

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Askeladden L.L.C.,
Petitioner

v.

Calabrese Stemer LLC,
Patent Owner

Case: IPR2024-00369
U.S. Patent No. 7,954,706

PETITIONER'S REPLY

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LIST OF EXHIBITS

PETITIONER EXHIBIT	DESCRIPTION
1001	U.S. Patent No. 7,954,706 (“the ’706 patent”)
1002	Prosecution History of the ’706 patent
1003	Declaration and <i>curriculum vitae</i> of Dr. Robert Akl, D. Sc.
1004	Declaration of Glenn J. Perry
1005	Supporting Exhibit to Declaration of Glenn J. Perry
1006	Certified English Translation of Japanese Patent Application No. 2002-133100 (“Horie”) and Certification
1007	Certified English Translation of Japanese Patent Application No. 2001-306806 (“Kobayashi”) and Certification
1008	U.S. Patent No. 5,915,222 (“the ’222 patent”)
1009	Japanese Patent Application No. 2002-133100 (“Horie”)
1010	Japanese Patent Application No. 2001-306806 (“Kobayashi”)
1011	Certified English Translation of Patent Cooperation Treaty No. WO 2002-008981 (“Kano”) and Certification
1012	Patent Cooperation Treaty No. WO 2002-008981 (“Kano”)
1013	Prosecution History of the ’310 patent

CLAIM LISTING

Claim 1
[1pre] 1. A payment authorization method, which comprises:
[1a] gathering, at a merchant's, account information for payment of a customer's purchase;
[1b] transmitting an authorization request from the merchant's to a financial authorization system requesting payment authorization for the customer's purchase;
[1c] checking whether or not a profile is present with regard to the customer and, if the profile is present, checking whether or not the customer has requested notification regarding the authorization request;
[1d] if the customer has requested notification, notifying the customer that the authorization request has been received by transmitting a notification to a cell phone or a cellular network-connected communications device associated with the customer; and
[1e] processing the transaction for payment authorization and, if the purchase is authorized, notifying the merchant substantially contemporaneously with the step of transmitting the notification to the cell phone or the communications device associated with the customer.
Claim 2
2. The method according to claim 1, wherein the authorization request includes the account information and a monetary amount, and the notification to the communications device associated with the customer in an SMS message including the monetary amount.
Claim 3
3. The method according to claim 1, which further comprises prompting the customer to return a response to the notification and authorizing the purchase only when a proper response is returned.

Claim 4
4. The method according to claim 3, wherein the response includes a personal identifier associated with the customer.
Claim 5
[5pre] 1. A charge card processing method, which comprises:
[5a] inputting a transaction request to a stationary merchant terminal disposed at a merchant location;
[5b] processing the transaction request with the merchant terminal, including a transmission of a first authorization request to a remote processing facility and receipt of a notification that authorization has been accepted or declined;
[5c] transmitting a second authorization request from a remote processing facility to a mobile communications device of a customer associated with the requested transaction through a cellular network; and
[5d] authorizing the requested transaction only if authorization has been accepted for the first authorization request and a proper response has been received by the remote processing facility to the second authorization request.
Claim 6
[6pre] 1. A charge card processing method, which comprises:
[6a] preauthorizing an imminent given transaction by transmitting a preauthorization for the imminent given transaction from a customer to a financial authorization system;
[6b] subsequently inputting a transaction request concerning the given transaction at a merchant terminal disposed at a merchant location;
[6c] processing the transaction request at the merchant terminal, including a transmission of an authorization request for the given transaction to the financial authorization system;
[6d] transmitting a response to the authorization request from the financial authorization system to the merchant terminal, and thereby authorizing the transaction request at the merchant's if the preauthorization from the customer is available in the financial authorization system, and otherwise contacting the

customer for authorization or declining the authorization request.

Claim 7

7. The method according to claim 6, wherein the preauthorization from the customer includes a maximum amount to be authorized for the transaction and a time period within which the preauthorization is valid.

I. Introduction.

The challenged claims of the '706 patent are invalid. Patent Owner did not file a Response to the Petition. *See* Paper 11, at 3. As such, Patent Owner has forfeited all arguments about the validity of the challenged claims. Paper 8, at 9 (“Patent Owner is cautioned that any arguments not raised in the response may be deemed forfeited.”). Petitioner responds to the minor issues raised by the Board in its Institution Decision herein, and respectfully submits that the challenged claims of the '706 patent are anticipated and rendered obvious by the asserted prior art.

The Board should cancel all of challenged claims 1-7 of the '706 patent.

II. There is No Dispute “Merchant’s” is Disclosed by Horie and Kano.

As explained in the Petition, independent claim 1 of the '706 patent recites a or the “merchant’s,” *i.e.* a possessive noun without recitation of an object. *See, e.g.,* claim 1[a] (“gathering, at a merchant’s, account information...”). Petitioner proposed that instances of “[a/the] merchant’s” in the challenged claims of the '706 patent refer to a merchant’s *terminal*, based on the applicant’s statements during prosecution of a related patent, U.S. 7,357,310. Paper 1, at 8-9 (citing Ex. 1013, at 45). The Board in its Institution Decision described this as an “apparent typographical error in claims 1 and 6.” Paper 7, at 11. However, Petitioner respectfully submits that the Petition did not refer to this claim language as a typographical error nor provide any analysis to that effect. Rather, the Petition

proposed the clarification of a merchant’s terminal to answer the operative question—what is the “merchant’s”, *i.e.* what is possessed by the merchant recited in the claims?

In a proceeding involving related U.S. Patent No. 7,357,310,¹ Patent Owner explained that the claim language at issue “makes use of a (slightly antiquated) grammatical form.” IPR2024-00367, Paper 10 (Patent Owner Response), at 4. Patent Owner asserts that “[i]n the context, the expression may refer to anything in possession of, or under the control of the merchant, as the use of the possessive form implies.” *Id.*

For the purposes of this proceeding and the asserted prior art, Petitioner submits that “merchant’s” refers to anything in the possession or control of the recited merchant, including the merchant’s terminal. There is no typographical error in claims 1 or 6 with respect to “merchant’s” that requires construction or correction by the Board. There is no dispute between the parties as to the usage and scope of the term in the claims, and therefore it need not be expressly construed by the Board as explained in the Petition. Paper 1, at 8-9.

As demonstrated in the Petition, “merchant’s” as recited in claims 1 and 6 is expressly disclosed by the asserted prior art. For example, Horie discloses a “transaction terminal device” in a merchant’s possession that reads “card

¹ The application that issued as the ’706 patent is a divisional of the application that issued as the ’310 patent, and they share a common specification.

information, transaction details information, and other necessary information” and sends the information to a “card authentication host.” Ex. 1006, at [0046]-[0048]. Kano discloses that “in the event that both the mobile phone serial number and the mobile phone number are legitimate, and the information (all or part) on the QR authorized certification key 1201 received from the store terminal 22 is recognized as a genuine one issued by the store terminal 22, the authentication server 41 returns the detailed settlement approval to the store terminal 22.” Ex. 1011, at 15:47-50. Patent Owner has forfeited any argument that Horie and Kano do not disclose “a merchant’s” as recited in claims 1 and 6.

III. The Petition Properly Analyzed the Disclosure of Horie for Anticipation.

In its Institution Decision, the Board observed that “Petitioner appears to cite two different embodiments from Horie, e.g., Figure 1 (*see* paragraphs 39–73) and Figure 9 (*see* paragraphs 75–79).” Paper 7, at 15 n.11. Petitioner respectfully submits that the Petition’s analysis of anticipation of claims 1-2 in view of Horie is consistent with the law of anticipation.

Horie describes Figure 1 as a “schematic configuration of a card payment transaction system of the present invention.” Ex. 1006, at 9². Horie’s Figure 9 shows “a schematic configuration of another aspect (second embodiment of the

² Because of the formatting of the certified translation of Horie, page citations to Exhibit 1006 refer to the pagination of the exhibit footer added by Petitioner, unlike citations to specific paragraphs.

present invention.” Ex. 1006, at 10. Although described as a second embodiment, Horie expressly states that “[i]t should be noted that for the second embodiment, the description of the detailed processing will now be limited to a schematic description, as it would readily be performed by a person skilled in the art by reference to the various processing described in the first embodiment.” Ex. 1006, at [0075].

There are no substantive differences between Figures 1 and 9 for purposes of anticipation, the arguments set forth in the Petition, or the ultimate issue of invalidity of the challenged claims. Patent Owner has forfeited any argument that any disclosures in Figures 1 and 9 of Horie are inconsistent or otherwise impact the analysis of whether Horie anticipates the challenged claims.

Petitioner submits that Horie anticipates the challenged claims, even if Horie’s Figure 9 is excluded from the analysis. However, in the context of that analysis for anticipation, it is not error to consider the disclosures of both Figures 1 and 9 because Horie expressly states that “for the second embodiment, the description of the detailed processing will now be limited to a schematic description, as it would readily be performed by a person skilled in the art by reference to the various processing described in the first embodiment.” Ex. 1006, at [0075]. “[P]rior art references should be considered for all that they teach, rather than being limited to a particular embodiment or the claimed invention of

the prior art.” *Hayward Indus., Inc. v. Pentair Water Pool & Spa, Inc.*, 814 F. App’x 592, 596 (Fed. Cir. 2020) (citing *Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1076 (Fed. Cir. 2015)). “A reference may still anticipate if that reference teaches that the disclosed components or functionalities may be combined and one of skill in the art would be able to implement the combination.” *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1344 (Fed. Cir. 2016).

Because Horie expressly explains that a POSITA could implement either of Horie’s Figures 1 or 9 through the same “processing described,” the figures may both be considered with respect to the analysis for anticipation. At least for these reasons, the Petition’s analysis of anticipation of the challenged claims of the ’706 patent in view of Horie was appropriate.

IV. Grounds 1 and 2 Do Not Rely on Kobayashi.

In the Institution Decision, the Board observed that “Petitioner cites Horie paragraphs 50 and 51 for describing a user providing their mobile phone information ‘when creating a card.’ See Pet. 25 (citing Ex. 1003 ¶ 137). This disclosure is not present in Horie and instead appears in the corresponding paragraphs of Kobayashi. See Ex. 1006 ¶¶ 50–51; Ex. 1007 ¶¶ 50–51.” Paper 7, at 17 n.13.

Petitioner respectfully submits that the inadvertent citations to Kobayashi and misattribution of those citations to Horie with respect to claim 1[c] were

clerical errors in the Petition that may be disregarded by the Board. As the Board noted in the Institution Decision, claim 1[c] is disclosed “without considering Kobayashi’s teachings.” Paper 7, at 18. Petitioner does not assert Kobayashi as part of Grounds 1 or 2 in the Petition, and the disclosure of Horie alone is sufficient to anticipate and render obvious claim 1[c].

V. Horie Anticipates And Renders Obvious Claim 2.

In the Institution Decision, the Board observed with respect to claim 2 that “[a]lthough Petitioner asserts ‘Horie renders this claim obvious’ (Pet. 28), Petitioner lists the argument in the anticipation section and refers to what Horie discloses, rather than teaches or suggests. Accordingly, we understand Petitioner’s argument on Petition pages 28–30 to be based on anticipation.” Paper 7, at 20 n.14. Petitioner respectfully submits that the arguments on pages 28-30 of the Petition are based on anticipation of claim 2 by Horie.

VI. The Petition Properly Demonstrated the Obviousness of Claims 1-2 in View of Horie.

As explained in the Petition, challenged claims 1-2 of the ’706 patent are obvious in view of Horie. *See* Paper 1, at 30-32. In its Institution Decision, the Board stated that “it is unclear that the Petition argues how a person having ordinary skill in the art would have modified Horie.” Paper 7, at 21 n.15. The Board further ordered that “[t]he parties should address in the Response and Reply whether the Petition argues how and why a person having ordinary skill in the art

would have modified Horie.” Paper 7, at 21 n.15.

Petitioner respectfully submits that the Petition demonstrates the obviousness of the challenged claims of the ’706 patent in view of Horie *as is, without modification*. The Petition and supporting testimony of Dr. Akl do not include a motivation to modify Horie as a single reference. Nor is any such motivation to modify or modification of Horie required in this case to conclude that the challenged claims are obvious.

A claim may be rendered unpatentable under 35 U.S.C. § 103 based on a single prior art reference that discloses every claim limitation. *Unification Techs. LLC v. Micron Tech. Inc.*, Nos. 2023-1348, 2023-1351, 2023-1352, 2024 WL 3738401, at *6 (Fed. Cir. Aug. 9, 2024) (citing *Realtime Data, LLC v. Iancu*, 912 F.3d 1368 (Fed. Cir. 2019)). Where no modification is necessary to arrive at the claimed invention, the Petition and the Board need not set forth a motivation to modify the prior art. *Id.* (“Because no modification to Suda was necessary to arrive at the claimed invention, the Board was ‘not required to make any finding regarding a motivation to’ modify Suda.” (citation omitted)) The Petition presents Horie in a single-reference obviousness ground and no modification of Horie is necessary for a POSITA to arrive at the elements of the challenged claims, just like the situation addressed by the Federal Circuit in the *Unification Technologies* case. Because Horie renders obvious each and every element of the challenged claims of

the '706 patent for the reasons explained in the Petition, the Petition does not analyze “how and why a person having ordinary skill in the art would have modified Horie.” Paper 7, at 21 n.15.

Relatedly, Dr. Akl did not testify as to how a POSITA would have modified Horie. Rather, Dr. Akl’s testimony explained that “a POSITA would have understood that ‘text’ sent to a mobile phone would have typically been in the form of an SMS message, which was the most common format used at the time for the delivery of short-form, text-based transmissions of data to and from mobile phones.” Paper 1, at 32 (citing Ex. 1003 ¶ 156). Dr. Akl did not testify as to any motivation to modify or modification of Horie, but rather what “would have been obvious to a person of ordinary skill in view of the disclosure of Horie.” Ex. 1003 ¶ 155.

As the Petition explained, “[t]o the extent that Horie does not disclose sending an SMS message to the customer, this would have been obvious in view of the disclosure of Horie.” Paper 1, at 32 (citing Ex. 1003 ¶¶ 155-156). Dr. Akl’s testimony provides the underlying facts and analysis to support his opinion, which he was obligated to do in his role as an expert witness. *See* 37 C.F.R. § 42.65(a) (“Expert testimony that does not disclose the underlying facts or data on which the opinion is based is entitled to little or no weight.”); *cf. Kinetic Techs., Inc. v. Skyworks Sols., Inc.*, Case IPR2014-00529, Paper 8, at 15 (P.T.A.B. Sept. 23,

2014) (“Merely repeating an argument from the Petition in the declaration of a proposed expert does not give that argument enhanced probative value.”).

VII. Claim 5 is Obvious in View of Horie and Kobayashi.

In the Institution Decision, the Board observed that “[c]laim 5 twice recites ‘a remote processing facility.’” Paper 7, at 27 n.16 (quoting Ex. 1001, 6:26, 30-31). Petitioner respectfully submits that the recitation of “a remote processing facility” is an obvious typographical error that may be corrected by the Board because the disclosure of the ’706 patent and context of the claim language indicate that the second recitation of “remote processing facility” is *the* remote processing facility recited earlier. *See Novo Indus., L.P. v. Micro Molds Corp.*, 350 F.3d 1348 (Fed. Cir. 2003); *Pavo Sols. LLC v. Kingston Tech. Co.*, 35 F.4th 1367 (Fed. Cir. 2022); *Beable Educ., Inc. v. Achieve3000, Inc.*, IPR2021-01169, Paper 34, 10–11 (P.T.A.B. Jan. 3, 2023) (Final Written Decision).

Regardless of whether the Board opts to correct this typographical error, claim 5 is rendered obvious by Horie and Kobayashi. As the Board found, “[a]s to the remote processing facility, Horie teaches the same authentication host for both limitations 5[b] and 5[c]. For purposes of institution, we find that Horie’s authentication host that sends an authentication request via the server to the cell phone qualifies as ‘a remote processing facility,’ for both steps 5[b] and 5[c].” Paper 7, at 28. Patent Owner has forfeited any argument otherwise.

VIII. Conclusion.

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

Dated: December 20, 2024

Respectfully submitted,

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Counsel for Petitioner

CERTIFICATE OF WORD COUNT

The undersigned certifies pursuant to 37 C.F.R. § 42.24(d) that the foregoing **Petitioner's Reply** excluding any mandatory notices, table of contents, table of authorities, certificates of service or word count, or appendix of exhibits or claim listing, contains fewer than 5,600 words according to the word-processing program used to prepare this paper (Microsoft Word).

Dated: December 20, 2024

Andrew W. Rinehart
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