig. 1 clearly illustrates the claimed feature and it supports the proposed construction. Besides, the separation between the two transmission channels is also illustrated in Fig. 2. To wit:

³² *Vitronics Corp. v. Conception, Inc.*, 90 F.3d 1576 (Fed Cir. 1996), see, Reply, at 13

After the authorization request is received, the two processes (authorization vs. notification) are immediately separated, as illustrated in Fig. 2. See, e.g., the first steps in the flowchart of Fig. 2:

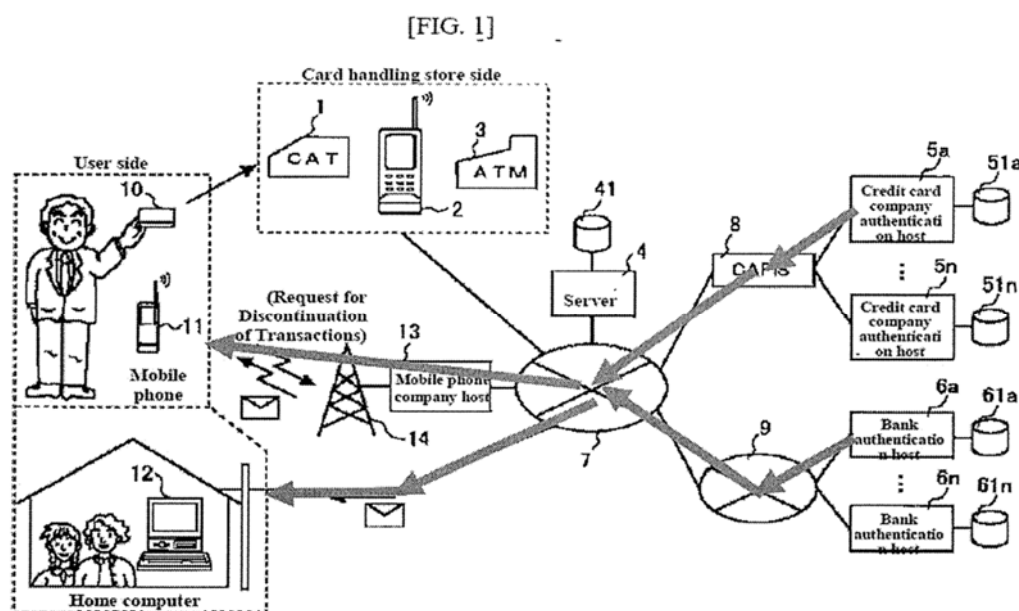


One process does not encumber the other. The charge authorization and the notification are processed separately, and the communications between the parties (i.e., merchant, authorizing authority, customer) are handled via different and distinct transmission channels.



Horie's Transmission Channels are not Distinct, they are not Separate and Independent

Petitioner, through the Expert Declaration of Dr. Akl, argues that the transmission channels of Horie through which the request is received and through which the notification is sent are “distinct” from each other. The understanding of “distinct” in Dr. Akl’s declaration is broader than what is conveyed in the ’564 Patent and broader than the term should be understood by one of ordinary skill in the pertinent art.³³ As shown in Dr. Akl’s annotated copy of Fig. 1 of Horie, the transmission channels for the authorization and for the notification have a partial overlap. They are not separate and independent of one another. They are not distinct in the sense of the claimed invention.



The annotation shows that the “response” to an authorization request is sent from the box 5a (*Credit card company authentication host*) through

³³ Dr. Akl’s declaration does not take into account Patent Owner’s arguments in support of the narrower construction of “distinct,” nor of the proposed claim construction.

CAFIS 8 to the network 7 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 "distinct" in the sense of the claimed invention.

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

Horie does not disclose each and every element of the claimed invention. The independent claims 1 and 9 recite "distinct" transmission

channels.³⁴ Horie does not disclose “distinct” transmission channels, as claimed.

Accordingly, **Horie does not anticipate the invention of claims 1-9 of the subject ‘564 Patent.**

Claims 1 and 9 are not Obvious Over Horie

Having thus once more shown that the claimed invention of the ‘564 Patent is not anticipated by Horie, Patent Owner will now discuss the issue of obviousness.

While discussions dealing with obviousness under 35 U.S.C. § 103 are often quite difficult, the underlying legal framework is well defined by the seminal cases *Graham v. John Deere*, 383 U.S. 1 (1966) and *KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007). A proper obviousness analysis must consider the four prongs of a cumulative test,³⁵ namely:

- (a) determine the scope and contents of the prior art;
- (b) ascertain the differences between the prior art and the claims in issue;
- (c) resolve the level of ordinary skill in the pertinent art; and
- (d) evaluate evidence of secondary consideration.

With regard to prongs (a) and (b) of the *Graham* test, Patent Owner refers to its discussion of Horie in the Response (Paper 10). With regard to the

³⁴ By definition, the dependent claims 2-8 also include “distinct” transmission channels.

³⁵ All four of the *Graham* factors must be considered in order to reach a conclusion. *Millennium Pharms., Inc. v. Sandoz Inc.*, 862 F.3d 1356 (Fed. Cir. 2017); see, also, *Ortho-McNeil Pharm., Inc. v. Mylan Labs., Inc.*, 520 F.3d 1358, 1365 (Fed. Cir. 2008) (objective indicia are “not just a cumulative or confirmatory part of the obviousness calculus but constitute [] independent evidence of nonobviousness”).

differences between Horie and the claimed invention, reference is had to the pertinent discussion in the Response and to the above arguments concerning the alleged anticipation of the claims. As briefly summarized:

- (a) Horie discloses a charge notification system in which the owner of the charge account is notified of a transaction.
- (b) Horie's authorization and notification are effected through (partially) overlapping and partially identical transmission channels. In contrast, the claimed invention uses "distinct" (separate, independent) transmission channels for the notification and the authorization, respectively.

With regard to prong (c) of the *Graham* test, Patent Owner refers to the section above, entitled *Ordinary Skill in the Art*, and to page 2 of its Response, in which the level of ordinary skill in the pertinent art has been discussed.³⁶

Returning once more briefly to prong (a), Patent Owner had pointed out, with respect to claim 2,³⁷ that Horie does not mention "SMS" and that Horie only notifies the customer by "e-mail."³⁸ Petitioner responded by stating that "Patent Owner is, again, wrong."³⁹ As it turns out, Patent Owner is not wrong.

The efficiency and the speed with which the customer receives a notification lie at the very heart of the invention. As described, the notification is through a distinct (i.e., independent and separate) channel, so that the notification cannot encumber the authorization process. In the

³⁶ Response, at 2

³⁷ Claim 2 of the '564 Patent sends the notification to the customer by a text message or SMS.

³⁸ Response, at 21

³⁹ Reply, at 17

preferred embodiment, the notification is by text or SMS to the customer's mobile phone.

In contrast, Horie notifies the customer by "e-mail."⁴⁰ Petitioner's expert, Dr. Akl, opines that SMS notification was the "standard" at the time and concluded that Horie's notification – Horie mentions "mobile phone" – would have been through SMS.⁴¹ Dr. Akl concludes that Horie's notification to the mobile phone would be understood by one of ordinary skill in the art to mean that the notification was by SMS. Petitioner's expert may or not be correct that SMS was the standard at the time. The expert, however, is entirely mistaken with regard to the conclusion. Horie's express teaching states the opposite. To wit:

*In the first embodiment of the present invention, the destination of the mail is preferably a wireless information terminal device such as a mobile phone having a mail receiving function. This allows the card user or the like to receive / browse e-mails at various places by using a mobile phone or the like, so that the card settlement transaction can be confirmed more quickly.*⁴²

First, Horie does not refer to SMS or a similar texting service (even though, as opined by Dr. Akl, it was the standard at the time). Horie only mentions e-mail. For that purpose, Horie's mobile phone is expressly configured for receiving "e-mails" and it also is enabled to notify the user by "Ringtone Manner Mode, Light Display." Fig. 9. The notification by ringtone or by light display in Horie, very likely, is but provided for the purpose of

⁴⁰ Response, at 21

⁴¹ See, for example, Horie's Fig. 1 and Fig. 9 and the corresponding description in the written specification.

⁴² Horie, at 4 (translation by Google Patents®) (emphasis added).

alerting the user that an e-mail has arrived. Horie does not mention the receipt of a text message or SMS.

Indeed, the fact that Horie does not mention “SMS” or any similarly immediate notification service – yet Dr. Akl argues that SMS was the standard at the time – only bolsters Patent Owner’s position. Why would Horie only mention “email?” The conclusion is clear: Horie did not consider sending the notification by SMS. The notification is sent by the “slower” and more cumbersome e-mail.⁴³

The differences between the designs of Horie and the invention of the ‘564 Patent have implications for the speed and efficiency with which the customer receives the notification. This and other advantages provided by the invention of the ‘564 Patent is the reason that the claimed invention has enjoyed great commercial success.⁴⁴

Conclusory Statements of Obviousness Should be Disqualified

Petitioner’s primary challenge to the claims is based on Horie as a single reference.⁴⁵ Accordingly, Petitioner points out, with reference to *Unification Techs. LLC v. Micron Tech. Inc.*, (Fed. Cir. 2024), that it is not required to show a “motivation to modify” Horie. This, of course, is based on Petitioner’s and Dr. Akl’s (incorrect) understanding that Horie discloses “distinct” communication channels, or that the person of ordinary skill in the art understands Horie’s transmission channels to be “distinct.” Since, however, as pointed out by Patent Owner, Horie’s transmission channels are

⁴³ See, for example, Horie’s Fig. 1 and Fig. 9 and the corresponding description in the written specification.

⁴⁴ See, section “Secondary Considerations,” below (explaining that a large majority of the major credit card issuers in the United States have licensed the ‘564 Patent).

⁴⁵ Reply, at 4-5.

not distinct and that the person of ordinary skill in the art would not understand Horie's transmission channels to be "distinct," an acceptable challenge to the claims would indeed require the showing of a "motivation."

Petitioner has failed to show any motivation that tends to show that it would be obvious to modify Horie's overlapping and partly congruent transmission channels and to separate the transmission channels for the authorization and the notification to form distinct communication channels. The conclusory statements rendered in Dr. Akl's Declaration that the claims of the '564 Patent are obvious over Horie, as adopted into the Petition, cannot carry Petitioner's burden.

Obviousness is an issue of law.⁴⁶ An expert cannot testify as to an issue of law. While an expert in a patent case may testify to the underlying facts, such as, for instance, what is disclosed in the prior art or how some information may be understood by a person of ordinary skill in the art, the expert may not provide a legal conclusion of obviousness.⁴⁷ Patent Owner pointed out in several instances that the Petition incorporated various "conclusory statements" from the expert statement. Any conclusory statement of obviousness in Dr. Akl's report must be disqualified.

Evidence of Secondary Considerations

According to *Graham*, secondary considerations may include any of the following: long-felt but unsolved needs, failure of others, unexpected

⁴⁶ See, e.g., *In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364, 1373 (Fed. Cir. 2016).

⁴⁷ Id.

results, **commercial success**, copying, **licensing**, and praise.⁴⁸ Patent Owner herewith presents objective evidence (of secondary considerations) that evidence commercial success and active licensing.

The enclosed Affidavit provided by Patent Owner shows that the '564 Patent is broadly licensed to a multiplicity of licensees which include the overwhelming majority of the major credit card and charge card issuers in the United States.⁴⁹

Nexus

In order for objective evidence of secondary considerations to be relevant, Patent Owner must show that a nexus exists between the merits of the claimed invention and the objective evidence. *Volvo Penta of the Americas, LLC v. Brunswick Corp.*, 81 F.4th 1202 (Fed. Cir. 2023).⁵⁰

The nexus may be shown by (1) a presumption of nexus, or (2) a showing that the evidence is a direct result of the unique characteristics of the claimed invention.⁵¹ Here, the presumption of a nexus is clearly justified because the objective evidence of licensing and commercial success is tied to the licenses which pertain to the claimed invention(s), and the objective evidence is coextensive with the subject patents.⁵² In the instant case, a direct

⁴⁸ See *Graham*, 383 U.S. at 17; see, also, *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling U.S., Inc.*, 699 F.3d 1340 (Fed. Cir. 2012), and *Leapfrog Prod. Dev., LLC v. Lifefactory, Inc.*, IPR2015-00614, (PTAB 2016)

⁴⁹ Besides the '564 Patent, the licenses include the '310 Patent (IPR2024-00367) and the "706 Patent (IPR2024-00369) and they are subject to confidentiality. Accordingly, the enclosed lists are marked "PROTECTIVE ORDER MATERIAL" and access is limited to AEO ("Attorneys' Eyes Only")

⁵⁰ See, also, *In re GPAC*, 57 F.3d 1573, 1580 (Fed. Cir. 1995).

⁵¹ *Volvo Penta*, at 1224

⁵² The objective evidence is tied to a specific product that "embodies the claimed features, and is coextensive with them." *Brown & Williamson Tobacco Corp. v. Philip Morris, Inc.*, 229 F.3d 1120, 1130 (Fed. Cir. 2000) (quoted from *Volvo Penta*).

nexus must be presumed, where the licenses make direct reference to the patent-in-suit and, as here, the licensed subject matter covers the complete patent family that is being challenged by the three concurrently filed *Inter Partes* Petitions,⁵³ including the instant proceeding.

The license agreements define the licensed subject matter by reference to the following list of patents:

“Licensed Patents” means (a) Patent Nos. (1) U.S. 7,357,310, (2) U.S. 7,954,706, (3) U.S. 8,783,564 (4) U.S. 9,406,069 and (5) CA 2,604,348⁵⁴

Of the five listed patents that are subject to the licenses, only US Patent No. US 9,406,069 and Canadian Patent CA 2,604,348 are not challenged in *Inter Partes* Reviews. The '310 Patent, the '706 Patent, and the '564 Patent are all challenged on the basis of the disclosure of Horie and the allegations of anticipation and obviousness are nearly identical between the three *Inter Partes* Proceedings.

The Board should accept that the commercial success, as evidenced by the fact that most major credit card companies and charge card issuers have entered into licenses with Patent Owner, is directly tied to the invention disclosed and claimed in the patent.⁵⁵ The Board should further determine that Patent Owner has thus demonstrated the required nexus between the licenses and the claimed invention(s). The commercial success of the Patent, as evidenced by the licenses and the considerable revenue gained through Patent

⁵³ IPR2024-00367 ('310 Patent), IPR2024-00368 ('564 Patent), and IPR2024-00369 ('706 Patent)

⁵⁴ Copied from one of the many licenses. While the license itself is AEO (attorneys' eyes only), the quoted text is not subject to confidentiality.

⁵⁵ See, *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317 (Fed. Cir. 2016) (quoting *Rambus, Inc. v. Rea*, 731, F.3d 1248, 1258)).

Owner's licensing activities,⁵⁶ cannot be discarded, nor can the established nexus between the commercial success and the claimed invention.

Secondary Considerations Outweigh Alleged Obviousness

Even if, *arguendo*, Petitioner's allegation of obviousness were accepted as true, the objective evidence of secondary considerations, as presented herewith, clearly outweighs the alleged motivation to modify the prior art.

Finally, it should be noted that Patent Owner was not able to respond with a proper response dealing with issues of obviousness based on the Petition, and Patent Owner thus "reserved" the right to address objective evidence of non-obviousness under *Graham*.⁵⁷ Petitioner has now more clearly defined the challenge as an obviousness challenge,⁵⁸ rendering it possible for Patent Owner to properly respond.

The teachings of Horie, whether by itself or in combination with the knowledge of a person of ordinary skill in the art (POSITA), does not render claims 1-9 obvious under 35 U.S.C. § 103.

Conclusion

The Board should hold that Petitioner has not carried its burden and that claims 1-9 of the subject patent US 8,783,564 B2 are valid and patentable over the prior art.

⁵⁶ Patent Owner's Affidavit (AEO)

⁵⁷ Response, at 23-24.

⁵⁸ Reply, at 5

Respectfully submitted,

/Werner H. Stemer/

Werner H. Stemer

Calabrese Stemer LLC

January 24, 2025

CERTIFICATE OF WORD COUNT

The undersigned herewith certifies that the foregoing Patent Owner Sur-Reply contains fewer than 5,000 words according to the word processing program used to prepare this paper.

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

January 24, 2025

CERTIFICATE OF SERVICE

The undersigned herewith certifies that a copy of the foregoing paper was served on January 24, 2025 upon Petitioner. The parties have agreed that electronic filing with the Board satisfies the service requirements.

/Werner H. Stemer/

January 24, 2025

Werner H. Stemer
Calabrese Stemer LLC