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Paper 36
Date: April 23, 2025

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ASKELADDEN L.L.C.
Petitioner,

v.

CALABRESE STEMER LLC,
Patent Owner

IPR2024-00367 (Patent 7,357,310 B2)
IPR2024-00368 (Patent 8,783,564 B2)
IPR2024-00369 (Patent 7,954,706 B2)

Record of Oral Hearing
Held: March 27, 2025

BEFORE: SHARON FENICK, SCOTT B. HOWARD, and
ANDREAS BALTATZIS, Administrative Patent Judges.

IPR2024-00367 (Patent 7,357,310 B2),
IPR2024-00368 (Patent 8,783,564 B2),
IPR2024-00369 (Patent 7,954,706 B2)

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The above-entitled matter came on for hearing on March 27, 2025, commencing at 10:00 a.m., via video teleconference.

1 P R O C E E D I N G S
2 - - - - -
3 JUDGE HOWARD: Good morning, everyone. This is an oral
4 hearing in case number IPR2024-00367, IPR2024-00368, and IPR2024-
5 00369, concerning US Patents 7,357,310; 8,783,564; and 7,954,706. I am
6 Judge Howard, and I am joined by Judges Fenick and Baltatzis.
7 Just a few administrative matters before we begin. Per our hearing
8 order, each side will have 45 minutes to present. Petitioner, who bears the
9 burden of proving unpatentability, will proceed first. Petitioner may reserve
10 up to half its time for rebuttal. Once Petitioner has finished its initial
11 presentation, Patent Owner may proceed with its case.
12 If Petitioner reserves time for rebuttal, Patent Owner can reserve
13 time for a brief sur-rebuttal. Rebuttal will be limited to addressing issues
14 raised in Patent Owner's opening arguments and the sur-rebuttal will be
15 limited to issues raised by Petitioner in its rebuttal time.
16 We note that there's some information that is under seal in this
17 proceeding. We remind the parties that this is a public proceeding, and this
18 is a public line. Members of the public may be listening to the hearing.
19 Accordingly, to the extent information is sealed, it should not be discussed
20 in the public session. Of course, the non-confidential parts of an exhibit can
21 be discussed.
22 If either of the parties desire to discuss confidential information,
23 the party can reserve some of its time to discuss that exhibit in a separate
24 session that will be closed to the public. That separate session, if requested,
25 will take place after the completion of the public session and there will be a

1 separate transcript, which will also be placed under seal. The parties should
2 limit the discussion in the separate session to confidential information and
3 not make arguments that could be made in the public session.
4 Because this is a remote proceeding, when you refer to your slides,
5 if you could, please refer to the specific slide numbers during the
6 presentation. This will allow us to follow along, as well as present a more
7 clear record. As for objections, we don't expect there to be any, but if there
8 are, do not interrupt each other during the presentation. Instead, wait until
9 the presentation is done, using them during your argument time, and we'll
10 deal with them at that point.
11 Also, in order to prevent feedback or background noise, if you
12 could, please keep yourself on mute when you are not speaking. Also,
13 because this is a remote hearing, there is a potential for technical issues that
14 might prevent you from hearing or speaking. In the event this happens,
15 please reach out to the staff immediately. We will pause the hearing, and we
16 will wait until all parties are online and able to hear and speak before
17 proceeding.
18 At this time, we'd like to have counsel introduce themselves and
19 who you have with you, beginning with the Petitioner. You're muted. I
20 can't hear you.
21 MR. ABSHER: Your Honor, can you hear me now?
22 JUDGE HOWARD: I can. Thank you.
23 MR. ABSHER: Thank you. This is Alton Absher. I am lead
24 counsel for Petitioner, Askeladden, LLC. With me is my colleague and
25 backup counsel, Andrew Rinehart.

1 MR. RINEHART: Morning.

2 MR. ABSHER: And if I may make a point of clarification, Your
3 Honors, I believe Your Honor missaid that each side got 45 minutes for
4 argument. Our understanding from the order is that it was 60 per side.

5 JUDGE HOWARD: My apologies. I read that incorrectly when I
6 was looking at the order. That is correct. It is 60 minutes per side.

7 MR. ABSHER: Thank you, Your Honor.

8 JUDGE HOWARD: Okay. And Patent Owner, who is going to be
9 speaking on your behalf?

10 MR. STEMER: Good morning, everybody. This is Werner
11 Stemer. I am counsel for Patent Owner, Calabrese Stemer, LLC.

12 JUDGE HOWARD: Okay, thank you. And at this time, as I had
13 mentioned, there's the issue of potentially having a separate section with
14 regard to the confidential information. At this time, does either party
15 anticipate needing for us to go into a confidential session at the end?

16 MR. ABSHER: Your Honor, Petitioner does not anticipate
17 discussing confidential information.

18 MR. STEMER: Neither does Patent Owner. We'll be very careful
19 to limit our conversations to non-confidential subject matters in this hearing.

20 JUDGE HOWARD: Okay, thank you. In that time then, we'll
21 plan to just go only in a public session. In the event that something happens
22 during the hearing, and you decide that you do want to go into a private
23 session, as long as you've reserved time for your rebuttal, you can use part of
24 that rebuttal time or surrebuttal time in the private session.

25 With that, Mr. Absher, how much time do you plan to reserve for

1 your rebuttal?

2 MR. ABSHER: Your Honor, Petitioner would like to reserve 15

3 minutes for rebuttal time.

4 JUDGE HOWARD: Okay. With that, I'll be keeping track of time

5 where I am. Of course, I will go and give a warning as you come close to

6 the end of your period. So for example, before you enter your rebuttal, I will

7 let you know about that, as well as when you enter your rebuttal, but it is

8 also helpful if you go and keep track of your own time to help with your

9 pacing. And with that, whenever you're ready, you can begin.

10 MR. ABSHER: Thank you, Your Honor. Alton Absher. Pleased

11 to represent Askeladden, LLC. I also understand that on the public line is a

12 client representative, Professor J. Thomas of Georgetown University, as

13 well. I'd like to share the slide deck, please. Okay, thank you. And Mr.

14 Rinehart, could we go to Slide 2, please?

15 So, Your Honors, first Petitioner would like to address the

16 evidentiary issue that is before the Board regarding Exhibit 2001. We are

17 pleased -- we are certainly happy to do that in any way which you prefer.

18 Our plan was to present the evidentiary issue, briefly address how it applies

19 to Patent Owner's arguments with regards to secondary considerations, and

20 then discuss the merits of the instituted grounds of unpatentability.

21 Slide Number 3, please, Mr. Rinehart. So, the evidentiary issue

22 before the Board involves a declaration filed by Patent Owner on January

23 24th of this year, along with its sur-reply. This declaration included new

24 evidence identified for the first time, purporting to identify certain licensees

25 to the challenged patents in the proceedings. The Patent Owner referred to

1 this exhibit in its sur-reply, as purportedly showing certain evidence of
2 secondary considerations of non-obviousness.
3 As Petitioner explained in our briefing, on our motion to exclude,
4 there are multiple grounds under which Exhibit 2001 should be excluded.
5 Three of them are identified on this slide, Slide Number 3. And frankly,
6 Your Honors, any one of these is sufficient on its own to merit exclusion.
7 Taken together, they overwhelmingly present a case in favor of excluding
8 this exhibit.
9 Slide 4, please. The first ground under which Exhibit 2001 should
10 be excluded is Rule 42.23(b). That rule simply provides that new evidence
11 is not allowed with a sur-reply, unless that is a deposition testimony of a
12 reply witness. And this is a commonsense rule. It's consistent with the
13 policy of avoiding trial by ambush. If this rule was not enacted or not
14 enforced, a party could simply lie behind the metaphorical log and wait until
15 the other side has no duty to respond -- has no ability to respond and spring
16 evidence on them at that time.
17 Frankly, it's undisputed that Exhibit 2001, a declaration signed by
18 Patent Owner, is new evidence. It's undisputed that this evidence was first
19 introduced with Patent Owner's sur-reply, and it's undisputed that this
20 exhibit is not cross-examination testimony of a reply witness. So
21 accordingly, Rule 42.23(b) is clear that this evidence may not accompany a
22 sur-reply, and thus, should be excluded.
23 Slide Number 5, please. In its opposition to our motion, Patent
24 Owner argues that this declaration was compelled. Patent Owner makes
25 essentially the same arguments in its briefing, in both the proceeding

1 involved in the '310 patent and the '564 patent. For simplicity sake, I'll make
2 reference to cites in the '310 proceeding, particularly paper 30 is their
3 opposition.
4 On page 2, first of all, Patent Owner argues that the declaration
5 that it provided was compelled but offers no explanation for this. Well,
6 there was no subpoena or any other process that elicited this declaration. To
7 the contrary, it was provided by the Patent Owner on the Patent Owner's
8 own volition. So thus, it was certainly not compelled.
9 Patent Owner's second argument, in attempting to carve out an
10 exception to the plain language of the rule, is that the declaration is actually
11 timely because we did not raise obviousness until our reply. Patent Owner
12 makes this argument in paper 30, pages 3 and 4 of the '310 proceeding, but
13 that simply isn't the case. In fact, not only did we raise obviousness grounds
14 in our petitions, the Board instituted on these grounds nine months ago, in
15 June of last year.
16 In fact, in its institution decision with regards to the '310 patent,
17 the Board noted that, "Patent Owner does not address objective indicia of
18 non-obviousness." That's in paper 6 of the '310 proceeding, page 7. And the
19 institution decision with regard to the '564 patent includes similar language
20 in paper 8, page 9, footnote 3.
21 Thus, the Patent Owner had the burden to present any secondary
22 considerations evidence in its response, but it did not do so and thus, it has
23 waived the ability to offer such evidence. Patent Owner tellingly offers no
24 authority to the contrary and thus, Rule 42.23(b) mandates that Exhibit 2001
25 be excluded.

1 Slide 6, please, Mr. Rinehart. Another independent ground on
2 which Exhibit 2001 should be excluded is hearsay. The definition of
3 hearsay is at Federal Rule of Evidence 801(c) and it's an out-of-court
4 statement offered for the truth of the matter asserted. Slide 7, please.
5 Exhibit 2001 --
6 JUDGE HOWARD: Sorry, this is Judge Howard. Isn't there an
7 inconsistency between your last two arguments in that you're saying the
8 declaration is testimony, which is a statement that's made in the hearing, and
9 now your argument that the declaration is hearsay, which would be an out-
10 of-hearing statement. How do you reconcile that?
11 MR. ABSHER: Well, Your Honor, because this is not compelled
12 testimony, it is simply testimony that is offered on Patent Owner's own
13 volition, and they did not -- we did not have the opportunity to cross-
14 examine the Patent Owner on this testimony because it was presented
15 outside of the discovery period.
16 JUDGE HOWARD: And I understand that for your first point,
17 that is clearly the purpose of our rules and limiting when testimony can be
18 given, but we don't have, as a general matter, live testimony during the
19 hearings; all of the testimony is brought in either by a declaration for direct
20 uncompelled testimony or by a deposition transcript. So I don't understand
21 why you're saying that this particular declaration is an out of hearing
22 statement. I mean, your double hearsay --
23 MR. ABSHER: Okay.
24 JUDGE HOWARD: Your double hearsay argument is a little
25 different, but just that it's pure hearsay just seems to me inconsistent with

1 your first argument.

2 MR. ABSHER: Okay, Your Honor. That is understood. And
3 even considering it as an in-hearing statement -- you know, because of the
4 Board's -- you know, because of the Patent Trial and Appeal Board's rules
5 with regards to permitting declaration testimony as evidence in hearing such
6 as this, the key difference what we see is the fact that the declarant was not
7 subject to cross-examination, and so thus, it would be inadmissible for that
8 reason, and then also the double hearsay argument.

9 Could we go to Slide 8, please, Mr. Rinehart? A third independent
10 ground is that the declaration should be excluded under the best evidence
11 rule, that's Federal Rule of Evidence 1002, and that simply provides that in
12 order to prove the content of a writing, the proponent of that evidence must
13 provide the original writing.

14 Slide 9, please. Here, the licenses described in the exhibits are
15 simply not in evidence. We understand that in its opposition to our motion,
16 the Patent Owner argued that a new exhibit it filed, 2003, meets this
17 requirement. But what Patent Owner filed as Exhibit 2003 shows no date,
18 no signature. It does not even apply to whom any patent rights are being
19 conveyed. It doesn't even include a statement that any patent rights are
20 being conveyed. To the contrary, it's a heavily, heavily redacted document,
21 and so as thus, not the original writing. So again, this is yet another
22 additional independent reason that the exhibit should be excluded.

23 If Your Honors don't have any further questions on the evidentiary
24 issue, I'd like to briefly address an argument that Patent Owner raised for the
25 first time in its sur-reply. In order for evidence to be relevant to the issue of

1 secondary consideration of non-obviousness, the proponent of that evidence
2 must show a nexus between the piece of evidence it's seeking to get admitted
3 and the claims of the patent at issue.
4 The Patent Owner argues that there should be a presumption of
5 nexus. They make this argument in their sur-replies in both, the matter
6 involving the '564 patent, as well as the matter involving the '310 patent.
7 Because they make essentially identical arguments -- I'll refer to the sur-
8 reply in the matter involving the '310 patent, that is paper 15 at page 20.
9 Patent Owner argues that there should be a presumption of a nexus.
10 They say this is at page 20. It's important that the Patent Owner makes no
11 other nexus argument -- in other words, no backup argument. So, in other
12 words, if Patent Owner's argument that there should be a presumption of
13 nexus fails, then there is no nexus and thus, for this additional reason,
14 Exhibit 2001 should be accorded no weight.
15 Mr. Rinehart, could you please pull up Patent Owner's sur-reply at
16 page 20? Patent Owner here on page 20 in the highlighted section says, in
17 the instant case, a direct nexus must be presumed where the licenses make
18 direct reference to the patents ensued here, and the license -- sorry, I can't
19 really see that very well -- the license subject matter covers the patent family
20 that is being challenged.
21 So in short, Patent Owner says that there must be a nexus
22 presumed, but to get to the presumption of a nexus, the objective evidence
23 must be tied to a specific product. This is actually explained in one of the
24 cases that Patent Owner itself cites. That's the Volvo Penta v. Brunswick
25 Corporation. If you could pull that up quickly, please, Mr. Rinehart, page 8.

1 This is a Federal Circuit case from 2023, found at 81 F.4th 1202
2 and the relevant discussion is on pages 1210 and 1211. Here, the Federal
3 Circuit explains that a Patent Owner is entitled to a presumption of nexus
4 when it shows that the asserted objective evidence is tied to a specific
5 product that embodies the claim features and is co-extensive with them.
6 JUDGE HOWARD: Was this case involving licensing or some
7 other type of objective evidence of non-obviousness? Because for example,
8 if you're relying on commercial success or praise, you know, I could see
9 why you would need to have this nexus be coextensive with a product
10 because you need to see whether that product embodies the patent and if it
11 has other features or not. But in a case like this where the license is directed
12 to specific patents, isn't that sufficient just to prove the nexus?
13 MR. ABSHER: Thank you, Your Honor. Yes, so you're correct
14 that this patent did involve a product. In fact, the product in this case, it was
15 undisputed that it embodied the patents in suit. But importantly, in order for
16 Patent Owner's argument to prevail -- and Patent Owner's argument is that
17 there must be a presumption of nexus.
18 The presumption of nexus only applies when there is a product that
19 embodies it. If you look at footnote 52 of Patent Owner's sur-reply, paper 15
20 at page 20, Patent Owner, in fact, says that its objective evidence is tied to a
21 specific product, but Patent Owner doesn't identify the product. And all it
22 does is identify a document that refers to certain patents that were
23 purportedly licensed to certain companies.
24 So, while we understand that there can be cases in which licensing
25 activity does meet the nexus requirement, here, Patent Owner's argument,

1 for one thing, only applies in instances where there is a product. They have
2 not done so, they have not proven that up or come close to proving it up, and
3 also, that the licensing activity is insufficient to show a nexus because. For
4 example, the licensing activity, it doesn't identify which claims are
5 purportedly relevant.
6 And interestingly, there are a number of cases where the Federal
7 Circuit has explained that the commercial success factor requires affirmative
8 evidence of a nexus where the evidence is a commercial success presented
9 as a license, because it's often cheaper to take licenses than to defend
10 infringement sues. That's the Iron Grip Barbell v. USA Sports, Inc., 392
11 F.3d 1317, 1324 (Fed. Cir. 2004).
12 In that case, the court explained that without a showing of a nexus,
13 the mere existence of licenses is inefficient to -- is insufficient to overcome
14 the conclusion of obviousness when there is a strong prima facie case of
15 obviousness, and the Court thus held that, "There is no such evidence of a
16 nexus here, hence the existence of licenses is of little significance." And so
17 Your Honor, we submit that, like the Iron Grip Barbell case and other cases
18 the Federal Circuit has decided, Patent Owner has shown no nexus between
19 its licensing activity and the challenged claims in this matter.
20 And Your Honors, if there are no additional questions on the nexus
21 or the evidentiary issue, I'm happy to turn it over to my colleague, Mr.
22 Rinehart, to continue discussing the merits of the instituted grounds.
23 MR. RINEHART: Thank you, Mr. Absher. My name is Andrew
24 Rinehart, also on behalf of Petitioner, Askeladden. As Mr. Absher
25 indicated, I am going to discuss the invalidity case presented in the petitions.

1 But before I do that, I want to briefly go over what I call a few housekeeping
2 items.
3 First, I want to quickly recap the challenged patents and claims,
4 then I'll summarize the instituted grounds of review. Next, I'll highlight the
5 undisputed issues in the proceedings. And once I've gone through those
6 basic housekeeping items, I want to address claim construction, which is the
7 only substantive and dispositive point of contention between the parties.
8 Finally, I'm prepared to briefly highlight each of the substantive grounds of
9 invalidity in this proceeding, if the panel considers it helpful, but we're also
10 content to rest on the papers for the comparison of the challenged claims to
11 the prior art. And of course, at any time, I'm happy to answer questions.
12 We're looking at Petitioner's demonstrative exhibit, Slide 10. Just
13 briefly, the challenged claims and patents for the '310 patent, all Claims 1
14 through 4, are under review. With the '706 patent, all Claims 1 through 7,
15 are under review. And for the '564 patent, all of Claims 1 through 19, are
16 under review, with the caveat that the Patent Owner has disclaimed Claims
17 10 through 19.
18 Mr. Absher, could you please go to the next slide? Thank you.
19 We're looking at Petitioner's demonstrative Slide 11. These are the instituted
20 grounds of review across all the proceedings. At any proceeding, we have
21 grounds based on anticipation and obviousness. In the '310 and '564 patent
22 proceedings, those grounds are identical and based on one prior art
23 reference. That's Exhibit 1006, which I will refer to as Horie, and for the
24 benefit of the court reporter, that's spelled H-O-R-I-E.
25 I'm also going to refer to those two proceedings, the '310 and '564

1 patent proceedings, as the contested proceedings because the Patent Owner
2 did not file a response in the '706 patent proceeding. In the interest of time,
3 as I mentioned, I don't intend to walk through every claim and every prior
4 art reference. I would like to focus on the disputed claim construction issue.
5 Mr. Absher, could you go to Slide 12, please? Thank you. We're
6 looking at Petitioner's demonstrative Exhibit 1015, Slide 12. The actual
7 dispute between the parties is quite narrow. As I mentioned with respect to
8 the '706 patent, there are no issues in dispute between the parties because
9 there was no Patent Owner response filed. And with respect to the contested
10 proceedings -- the '310 and '564 patent proceedings -- it's undisputed that
11 Horie discloses all of the elements of all of the dependent claims, and with
12 respect to the independent claims, there's only one element in dispute per
13 patent. I should add that it was unclear to us, based on the Patent Owner
14 response and the Patent Owner sur-reply in the '564 patent proceeding, the
15 extent to which Patent Owner disputes any of the other claims at issue. So
16 to the extent that the Patent Owner raised a credible dispute as to any other
17 claims -- possibly Claim 2 or 9 -- we address those disputes in our
18 Petitioner's reply for that proceeding.
19 Mr. Absher, could you go to Slide 13, please? Thank you.
20 Petitioner's demonstrative Slide 13, we've reproduced a portion of the Patent
21 Owner response for the '564 patent proceeding and this is paper 12 at page 2.
22 Patent Owner effectively agrees with the level of the person of ordinary skill
23 in the art set forth in the petitions in these proceedings. And although Patent
24 Owner suggested some additional qualifications that a person of ordinary
25 skill might possess, there's no argument on the record from Patent Owner as

1 to why any of those additional qualifications matter or how they impact the
2 ultimate issues in this case. And so, for the purposes of the Board, there
3 really is no dispute between the parties and the level of ordinary skill.
4 Mr. Absher, could you please go to Slide 14? Your Honors, the
5 claim construction issue in this case is dispositive in the sense that Patent
6 Owner's arguments for patentability all rely on the Board adopting its
7 proposed constructions, and Patent Owner has not offered any arguments in
8 the alternative.
9 In other words, Patent Owner does not dispute that Horie discloses
10 all the elements of the claims of the '310 and '564 patents unless the Board
11 adopts Patent Owner's construction. However, that construction is not
12 supported by the evidence of record.
13 Over the next few minutes, I'm going to first summarize the claim
14 construction dispute. Second, I'm going to explain why Patent Owner's
15 construction is inconsistent with the law. And third, I'll show how that
16 construction is contradicted by the intrinsic evidence.
17 Could you please go to Slide 15? Thank you. Petitioner's
18 demonstrative Slide 15. To briefly recap the claim construction dispute,
19 Claim 1C of the '310 patent uses the phrase, independent of and separate
20 from, to refer to the first and second transmission channels. And regarding
21 the '564 patent, Claim 1D calls the first and second transmission channels
22 distinct.
23 In either instance, Patent Owner argues that these limitations
24 should be narrowly construed, to mean that the first and second transmission
25 channels do not overlap each other. Petitioner's position is that these claim

1 terms should be given their plain and ordinary meaning. That position is set
2 forth in each of the petitions for IPR submitted in these proceedings, and
3 further supported by the testimony of Petitioner's expert, Dr. Akl.
4 JUDGE HOWARD: This is Judge Howard. What is the plain and
5 ordinary meaning? Because you never quite give it in your paper. So, I'd
6 like to know what you think it is and what the basis is for that.
7 MR. RINEHART: Your Honor -- yes, Your Honor. Thank you.
8 For the purpose of Petitioner's position, Petitioner believes that the plain and
9 ordinary meaning of these phrases at issue do not exclude overlap between
10 the first and second transmission channels. That is the crux of the dispute
11 between the parties, as to whether the prior art reads on the claimed
12 invention or not. And so no further definition is required since that is the
13 real extent of the dispute between the parties.
14 JUDGE HOWARD: Thank you.
15 MR. RINEHART: Yes, Your Honor. I'd just like to briefly note
16 that the only evidence of record that we have in this proceeding is to how a
17 person of ordinary skill in the art would have understood the claims is the
18 unrebutted testimony of Dr. Akl, and Dr. Akl testified that there are no terms
19 of art that have any specialized meaning in the field in any of the challenged
20 claims. And that testimony is found in Exhibit 1003, paragraph 62.
21 I'd now like to explain why Patent Owner's proposed constructions
22 are inconsistent with the law and the intrinsic evidence. Mr. Absher, could
23 you go to Slide 16, please? There's a heavy presumption that a claim term
24 has its ordinary and customary meaning, as it would've been understood by a
25 person of ordinary skill in the art in light of the claims, specification and

1 prosecution history. The only two exceptions to that general rule are
2 lexicography or disclaimer.
3 Patent Owner does not argue that either lexicography or disclaimer
4 apply here. For instance, in its Patent Owner response in the '310 patent
5 proceeding -- paper 10 at page 20 -- Patent Owner admitted that the
6 specification of the '310 patent does not express any intent to import novel
7 meaning to the terms, and neither of the terms independent of and separate
8 from or distinct even appear in the specification of the '310 and '564 patents.
9 Patent Owner's narrower construction that excludes any overlap
10 can be rejected, at least because there is no lexicography or disclaimer here,
11 but the prosecution history also provides further support for rejecting that
12 construction. During prosecution, the first and second transmission channels
13 and the phrase, independent of and separate from, were added -- and this is
14 in prosecution of the '310 patent. They were added to distinguish a prior art
15 reference where the merchant terminal was the same exact device as the
16 customer's mobile phone. There was never any clear and unmistakable
17 disclaimer of overlap between the first and second channels.
18 And from the argument and amendment, we can only conclude at
19 most that for the channels to be independent of and separate from each other,
20 they just can't be the exact same channel. This is a far cry from Patent
21 Owner's position that there can be no overlap whatsoever. And as I
22 mentioned before, Petitioner's position is that the plain and ordinary
23 meaning of these terms permits overlap.
24 Mr. Absher, could you go to Slide 17, please? We're looking at
25 Petitioner's demonstrative Slide 17 and this is Exhibit 1015 in the contested

1 proceedings. Depicted on Slide 17 is Figure 1 of US Patent Number
2 7,024,396, which I will refer to as Woodward. Woodward is of record. It's
3 Exhibit 1014 in the contested proceedings.
4 Now, what's shown here is Figure 1 of Woodward and Woodward
5 describes it as a schematic block diagram of a transaction system. And
6 what's depicted here, at the top of the figure, there's a host transaction
7 processor. That's element 12 and that transaction processor -- the host
8 transaction processor -- communicates on a network, 14, with a consumer
9 payment server, 16, that's on the left side, and a merchant transaction server,
10 18, so that's on the right-hand side. So those three entities or elements
11 communicate via the same network, 14.
12 Now, on the left, the consumer payment server is connected
13 ultimately to a consumer portable wireless device via a cellular network.
14 That's the first transmission channel, and on the right, the merchant
15 transaction server is connected to a merchant point of sale terminal by a
16 second transaction -- a second transmission channel -- mainly, the internet.
17 So, the way Woodward works is first, the merchant transmits an
18 authorization request to the host. The host then provides the merchant with
19 a merchant --
20 JUDGE HOWARD: This is Judge Howard. So, when you're
21 saying the merchant provides this request, that's going from the merchant
22 point of sale terminal, 26, to the merchant transaction server, 18?
23 MR. RINEHART: And ultimately to the host transaction
24 processor, 12. Yes, Your Honor.
25 JUDGE HOWARD: The claim -- so I have a number of problems

1 associated with your arguments on this. Where it becomes unclear is -- I
2 guess what I'm not so interested in is why you say this claim -- or this patent
3 goes and teaches, but what the examiner said is the first transmission
4 channel and what the examiner says is the second transmission channel.
5 And I'm looking at Exhibit 1002, page 54, where the rejection is
6 made and it seems very unclear as to exactly what it is the examiner is
7 relying on, and I don't see anything where the examiner says clearly that the
8 first transmission channel -- what he's mapping to the first transmission
9 channel -- is from this merchant point of sale to the host transaction
10 processor, 12. So is there something that I'm missing?
11 MR. RINEHART: No, Your Honor. I think you read the office
12 action from the examiner correctly. The examiner did not do a clear element
13 by element mapping in the prior art to the pending claim; however, the --
14 JUDGE HOWARD: So, doesn't that then create a problem
15 because your argument is that because patent -- the applicant said nothing, it
16 was acquiescing in what the examiner said, but it's unclear what the
17 examiner said. So, it would make it hard for us, I think, to go and say there's
18 any acquiescence by the applicant.
19 MR. ABSHER: Your Honor, we can rely on the applicant's own
20 statements about what Woodward does. That appears in Exhibit 1002 at
21 page 72, and we cite that in our Petitioner's reply, paper 14 at page 14. What
22 the applicant said Woodward does is that the merchant transmits an
23 authorization request to the host, and this is, again, on Exhibit 1002, page
24 72. This is the applicant's response to the office action. So, these are
25 applicant admissions.

1 The host then provides a merchant authorization key to the
2 merchant terminal, and a consumer authorization key to the consumer
3 device. And the applicant said in -- on that same page in that same office
4 action response, Woodward indeed utilizes two channels. So, the applicant
5 admitted that Woodward disclosed two channels and then explained that the
6 first channel or at least -- I'll admit the applicant did not say the first and
7 second channel are -- but the applicant explained the merchant transmits an
8 authorization request to the host. And the host provides a merchant
9 authorization key to the merchant, terminal, and a consumer authorization
10 key to the consumer device.
11 JUDGE HOWARD: So, here's the problem I'm still having, is this
12 seems to be divorced from the language of the claims in '367 patent, because
13 the claim in the '367 patent is that first channel goes -- let me get the exact
14 language. Sorry, one second. So it's transmitting an authorization request to
15 a financial authorization system requesting payment authorization for the
16 customer's purchase.
17 And as shown in Woodward Figure 1, the financial institution is
18 that authorization system, and that -- you're looking at stuff inside the
19 financial institution to go and find overlap, which seems to be outside of the
20 first transmission channel. And then you get the same problem, of course,
21 with the second transmission channel. That's going, again, from the
22 financial institution to the consumer, so this would be things from item 19 to
23 either the merchant or the consumer, and there's no overlap there.
24 MR. ABSHER: Your Honor, I'll respond with two points. First,
25 looking at the actual language of element 1B of the '310 patent -- if you don't

1 mind, let me go ahead and pull that up for myself real quick. Your Honor,
2 as you just read, Claim 1B, transmitting an authorization request to a
3 financial authorization system. That phrase -- that claim phrase in and of
4 itself is broad enough to encompass -- and I would agree with you -- is broad
5 enough to encompass the entire financial institution depicted at the top of
6 Woodward. But that claim phrase is also broad enough to just encompass
7 the host transaction processor within the financial institution at the top of the
8 figure.
9 JUDGE HOWARD: But then the next --
10 MR. ABSHER: And --
11 JUDGE HOWARD: But to the extent there is that confusion to the
12 next limitation where it talks about the second transmission channel, it's
13 saying that's between the merchants and the financial institution. That's
14 pretty clear -- at least in Woodward -- what is the financial institution, the
15 financial institution is number 19. So again, I'm having problems seeing
16 how there's this overlap.
17 MR. ABSHER: I appreciate your comment, Your Honor. My
18 response to that would be we need to base the interpretation of Woodward
19 that we're using off of the applicant's own statements during prosecution.
20 And what the applicant said was it wasn't the financial institution that is
21 doing the transmitting. The applicant expressly said that the merchant
22 transmits an authorization request to the host.
23 JUDGE FENICK: Mr. Absher, this is Judge Fenick. You referred
24 to page 72 of Exhibit 1002. This is the place that you're saying that the
25 applicant is making representations about Woodward, and on that page,

1 there's a diagram that looks a little bit like the diagram you're showing us on
2 your demonstrative exhibit, but instead of showing the host transaction
3 processor, consumer payment server, and merchant transaction server, it just
4 says 'host' with two separate arrows going to a consumer transaction
5 processor and an merchant transaction processor. So, is that part of the
6 representations or what you're saying that the applicant was saying during
7 the prosecution?
8 MR. ABSHER: That's correct, Your Honor. That diagram that
9 you're referring to on page 72 of that exhibit was created by the applicant,
10 and that is the applicant's characterization of Woodward's functionality.
11 JUDGE HOWARD: But -- this is Judge Howard. This is not
12 talking about the request being made. This is talking about the keys, and the
13 keys were not part of the request, so I'm sort of, again, seeing -- hard to see
14 this connection between this argument about the keys, which are how
15 Woodward operates in doing its approval because eventually, it requires the
16 consumer and merchant to exchange their keys.
17 So again, I'm trying to see exactly where it is in this statement
18 where the applicant said the merchant's request is going from the merchant
19 to the host, as opposed to the financial institution because if there is some
20 type of disclaimer, it needs to be a clear disclaimer and I'm not sure that
21 you've shown that yet.
22 MR. ABSHER: I appreciate that, Your Honor, and I'm relying on
23 the applicant's expressed statement on page 72 of that exhibit where the
24 applicant said, the merchant transmits an authorization request to the host.
25 JUDGE HOWARD: I understand that because it does eventually

1 get to the host. I guess my question is, where is that statement about the first
2 transmission channel. And again, you then still also have the problem, even
3 if it is to the host, you have the problem that this second transmission
4 channel is defined from the financial institution, which gives you a different
5 location. At least it seems to me.
6 MR. ABSHER: And I appreciate the distinction, Your Honor. I
7 agree that the second transmission channel, element 1C of Claim 1 of the
8 '310 patent, does recite a financial institution. Going back to your earlier
9 comment about how the keys fit in to all this, the transmission from the
10 financial institution to the consumer wireless portable device in Woodward
11 in the second key is the notification to the customer that the authorization
12 request has been received. So that's what gets transmitted over that
13 transmission channel.
14 Now, is there a discreet mapping by the examiner of a first and a
15 second transmission channel or a discreet admission by the applicant of
16 which is the first and which is the second in the prosecution history? No,
17 Your Honor. I will acknowledge that, but I will point you to the first -- to
18 the statement towards the top of page 72 of the prosecution history, where
19 the applicant admits that Woodward indeed utilizes two communication
20 channels. And based on the language of the claims, it is implied as to which
21 one is the first and which one is the second, at least in the applicant's view.
22 Unless there are other questions on this point, I just want to wrap
23 up the discussion of Woodward just by saying that I will point out that
24 Patent Owner in its sur-reply doesn't dispute that there is overlap shown in
25 Woodward over network 14. And at the time that the Woodward reference

1 was cited during prosecution, Claim 1 already recited that the two
2 transmission channels were independent of and separate from each other.
3 And so, if those two channels cannot overlap, as Patent Owner
4 would have us believe now, then all the applicant would have needed to do
5 would've been to distinguish Woodward the same way that Patent Owner is
6 attempting to distinguish Horie now, by pointing to the overlap at the
7 network, but the applicant didn't do that during prosecution. Instead, the
8 applicant added what is now the full language of 1B to the pending claim.
9 And so the takeaways here are that the pending claim already
10 recited that the two transmission channels need to be separate and
11 independent. Woodward shows overlap at network 14 and the applicant
12 made no attempt or basis to distinguish on those grounds. And this is all
13 intrinsic evidence that is inconsistent with the narrow construction that
14 Patent Owner is arguing for now to distinguish against the Horie that is
15 forming the basis of this review.
16 JUDGE HOWARD: So I guess with your last argument, is -- are
17 you sort of relying on the -- you're relying on the applicant's silence, but isn't
18 there a case law saying that you can't read anything into the applicant's
19 silence?
20 MR. ABSHER: Your Honor, you are correct. There is case law
21 that states that a failure to say anything by the applicant should not be taken
22 as an admission, and we are not pointing to the prosecution history as an
23 applicant admission or a prosecution history disclaimer. All we are relying
24 on in this example with Woodward is this is an inconsistent -- this is
25 inconsistent with the position that Patent Owner is taking now to distinguish

1 Horie.

2 In addition to the prosecution history, the specification also
3 contradicts Patent Owner's proposed construction. Could you go to
4 Petitioner's Slide 18? Thank you. We're looking at demonstrative Slide 18.
5 This is Figure 1 of the challenged patents. So, to the extent that Patent
6 Owner argues that the claim terms at issue here exclude any overlap, this
7 would exclude the preferred embodiment depicted in Figure 1 because the
8 '310 patent describes, and Figure 1 shows overlapping transmission
9 channels. And a construction that excludes a preferred embodiment is
10 rarely, if ever, correct. And Your Honor, I'd actually like to jump ahead in
11 my outline here to kind of point out --

12 JUDGE HOWARD: I'm sorry. I just want to let you know that
13 you're just a couple of minutes away from getting into your rebuttal time.

14 MR. ABSHER: No, I appreciate that, Your Honor. Thank you. I
15 will spend just two minutes briefly covering this and then I'll wrap up this
16 issue. Given the -- given your questions earlier, Your Honor, what I'd like to
17 point out is that we disagree with Patent Owner's interpretation here that the
18 claims and the scope of the claims only involve the upper half of Figure 1 of
19 the '310 patent, what's depicted here in the preferred embodiment, because
20 the claims do not recite the acquirer, which is depicted in Figure 1. And as
21 they are written, the claims are broad enough to encompass all of the activity
22 happening in Figure 1 and not just what's going on in the top half.

23 But according to Patent Owner's arguments now, they appear to
24 argue that the first and second transmission channels, all we should look at
25 for those is what's limited to the channels between the merchant, the

1 authorizing authority for whatever entity is performing the notification
2 process and the customer, so it's just the top half, according to Patent Owner.
3 If that's true, there is no dispute that Horie discloses all of those
4 elements. Horie discloses a merchant terminal and a customer device, like a
5 mobile phone, and according to Horie, and this is the argument that we made
6 in our petition, with respect to element 1C of the '310 patent, at least, these
7 devices are connected to the server 4 in Horie. And Horie states that the
8 server 4 is what executes various processes for notifying card usage status
9 according to the present invention. That's at Exhibit 1006 in paragraph 39,
10 and we cite to that disclosure in the petitions. For example, in the '310
11 patent petition, pages 17 to 18.
12 And so if we take Patent Owner's argument at face value, the
13 arguments in the petition still anticipate Claim 1 of the '310 patent because
14 Horie discloses that there is a dedicated line between the server 4 and a
15 mobile phone company host.
16 JUDGE HOWARD: Just so you know, you're entering your
17 rebuttal time.
18 MR. ABSHER: Thank you, Your Honor. I just want to cap that
19 point off and just say that if Patent Owner's interpretation of the claims is
20 correct, Horie still anticipates the challenged claims because the upper half
21 of Figure 1, which is what Patent Owner says is all that the claims cover,
22 then that is also disclosed in Horie being the dedicated line between the
23 server and the mobile phone company authorization host -- the mobile phone
24 company host -- for the reasons that we've explained in our petition.
25 JUDGE HOWARD: I do have one question relating to your

1 obviousness argument.

2 MR. ABSHER: Yes, Your Honor.

3 JUDGE HOWARD: You go and make the point that in your reply,
4 that you're relying on Horie unmodified as part of your obviousness case.
5 I'm just trying to understand if that means there's no difference between your
6 anticipation and obviousness cases, and if you think there's a difference,
7 what is that difference?

8 MR. ABSHER: Your Honor, the difference between our
9 anticipation and obvious cases as -- with respect to anticipation -- let me
10 start there. There are two embodiments in Horie. As we've explained in our
11 Petitioner's reply, it is permissible to consider both of Horie's embodiments
12 in an anticipation analysis, and so Horie discloses that the consumer terminal
13 and the merchant terminal can be connected to the system either through the
14 network 7 in Horie or there can be a dedicated line from the server to the
15 consumer's wireless device, and a connection from the server through the
16 network to the merchant terminal. And so, we believe that either of those
17 embodiments anticipates all of the challenged claims.

18 With respect to obviousness, the understanding of a person with
19 ordinary skill in the art comes into place as to what those disclosures would
20 mean to a person of ordinary skill and that's where the testimony of Dr. Akl
21 comes into play. Dr. Akl explains that the fact that there are unique
22 components between those systems and the fact that there can be a dedicated
23 line from the server to the mobile phone company would suggest to a person
24 of ordinary skill in the art attempting to implement Horie's system, that they
25 could use separate and independent transmission channels. And that is to the

1 extent that that's not already expressly disclosed within the four corners of
2 the prior art reference.
3 JUDGE HOWARD: So are you saying -- again, that's why I'm
4 confused. Are you saying that a person -- are you just saying that a person
5 of ordinary skill in the art would understand that they're separate and
6 independent of or that they wouldn't modify it to make it separate and
7 independent of? Because if it's the first point, that's also something that's
8 part of the anticipation analysis. So I'm -- that's just where I'm getting very
9 confused.
10 MR. ABSHER: Your Honor, I would --
11 JUDGE HOWARD: And I found that -- the case law that you
12 cited is not really relevant because it's sort of the opposite situation where if
13 in the petition you had just said, this would've been obvious and we found
14 it -- all the elements to be taught without needing any modification, we
15 could say it's obvious, even if you've just proved an anticipation. That's
16 what that case is saying. This is sort of -- it just doesn't seem to apply to
17 this. I'm just trying to understand if there's an actual difference or if it's just
18 the same.
19 MR. ABSHER: Your Honor, there is an actual difference in the
20 sense that according to Horie in the first embodiment, the communications
21 go through network 7. The obviousness argument comes into play when a
22 person of ordinary skill in the art considers what network 7 is. It's a
23 collection of routers. It's potentially the internet. It's how a person of
24 ordinary skill in the art would understand that network to be implemented
25 connecting those devices. And so, a person of ordinary skill reading Horie

1 would've found it obvious to use separate and independent transmission
2 channels within that network to transmit the request for authorization and the
3 notification to the customer, as required by the claims.
4 JUDGE HOWARD: Not sure that I quite understand it, but I will
5 look through your papers some more.
6 MR. ABSHER: Thank you, Your Honor. With that, unless there
7 are further questions, we'd like to reserve our remaining time for rebuttal,
8 but I will just say that Petitioner respectfully requests, for the reasons set
9 forth in its papers, that the Board cancel all of the challenged claims.
10 JUDGE HOWARD: Okay, thank you. You have 10 minutes left
11 for your time.
12 MR. ABSHER: Thank you, Your Honor.
13 JUDGE HOWARD: Mr. Stemer, how much time would you like
14 to reserve for your surrebuttal?
15 MR. STEMER: I probably would like to reserve 20 minutes.
16 JUDGE HOWARD: Okay.
17 MR. STEMER: I don't think that I will go 40 minutes with my
18 presentation, but many points have already been raised, so I'm, you know,
19 sort of repeating many statements. I will just rest on what Petitioner stated.
20 JUDGE HOWARD: Okay. In that case, you may begin whenever
21 you're ready.
22 MR. STEMER: Thank you very much, Your Honor. First, some
23 housekeeping. In the 369 petition -- that's the '706 patent, Patent Owner did
24 not file a Patent Owner response, but this was not intended as a request for
25 adverse judgment of the proceeding and for an abandonment of the context.

1 Patent Owner also understands that many arguments not raised may be being
2 forfeited under Rule 73(b). Patent Owner intends to present no argument in
3 the '709 patent, but we leave it to the Board whether the final decision in the
4 '709 patent should be informed by any of the arguments raised here in the
5 context of the '564 and the '310 patents.
6 Following the structure of Petitioner's arguments here, I think it
7 might behoove Patent Owner to first discuss the timing of the obviousness
8 response in the evidence -- Exhibits 2001 and 2003. 2001 is the Patent
9 Owner's declaration. 2003 is a copy of an actual license, heavily redacted,
10 as mentioned by Petitioner. Patent Owner's argument is that the obviousness
11 discussion was triggered by Petitioner's reply and that informs the timing of
12 our submission. It would be highly unfair to Patent Owner to propose the
13 opportunity to respond to Petitioner's allegation that the claims were not
14 only anticipated as already throughout, but also obvious over the prior art.
15 The --
16 JUDGE HOWARD: This is Judge Howard. But --
17 MR. STEMER: Yes?
18 JUDGE HOWARD: -- isn't that a strange reading of the petition?
19 I have the petition in front of me. I'm looking at page 31 and going on. It's
20 giving -- and this is in the 367 case. I know there are similar papers in the
21 368 case in which Petitioner is making an argument that it should be -- the
22 claim should be found obvious based on Horie. They present arguments for
23 it. Their arguments are relying on testimony from Dr. Akl, who talks about
24 his understanding of the art and what someone of ordinary skill in the art
25 could do. It seems to be that there is -- and we instituted when we instituted

1 our trial, on all grounds, including the obviousness ground. Why didn't you
2 respond and present this evidence of objective evidence and non-
3 obviousness in your response?
4 MR. STEMER: Yes, Judge. You're absolutely right. The -- they
5 made several statements in the petition that, you know, they requested the --
6 presented obviousness as reasons for -- and related to the patent claims, but
7 as you and Judge Fenick pointed out in the institution decision, very
8 specifically, you also agreed that all of your arguments were made with
9 regard to anticipation, and they did not argue -- at least properly argue -- any
10 obviousness.
11 If I may quote from the '564 patent in the 368 IPR, I'm quoting
12 from the institution petition under the headline, obviousness over Horie. I
13 call it Horie -- Horie. Petitioner presents -- I quote, "Petitioner presents
14 specific arguments only with respect to claim limitation 1D of Claim 1, and
15 with respect to Claim 2. Patent Owner does not discern any additional
16 arguments with respect to this ground." That's obviousness. I'll continue.
17 "While Petitioner's argument with respect to Claim 1D is presented as an
18 obviousness argument, we do not discern that Petitioner presents any
19 argument distinguished from its analysis for anticipation."
20 As a matter of fact, Patent Owner insists that Petitioner -- and in
21 the petition -- should decide or should have decided whether this is
22 anticipation or obviousness, or both, but they decided very clearly in all their
23 argumentation that it's only anticipation. And their argument there, well,
24 Horie is obviousness -- is obvious as is and without any modification. Well,
25 if that's not anticipation argument, you know, maybe I misunderstand

1 obviousness, but there has to be a modification, otherwise it's not
2 obviousness.
3 Now, the conclusory statements, and I've pointed it out in our
4 response, as well, by Dr. Akl, have to be weighed carefully because there are
5 several conclusory statements of obviousness in Dr. Akl's, which we did not
6 accept -- we, the Patent Owner, did not accept. I quote -- still in the '564
7 institution decision -- while Petitioner cites Dr. Akl's testimony and support
8 his arguments regarding what Horie discloses, Petitioner does not discuss
9 Dr. Akl's testimony regarding obviousness or providing a situation of what a
10 modification of Horie would be or discuss. For instance, motivation or
11 expectation of success for a modification.
12 Similar, Petitioner's arguments with respect to Claim 2 do not
13 address obviousness. A very similar statement appeared in the institution
14 decision for the '310 patent in IPR 367. Again, then in footnote 1 on page --
15 I believe on page -- sorry, footnote 1 in the institution decisions says, as
16 guidance to the parties, we know that it's unclear that the petition under Dr.
17 Akl's testimony argues that a person of ordinary skill in the art would've
18 modified Horie, arguing that the differences between first and second
19 transmission channels in Horie would have suggested to a person of ordinary
20 skill in the art that separate and independent lines of communication could
21 be employed in Horie's system for the sending of signal requests -- and
22 notifications. Sorry.
23 Not making the argument in Dr. Akl's testimony that parties should
24 address in the response and reply, and that would consider the -- whether the
25 petition argues how and why a person having ordinary skill in the art would

1 have modified Horie, and if not, whether we can rely on the argument of Dr.
2 Akl's testimony that it's not made in the petition. Patent Owner agreed and
3 agrees with the Board in each of the institution decisions -- in fact,
4 understood these statements as an invitation for Petitioner to clarify. Then
5 after Petitioner clarified its position, at least to a certain extent, and we had
6 that argument a few minutes ago when Petitioner presented their case.
7 Patent Owner responded by showing that Petitioner is mistaken with regard
8 to anticipation. And also in the reply, presented the detailed reply regarding
9 obviousness.
10 JUDGE HOWARD: But isn't your problem with this is, I guess, if
11 Petitioner -- again, I mean, the '367 patent made clear that it was unclear.
12 You know, we did not know, and we asked the parties to address this issue,
13 but Petitioner is limited to what arguments they make in their petition. If
14 they argue for obviousness in their petition, you need to respond in the
15 response. If they did make arguments for obviousness in the petition, then
16 they can't make it in the reply and again, then there's nothing new for you to
17 need to respond to.
18 So I'm just very -- I guess, one, I'm concerned about the timing,
19 and then two, there are specific rules that we have about submitting evidence
20 and when it can be done. Our rules prevent submitting evidence with the
21 sur-reply, which is what you did. Why is it that you didn't ask for
22 permission, arguing that this is a special circumstance, or anything like that?
23 MR. STEMER: We did not ask in terms of -- by way of a motion,
24 but certainly, our reply indicated very strongly that we understand that we
25 didn't make that argument earlier and that we replied together within that

1 case. And we also in --

2 JUDGE HOWARD: Let me ask you something very specifically.
3 What new argument does Petitioner make in their reply that they didn't go
4 and make in the petition?

5 MR. STEMER: It's the --

6 JUDGE HOWARD: Because this seems to be the crux, at least of
7 your argument, as I understand it, that they made -- that Petitioner makes a
8 new argument and therefore, you're entitled to present evidence to reply to
9 that. So, what exactly is that new argument?

10 MR. STEMER: I -- okay, maybe 'new argument' might be the
11 wrong term. It is a clarification of the earlier argument, which the two
12 quotations that I just read from the two institution decisions were invitations
13 for Petitioner to clarify because it was not clear from their petition, did they
14 actually make an obviousness argument. Petitioner came back and
15 explained, yes, this is an obviousness argument, even though Horie in the
16 primary reference can be used as it is without any modification. That's the
17 first time that they explained this in those terms.

18 JUDGE HOWARD: Right, but that's just -- I mean, that's no
19 different than what they argued in their petition, which is what we pointed
20 out that your obviousness argument seems to be relying on unmodified
21 Horie, and they've come back and said, yes, what you read was absolutely
22 correct. You know, whether or not that's appropriate is a different question,
23 but there -- that statement is completely consistent with what's in their
24 petition and in fact, consistent with the Board's understanding of it at the
25 time.

1 It just strikes me, there's nothing new that was made, and our rules
2 are specific on when testimonial evidence can be given, and we also make
3 clear that, you know, arguments that aren't raised in the response are
4 forfeited. So, I'm just trying to understand the basis or what, under our rules,
5 allow us to consider this declaration.
6 MR. STEMER: That's a decision for you to make after you
7 compare the petition and the arguments made or explanations made in the
8 reply by Petitioner, of course. What Patent Owner strongly suggests is that
9 the submission of the supporting evidence does not support the requires for
10 procedure of fairness in this case, and we understand what the rules are as
11 they are published by the Board. However, they are not necessarily
12 applicable to the case at hand. I'd leave that decision for you, of course, in
13 the final decision.
14 JUDGE HOWARD: Thank you. I understand your position.
15 MR. STEMER: Yes, Your Honor. Thank you. I've made -- okay,
16 let's briefly look at Horie. Again, Petitioner already explained some details
17 why Horie would be considered anticipatory. I don't think they made the
18 proper argument towards obviousness, but we'll discuss this in a little more
19 detail. Patent Owner's primary objective is broadly similar to that of the
20 subject patents. Mainly to notify the charge card owner after making a
21 purchase. A current usage notification, as explained by Horie, enables the
22 legitimate card user -- his or her family -- to be notified of this via email.
23 We'll get back to the email issue in a couple of minutes. And the quick
24 notification makes it possible to quickly respond to fraudulent card use or
25 usage.

1 Horie's primary disclosure pertains to notification by email after
2 the charge request has been authorized. The prior art reference also
3 describes that alternatively, the notification sent during the authorization
4 process -- however, that alternative process is provided for one reason.
5 Mainly to allow the customer to intercept a fraudulent transaction, whereas
6 alternative process requires that the system wait for a response from the
7 customer before proceeding with the authorization.
8 In the further embodiment that this is the essential embodiment
9 with regard to the claimed invention or this whole proceeding, Horie notifies
10 a customer without requiring a response. There, the notification to the
11 customer is sent by email in some cases, even during the authorization
12 process. We've already discussed that back and forth, including the
13 institution decision as to that, as well.
14 As explained by Horie, the card owner is enabled to prevent
15 fraudulent card use. It's important to note that the response by the customer
16 will not be immediate if we read the entire Horie disclosure. The response
17 will be at a later time. When we look at the disclosure of Horie, it might be
18 hours or days later. This immediacy issue will come back in just a second.
19 The question, of course, as discussed by Petitioner, as laid out very
20 carefully, in Horie's figure 1, the server 4 passes along the authorization
21 request. By the way, Petitioner did not very much emphasize the fact that
22 it's an authorization request that is claimed or recited in the patent claims,
23 and that server 4 then passes on the final notification. There is one line, as
24 Dr. Akl's annotation showed very clearly, there was one line going in and
25 out of the server, according to -- there is there no first and second

1 transmission channels that are indistinct.

2 Now, Judge Howard, you asked also what exactly is the plain and
3 ordinary meaning of distinct. Petitioner explained or answered in a -- yes, in
4 a certain way, but what distinct, in its broadest understanding means, in this
5 case, is not the way to interpret this claim. And in the back and forth
6 between Judge Howard and Petitioner with regard to are you making an
7 interpretation argument -- that would be the anticipation argument -- are you
8 making an obviousness argument, which is what the person of skill in the art
9 would have understood the modification to be. It becomes clear that distinct
10 in this case must be interpreted a certain way and is an anticipation argument
11 presented by Petitioner.

12 Horie's transmission channels transport the authorization request,
13 the authorization, and the notification. The authorization goes back to the
14 merchant, while the notification goes to the customer. As such, those two
15 notification channels are distinct, of course, in a broad interpretation.
16 However, they are not distinct in the sense of the invention, and that goes
17 back to the question of anticipation where terms in the claim must be
18 interpreted according to the record.

19 We pointed out that, number one, the ordinary meaning of distinct,
20 if super broadly, completely removed from the context, yes, could
21 encompass Horie, but once you look at the specification, we know the base,
22 it says the specification informs the meaning of claim terms. Of course, as
23 understood -- as the specification is understood by a person of ordinary skill
24 in the art. And further intrinsic evidence, now the -- since we are in related
25 IPRs and related patents here, very highly related, the prosecution of each of

1 the other patents belongs to the intrinsic record, as well.

2 JUDGE FENICK: Mr. Stemer?

3 MR. STEMER: Yes.

4 JUDGE FENICK: As you just mentioned, there are two
5 different -- there are three patents at issue here, but we're -- in terms of the
6 contested -- the ones in which you've filed responses, there's two different --
7 there's claim -- there's different claim language in each case. So, in the case
8 with the '564 patent, so the 00368 case or proceeding, the claim language is
9 just distinct, and you point to the prosecution history, and you say, well, in
10 the prosecution history, it was clear there was an amendment made and in
11 order to distinguish over prior art, and that amendment shows that it was --
12 that distinct means independent and separate -- independent of and separate
13 from.

14 I'm speaking of your reference to the Exhibit 1013, the prosecution
15 history of the '310 patent, but in that patent, an amendment to the claim was
16 made and the claim that's being discussed is not a claim that says distinct
17 channels. It says that the channels are independent of and separate from --
18 sorry -- that the second channel is independent of and separate from the first
19 channel, so I'm not sure -- if you're relying on that prosecution history, I'm
20 not sure how that relates to the word 'distinct', which is in the patent claim at
21 issue in the 368 case. So can you tell me how you think that prosecution
22 history or the other patent -- the -- I think it's the great, great, great
23 grandfather patent of this -- of the patent at issue here -- if the word 'distinct'
24 isn't in the claims, how is the prosecution history relevant?

25 MR. STEMER: Number one, it's relevant with regard to support.

1 Whether or not the specification supports the narrower intricate -- or the
2 construction that we presented. That's number one. So, we can explain that
3 the patent specification prosecution -- or the patent specification supports
4 distinct, as it was filed originally, and also supports separate -- sorry, I have
5 to quote this well -- separate and independent. Separate and independent.
6 So, we know that -- and the patents are based on exactly the same
7 specification, right?
8 This is the very same specification. Same description, same
9 figures, everything is exactly the same. Now, the second patent where
10 separate and independent was used in the primary claim on the main claim,
11 was prosecuted later from the one that says distinct in the claim. So, we
12 faced different prior art or a different reading in the case probably by the
13 examiner, different understanding.
14 So, patent prosecution, as you will know, is -- with all prosecution,
15 you have to look at all the prior art that's in front of you. You have to look
16 at all of the rejections presented by the examiner, and at that point -- and we
17 will get back to Woodward in just a second, also. It seemed better, and here,
18 I'm speaking about the prosecution, as the prosecution patent attorney. It
19 was more efficient to use the terms separate and independent of. So, it was
20 driven by the prosecution, meaning or understanding on the Patent Owner's
21 part -- at that point, patent applicant's part -- that it is the same thing anyway,
22 but distinct is -- independent and separate appeared to distinguish a little
23 better.
24 It was a choice of words. We could've used distinct and argued
25 distinct was not original in the claim, so we just threw in, as the applicant,

1 those separate and independent, but the meaning of the distinct limitation
2 and the separate and independent limitation is, number one, based on the
3 specification and it is a near identical, if not identical limitation.
4 JUDGE FENICK: I understand your position. Thank you.
5 MR. STEMER: Thank you.
6 JUDGE BALTATZIS: Mr. Stemer, if I may interrupt. This is
7 Judge Baltatzis. You keep saying that it's based on, you know, the intrinsic
8 record, the specification. I haven't seen any other citations, other than to
9 Figure 1 to support, you know, both separate and independent and distinct.
10 Is there some other part of the specification that we should be looking at?
11 Some sort of expressed definition? Anything else? Because again, these
12 terms don't appear in the specification. Is there anything other than Figure 1
13 that supports these terms?
14 MR. STEMER: Just like Figure 1, you have Figure 2, also, which
15 number one, it's important to note that these are method claims, okay, so it is
16 the -- and of course, it counts in distinguishing structurally between
17 transmission channels in the claim, but it's still the process used, the methods
18 that are there. So, in direct answer to your question, yes, Figure 2. Figure 2
19 shows it very, very clearly that the immediate split between the process
20 sequences here, that the split right below the start goes into the notifications,
21 so the start has to be triggering by way of a request. An authorization
22 request has to trigger the process and immediately is the split in the
23 processing here.
24 The method is one side is the notification side, and one is the
25 authorization side. This goes to the banks, the banking system, and the

1 authorization system. And the other completely separate, immediately
2 separated, is the notification, and you're absolutely right. In retrospect, of
3 course I wish I had a specific detailed express definition of distinct and/or
4 separate and/or independent of, or even the word no overlap. I would love
5 to have that in the specification. It was not in the specification; however, the
6 question here is does it flow from the specification.
7 And Patent Owner -- it says that a proper reading of the
8 specification, including the -- just the specification -- supports the addition
9 of no overlap. Although, I will not, in our argument, completely rely on the
10 no overlap. The no overlap between those two transmission channels was
11 added as an alternative construction. Again, which appeared on limitation in
12 the institution decision by Judge Fenick. Sorry, Fenick. I apologize.
13 So distinct, separate, and independent is the definition or the
14 construction that Patent Owner requires or requests for the -- for both of
15 those claims. For the claim in the '564 patent, and in the claims of the '310
16 patent, because it is based on exactly the same disclosure. It is based on -- in
17 terms of the transmission channels, there's no distinction between those
18 claims. There are other distinctions between the claims, but that's not before
19 the Board here, or at least not raised by Petitioner.
20 I think most all the other arguments have been made, or at least the
21 facts presented by the Patent Owner. Judge Howard, could you tell me, on
22 the clock, where do I stand? I didn't track my --
23 JUDGE HOWARD: Sure. You've used -- sorry, I thought I was
24 muted. You've used 28 minutes, so you have 12 minutes left before you get
25 into your rebuttal time.

1 MR. STEMER: Thank you.

2 JUDGE HOWARD: Mr. Stemer, one thing I do want to at least
3 discuss is the arguments that Petitioner made about the prosecution history
4 and the arguments that were made with Woodward. Specifically, those
5 arguments that appear on page 72 of Exhibit 1002. And if you don't want to
6 talk about it right now, that's fine, but I would like to get to this at some
7 point during your presentation.

8 MR. STEMER: Yes. As a matter of fact, I was just going to jump
9 on that. Maybe not in as much detail. A little surprising is that Petitioner is
10 trying to re-prosecute this patent based on that prior art reference
11 Woodward. Woodward is representative and we made the argument
12 throughout in the prosecutions of these patents, the triangular system.

13 The triangular system means there has to be a connection to the
14 financial -- between merchant and the financial institution. There has to be a
15 connection between the customer and the financial institution, and there has
16 to be a connection between the merchant and the customer in order for --
17 upon being triggered by the system for the customer to have a key to shoot
18 back at the financial system for the authorization.

19 So, the trigger for the process in Woodward is authorization
20 request; however, that authorization request then also triggers the connection
21 between the merchant and the customer. It may also be triggered a little
22 later where the financial institution sends the query to customer -- to the
23 customer's system, whether or not they approve of this request.

24 There are many prior art references, and Woodward is just
25 representative of those, of -- what we referred to as the triangular system.

1 Again, a slow system -- one aside encumbers the other system, but now, I
2 know, of course, that you want to go through claims and what do our claims
3 say. They don't say anything about our triangular -- that we're not a
4 triangular system. They don't say anything about it, but they say that the
5 processes -- method claims we have -- are separated by way of how they
6 communicate within the system.
7 And one side communicates with the financial system by way of
8 request for authorization in the response, and the other side is the
9 notification. And again, it goes to the speed. Speed is the very important
10 part here. It is that they are separate -- they are -- we tried with distinct in
11 one claim, but understanding in the specification during the intrinsic record
12 that distinct has a narrower meaning than what, at this point, Petitioner
13 describes to it, this general and ordinary meaning of the term.
14 It is also true, by the way, that we did not -- as argued by
15 Petitioner, we did not have something in the petition that uses a different
16 definition for distinct. That is a correct argument; however, the distinct
17 interpretation of that claim term is informed by the intrinsic record, and it's
18 narrower than the broadest possible meaning of the term distinct. I'm not
19 sure -- I might have to rest a little bit, if I properly answered your question
20 with regard to Woodward.
21 JUDGE HOWARD: No, I had -- it's just -- I guess you didn't quite
22 get to the -- so I guess my point that I'm trying to get to or at least the point
23 that Petitioner makes is that looking at page 72, you make this discussion
24 about how -- or this statement that says first, the merchant transmits an
25 authorization request to the host and then the host provides a merchant

1 authorization key and a consumer authentication key.

2 And Petitioner's argument, that if you look at Woodward, there's
3 an overlap between those two transmissions -- the ones being -- transmitting
4 the authorization to the host, and then the host transmitting the authorization
5 key to the merchant and the consumer. And so, his argument or Petitioner's
6 argument is that shows that the applicant -- of course the applicant didn't
7 argue that Woodward doesn't have the separate independent of -- or distinct,
8 if you want to go for the other patent -- transmission channels, that's in
9 agreement by the applicant that some overlap is allowed. And I guess I want
10 to hear more on your response to that argument.

11 MR. STEMER: Um-hum, um-hum. As a matter of fact, I may
12 correct you there. I believe Petitioner argued in answer to your question that
13 there is not even any overlap. They -- you suggested in the financial system,
14 there is an overlap there. I agree with you, but Petitioner thinks --

15 JUDGE HOWARD: I would not take the fact that I ask a question
16 that I agree with what I'm saying. Sometimes, I ask questions to get
17 information and to test people's side, so I think it's pretty clear that if you
18 take a look at your figure that's shown in -- on page 72 of the file history
19 1002, or also if you go and look at Woodward, Figure 1, you know, it has
20 the host that's separate from the financial institution, and your statements
21 were directed purely towards the host.

22 And if you look at Figure 1, there is going to be some overlap
23 between the transmission pathway between the post-transaction processor
24 and the merchant, and the host transaction processor and the consumer, and
25 that's what Petitioners pointed out. So, assuming that exists, then why didn't

1 you just make that argument, that it's not separate from and independent of?
2 MR. STEMER: Why didn't I make the argument? That
3 argument -- that was not before the examiner. The discussion was about
4 something else. It was not whether or not they -- those two channels were
5 distinct. That was not at all of issue. It was not raised by the examiner. It --
6 we didn't raise it. It would've been just an additional argument, which was
7 not responsive to anything in the other section or our discussion with the
8 examiner at that point. And Petitioner relies on our statement right on top of
9 page 72.
10 Woodward indeed utilizes two communication channels. Yes, they
11 do. Of course they have two communication channels, but are they
12 completely distinct or are they not just like Horie's transmission channels
13 where there's a certain overlap between them? Are they completely separate
14 and independent? Well, we didn't make those arguments because that was
15 not of issue before the examiner at that point.
16 JUDGE HOWARD: Right, but the point is -- but that's not
17 Petitioner's argument. Petitioner's argument is there was overlap, you
18 could've made that argument, and instead of making that argument, you
19 went and amended the claims to narrow them. And their argument is that
20 the reason that you didn't make that argument is because you -- the applicant
21 understood that there could be some overlap and I guess I'm trying to get,
22 you know, really why that argument that Petitioner is making isn't correct.
23 MR. STEMER: Yes. All I can say is it was not at issue, nor did
24 the examiner raise that. The examiner clearly also understood everything
25 was just proper in the prosecution. Why didn't we make that argument? I

1 don't -- I'm sorry, it's what -- close to 20 years ago that we didn't make that
2 argument. I do not recall why we didn't make that argument, and sorry, of
3 course we're talking about Patent Owner's prosecuting attorney. It's true, but
4 yes, truly, I do not recommend -- remember why we did not make the
5 argument at that point. It would not have been appropriate to make that
6 argument. That's all I can say.
7 JUDGE HOWARD: Okay. Just so you know, you have two and a
8 half minutes left before you hit your rebuttal time – sur-rebuttal time.
9 MR. STEMER: Briefly about the nexus, the nexus argument, Mr.
10 Absher made an argument that we haven't shown the nexus, and with regard
11 to your question, of course, VolvoPenta was -- the case is cited by the
12 Petitioner or by us, actually. We cited that case. They have just about
13 nothing to do with that issue, and they go to the product. The nexus has to
14 be shown whether or not this product of which you rely on the commercial
15 success, has the features of the claims.
16 Now, our situation is quite a bit different. We license entire
17 patents. We license all the methods, the processes that are encompassed by
18 the patents, and so there is no comparison with a product or with any client.
19 We're not in infringement suit here where we have to show that the method
20 that is processed by whoever person, the accused person, does all of the
21 steps and in the same sequence as we claim it. That's not the issue at all
22 here. We -- sorry --
23 JUDGE HOWARD: Sorry. But don't you have a -- still have a
24 nexus problem because you have -- you've got two sort of problems. I mean,
25 the first is you have five patents that are licensed in the license agreements

1 or at least, that's what is represented. And two of those are not involved in
2 these IPRs, and in fact, for each one, we should be looking at each patent
3 individually. So, you know, for example, the case involving the '310 patent,
4 we should be looking at what this license agreement shows as objective
5 evidence versus the '310 patent, what it shows towards the '564 patent, what
6 it shows towards the '706 patent.
7 We don't have any -- there's no evidence of nexus and we don't
8 know why these licenses were entered into. It's possible that they only
9 wanted the Canadian patent. It's possible that they wanted the '069 patent
10 and didn't care about the other three. Don't you have to show a nexus still
11 between the licensing and the specific patents that are being challenged?
12 MR. STEMER: I don't think so. I think you're mistaken in that.
13 The logic assumption when -- first of all, you know, this is a license
14 certainly, the license -- I'm not sure -- okay, this might not be confidential.
15 The licenses are worldwide, but of course, they pertain to for use patents of
16 which three are in the IPR proceedings here. As presented, we -- I believe
17 the Board understands very well that these three are related IPRs.
18 Also, all of the discussions so far present that they are related, so if
19 you cannot -- you cannot assume that this shows a nexus between the
20 licenses and what is claimed in the patents -- talking about the three IPRs,
21 the three related patents -- all based on the same specification, then nexus
22 will be impossible to be proven. There is no other way for me to show
23 nexus short of going into a patent infringement type context by showing
24 individual features and what these clients actually intended to license.
25 JUDGE HOWARD: Just so you know, you're into your rebuttal

1 period.

2 MR. STEMER: Yes, sir. Thank you. I think I have discussed
3 everything. I understand Petitioner's argument that we tried here, the trial by
4 ambush. I don't think that's a proper argument. I reserve the rest of my time
5 for rebuttal. Thank you, sir.

6 JUDGE HOWARD: Okay, thank you. You have 18 minutes left
7 for your sur-rebuttal. Mr. Absher or Mr. Rinehart, you have 10 minutes, so
8 whenever you wish to begin, I'll start the clock. Mr. Absher or Mr. Rinehart,
9 if you're -- I can't hear you.

10 MR. RINEHART: Can you hear me now, Your Honor?

11 JUDGE HOWARD: I can.

12 MR. RINEHART: All right. Just give us one second before we
13 get started.

14 JUDGE HOWARD: That's fine.

15 MR. RINEHART: All right. Thank you, Your Honor. Again, this
16 is Andrew Rinehart on behalf of the Petitioner. Just a few points on rebuttal.
17 At the end of the day, this is really an anticipation case. The primary prior
18 art reference, Exhibit 1006 of Horie, still discloses separate and independent
19 transmission channels, distinct transmission channels, even if you adopt
20 Patent Owner's proposed construction.

21 Paragraph 76 of Horie, Exhibit 1006, discloses that the server can
22 communicate with the mobile phone company host via its own dedicated
23 line, which is a separate and independent transmission channel from the
24 communications with the car handling store side terminal. That's -- that
25 argument is presented in, for example, the '310 patent proceeding in the

1 petition at page 23, and it's supported by the testimony of Dr. Akl, Exhibit
2 1003, paragraph 95.
3 JUDGE HOWARD: Is the server -- would the financial -- the way
4 that you've mapped it, though -- have you mapped this server to the financial
5 institution? Because I don't see that in your figures that you've drawn. I
6 mean, I could see that, for example, if looking at Figure 9, that you said the
7 first transmission channel went from the store through the network 7 to sever
8 4, which then was the financial transaction, and then the second channel
9 went from the server through that dedicated line, eventually reaching the
10 user, I could see that point. But that's not shown in the annotated figures
11 that either was presented in the petition or Dr. Akl's testimony, so I just want
12 to make sure that I understand that you're not trying to change your
13 arguments.
14 MR. RINEHART: No, Your Honor, we're not trying to change our
15 arguments. The annotated figures merely show the pathway, the routes that
16 the channels travel. The financial institutions there, that claim term is broad
17 enough to encompass the credit card company authentication host, the bank
18 authentication host, the server, and the network that connects them all. That
19 argument is presented in the petition, at least in the '310 patent proceeding,
20 pages 20 through 23.
21 JUDGE HOWARD: Okay. Could you show me where exactly
22 that it's pointing to -- because I have -- I'm looking at page 21, I'm looking
23 at, and it's talking about -- sorry, that's the second transmission. Well, going
24 to page 20 for the -- 20 is the -- that's talking about the second transmission
25 channel, which you've pointed to, and it talks about the transmission

1 channel, you know, going through CAFIS. I guess I'm trying to see where
2 you've made this specific argument, because I don't see it.
3 MR. RINEHART: Your Honor --
4 JUDGE HOWARD: I'd like to see where you've gone and said
5 that server 4 in Figure 9 is a financial institution.
6 MR. RINEHART: I see, Your Honor. We do not specifically state
7 that server 4 is a financial institution. It is part of the transmission channel
8 that ultimately ends at the financial institutions.
9 JUDGE HOWARD: Right.
10 MR. RINEHART: Under Patent Owner's arguments that they've
11 presented today, as we see it, if the claims only cover the communication
12 between the device that actually does the notification processing, as opposed
13 to actual financial institutions, then that is server 4.
14 JUDGE HOWARD: So, server 4 on its own decides to send the
15 notification. It doesn't get anything from the financial institutions on
16 needing to send it?
17 MR. RINEHART: According to the disclosure of Horie, that's
18 correct, Your Honor. Server 4 is responsible for performing the card usage
19 status notification process.
20 JUDGE HOWARD: Okay. And how does it know to go and do
21 that? I guess -- but I'm -- but is this -- I just want to see -- because I'm
22 looking at 19 and -- page -- because I'm looking at page 19 of your petition
23 and it's going -- and you're quoting from Horie, paragraph 44, and it talks
24 about how it goes -- authentication is performed between the transaction
25 terminals and authentication via CAFIS 8. Oh, okay, and then I see it. And

1 then an email is sent from the server side to the mobile phone. Okay, I see
2 where you're making the -- I see this point. Thank you.
3 MR. RINEHART: Okay. Thank you, Your Honor. So just to
4 recap that, Your Honor --
5 JUDGE HOWARD: So, this is different than what you're showing
6 in the annotated Figure 1 on page 20 of your petition?
7 MR. RINEHART: Your Honor, the annotated figure on page 20 of
8 the petition shows the entire chain of the notification that a transaction is
9 happening to where it is processed, and the claim, Claim 1 of the '310 patent,
10 covers both, the notifications and the ultimate processing of the charge
11 request.
12 JUDGE HOWARD: Okay, thank you.
13 MR. RINEHART: Yes, Your Honor. And we would submit that
14 because this is ultimately an anticipation case, the ultimate issue of
15 obviousness does not need to be reached by the Board. I'd like to briefly
16 address some of the criticism raised by Counsel for Patent Owner about the
17 testimony Dr. Akl, he referred to as conclusory, but Patent Owner chose not
18 to depose Dr. Akl in this proceeding and chose not to submit any expert
19 testimony of its own. And so, his testimony on this record is unrebutted.
20 I also want to comment on a comment that Patent Owner --
21 Counsel for Patent Owner made. He admitted that they would love to have
22 expressed definitions for these terms, separate and independent, distinct, and
23 even the phrase, no overlap in the patents, but they're not there. We agree.
24 That's part of the reason why their proposed construction should be rejected.
25 Instead, the inquiry according to Patent Owner's Counsel is that the question

1 doesn't flow from the specification and that's not the legal standard for claim
2 construction that we follow in these proceedings, and there's no evidence on
3 behalf of Patent Owners to how a person of ordinary skill in the art would've
4 understood the claims in light of the specification.
5 And lastly, one comment about the prosecution history. Patent
6 Owner made some comments about the Woodward reference, and I just
7 want to reiterate, we're not relying upon silence on the part of the applicant
8 as evidence in this proceeding. We're relying on the addition of new claim
9 language where, under Patent Owner's position here, the existing claim
10 language would have done.
11 And in prosecution, applicants are typically averse to adding new
12 claim language unless absolutely necessary, and that is why we pointed to
13 Woodward as evidence that is inconsistent with the position that Patent
14 Owner is currently taking now. And with that being said, Your Honor,
15 pending any other questions from the Board, for the reasons that we've
16 stated in our petitions and Petitioner's replies, we respectfully request that
17 the Board cancel all of the challenged claims.
18 JUDGE HOWARD: Okay, thank you. Any other questions from
19 the Board? Okay. Mr. Stemer --
20 MR. RINEHART: Thank you, Your Honor.
21 JUDGE HOWARD: -- you have 18 minutes from when you begin.
22 MR. STEMER: Yes. Thank you, Your Honor. It appears to me
23 Petitioner has changed their stance. They say, this is an anticipation case.
24 The Board does not have to make any decision with regard to obviousness
25 that of course would appear to take care of the entire fight about whether or

1 not Exhibits 2001 and 2003 are acceptable, should be entered or not. It
2 seems to me that this is an admission by Patent Owner that anticipation is
3 the only issue now before the Board. It seems a little strange at this time,
4 but I understand that, you know, positions can change, but it appears to be an
5 affirmative statement.
6 JUDGE FENICK: Mr. Stemer, I didn't hear the Petitioner saying
7 that they are not proceeding with, or they concede on the basis of
8 obviousness.
9 MR. STEMER: What I heard was Petitioner said, this is ultimately
10 an anticipation case and then it sounded to me like Petitioner did say that no
11 decision with regard to obviousness needs to be reached or even further
12 discussed by the Board. That's what I heard. The transcript will have the
13 answer to that.
14 Petitioner also states that Dr. Akl's testimony was not rebutted.
15 That is correct and we did not depose Dr. Akl. We did not object to Dr.
16 Akl's statements of fact. As a matter of fact, it appeared that many of those
17 facts or most were correct, but the conclusions were -- to a large extent, were
18 incorrect and we objected to the conclusory statements in Dr. Akl's
19 statements and the importation or the import of those statements into the
20 petition. We disagree that that is proper to allow the expert to come to
21 conclusions with regard to law and then to simply rely on those statements
22 without actually importing them by reference to the statements.
23 We did not mention earlier, and I wonder if this is proper at this
24 point, we had discussed Dr. Akl's testimony with regard to the Claim 2 in the
25 patent regarding the SMS. Dr. Akl stated and then Petitioner also referred to

1 it and insisted that --

2 JUDGE HOWARD: Mr. Stemer, I do not believe that Claim 2 was
3 discussed during the rebuttal. That would not be proper to be raised at this
4 time. We did give the parties warning that we're limiting what could be
5 raised in rebuttal and sur-rebuttal.

6 MR. STEMER: Yes, I understand that, and so I will not go into
7 that issue. We mentioned several statements in our submissions that certain
8 statements of Dr. Akl should be handled with care as it -- as they are
9 incorrect, but that's on the record. Yes. Pending further questions, I think
10 we discussed all of the rebuttal issues by Petitioner, and I believe that we
11 presented our case properly, that the proper interpretation of the claims --
12 both in the '564 and the '310 patents -- based on the record, it shows that the
13 claims are not anticipated by the disclosure of Horie, nor are they obvious as
14 we presented through the proceedings. And we request that the Board
15 decide accordingly.

16 JUDGE HOWARD: Judges Fenick and Baltatzis, do you -- either
17 of you have any other questions? Okay. Hearing none, thank you. With
18 that, this hearing is adjourned. We will go and get you a decision in due
19 course and I also just wish to ask that the parties stay on in case the court
20 reporter has any questions about spelling. With that, thank you.

21 MR. RINEHART: Thank you, Your Honors.

22 (Whereupon the above-entitled matter went off the record at 11:53
23 a.m.)

IPR2024-00367 (Patent 7,357,310 B2),
IPR2024-00368 (Patent 8,783,564 B2),
IPR2024-00369 (Patent 7,954,706 B2)

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