

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

INTERACTIVE COMMUNICATIONS INTERNATIONAL, INC.,
Petitioner

v.

BLACKHAWK NETWORK INC.,
Patent Owner

Case: PGR2020-00084
U.S. Patent No. 10,769,894

PETITIONER'S REPLY TO PATENT OWNER'S RESPONSE

Mail Stop PATENT BOARD
Patent Trial and Appeal Board
United States Patent and Trademark Office
PO Box 1450
Alexandria, Virginia 22313-1450

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	7
II. GROUND 1: Blackhawk Does Not Submit Evidence Sufficient to Rebut Petitioner’s Showing of Invalidity of the Challenged Claims	8
A. Blackhawk’s Narrowing Claim Construction Arguments Are Overly Restrictive and Unsupported	8
1. Transaction processor	8
B. Szrek discloses a <i>transaction processor</i> under Blackhawk’s Construction.....	22
C. Payment Confirmation	23
III. Ground 2: Demonstrates that a POSA Would be Motivated to Modify the Teachings of Llach with the Teachings of Szrek	24
A. Blackhawk Ignores the Embodiment of Llach That Describes Activating Prepaid Cards Having No Added Value	25
B. A POSA Understood That Draw Lottery Tickets Could Be Activated Using Existing Prepaid Card Activation Technology	28
1. Szrek Discloses the Similar Activation of Prepaid Cards and Lottery Tickets	29

2.	Blackhawk has admitted that Draw Lottery Tickets Could be Activated using Existing Gift Card Technology	30
C.	Payment Confirmation	33
IV.	Ground 3: Blackhawk Does Not Submit Evidence Sufficient to Rebut Petitioner’s Showing of Invalidity of Claims 20/43.....	36
V.	Dependent Claims.....	37
A.	Claim 2.....	37
B.	Claims 4, 5, 8, 9 and 10	37
C.	Claims 11 and 34.....	37
D.	Claims 18 and 41.....	38
E.	Claim 21 and 44	39
F.	Claims 22 and 45.....	39
G.	Unrebutted Dependent Claims.....	39
VI.	CONCLUSION	41

TABLE OF AUTHORITIES

Cases

<i>Aventis Pharmaceuticals, Inc. v. Amino Chemicals Ltd.</i> , Nos. 11-1335, -1336 (Fed. Cir. May 20, 2013).....	14
--	----

Petitioner's Exhibit List

<i>Exhibit #</i>	<i>Description</i>
1001	U.S. Patent No. 10,769,894
1002	File History for U.S. Patent No. 10,769,894
1003	Declaration of Scott Loftesness
1004	Intentionally Blank
1005	Declaration of Michael Hutton
1006	CV of Michael Hutton
1007	U.S. Patent No. 7,627,497 (Szrek)
1008	U.S. Patent Publication No. 2013/0041768 (Llach)
1009	U.S. Patent Publication No. 2005/0233797 (Gilmore)
1010	U.S. Patent No. 5,511,114 (Stimson-I)
1011	U.S. Patent No. 5,577,109 (Stimson-II)
1012	U.S. Patent No. 5,777,305 (Smith-I)
1013	U.S. Patent No. 6,000,608 (Dorf)
1014	U.S. Patent No. 6,454,165 (Dawson)
1015	U.S. Patent Publication No. WO 01/059597 (Tidball)
1016	U.S. Patent No. 7,024,807 (Street)
1017	U.S. Patent No. 8,706,630 (Graves)
1018	U.S. Patent No. 7,093,761 (Smith-II)
1019	U.S. Patent No. 7,344,067 (Beck)
1020	U.S. Patent No. 8,083,133 (Seifert)
1021	U.S. Patent Publication No. US 2010/0051691 (Brooks)
1022	U.S. Patent No. 8,862,504 (Sobek)
1023	U.S. Patent No. 8,424,758 (Esslinger)
1024	U.S. Patent Publication No. 2004/0193464 (Szrek Publication)
1025	U.S. Patent No. 10,296,895 (Llach)

<i>Exhibit #</i>	<i>Description</i>
1026	U.S. Patent No. 6,899,621 (Behm)
1027	U.S. Patent No. 6,267,670 (Walker)
1028	U.S. Patent Publication No. 2009/0163263 (Herndon)
1029	Intentionally Blank
1030	Missouri Lottery website
1031	Pay Pal website
1032	Related Patents
1033	Blackhawk Complaint
1034	Deposition Transcript of Thomas R Delecenserie
1035	Deposition Transcript of Stacy Friedman
1036	Supplemental Declaration of Scott Loftesness
1037	U.S. Pat. Publication No. 2009/0227320 (McBride)
1038	File history of Parent Application 14/679,028

I. INTRODUCTION

Nothing in Patent Owner's Response (POR) refutes the strong grounds set forth in the Petition. With respect to the independent claims, Blackhawk tacitly acknowledges all the limitations of the claims are found in Szrek as set forth in Ground 1, as well as in Llach in view of Szrek as set forth in Ground 2, *first* by seeking an unsupported claim construction crafted for the sole purpose of avoiding Szrek, and *second* by arguing an interpretation that not only mischaracterizes Ground 2, but also the law.

With respect to Ground 1, the POR attempts to read limitations from an embodiment into the claims, specifically that the transaction processor must be a third party processor. However, neither the intrinsic nor extrinsic evidence supports such a construction.

With respect to Ground 2, the POR acknowledges at least with respect to Claims 1, 6, 7, 29 and 33 that all the limitations are met, but wrongly argues that the proposed combination must include a specific embodiment of Llach to the exclusion of other embodiments, which inclusion makes the resultant system commercially undesirable due to the regulatory framework associated with state run lotteries.

II. GROUND 1: Blackhawk Does Not Submit Evidence Sufficient to Rebut Petitioner’s Showing of Invalidity of the Challenged Claims

Blackhawk does not dispute that the processor of Szrek facilitates the exchange of data between the retailer’s POS and the lottery system. Blackhawk’s sole argument is that the processor of Szrek does not constitute the claimed *transaction processor* because it presumably is not a “third party processor” based on some undefined attribute of its owner. Blackhawk’s argument is based on improperly importing an undefined limitation from a single disclosed embodiment in which the transaction processor is a “third party” processor. Adopting Blackhawk’s proposed construction simply adds the words “third party” which are not clearly defined. In any event, Szrek discloses the claimed transaction processor even under Blackhawk’s construction, and thus the claims challenged in Ground 1 are invalid under Blackhawk’s proposed construction.

A. Blackhawk’s Narrowing Claim Construction Arguments Are Overly Restrictive and Unsupported

1. *Transaction processor*

The intrinsic record broadly discloses *transaction processor*. Faced with the disclosure in Szrek, Blackhawk argues for a narrow definition of the claimed *transaction processor* or *transaction processor system* to refer to “a third party processor” or “a third party system” for the sole purpose of trying to distinguish Szrek. POR 26.

Adding the term “third party” to the recited *transaction processor* is improper for several reasons. *First*, the term “third party” is a relative term that does not have a well-defined meaning as used in the ’894 Patent. The ’894 Patent does not define the term and the written description only uses the term once to describe a preexisting third party system that may be integrated with a retailer’s point of sale (POS):

Alternatively, the communication and data transfers between the POS and lottery system may be facilitating by a transaction processor system. This may be effective **where a third party system is already integrated with the retailers POS** for the purpose of interchanging data and transactions.

INCOMM-1001 3:36-40 (emphasis added)

Although several figures in the ’894 Patent use the label “third party processor,” the written description contains no explanation of what the term “third party” means. Thus, the ’894 Patent does not define the term “third party.”

Second, Blackhawk does not propose a definition of “third party.” Instead, the POR asserts that the recited *transaction processor* is a “third party” *transaction processor* and should be construed “to exclude the retailer and lottery administration system.” POR 25.

Yet even Blackhawk's lottery expert does not support Blackhawk's construction of *transaction processor*, as he admitted that when he used the term "third party transaction processor" in his declaration, the term "third party" means a retailer or a vendor:

10 Q. Well, what do you understand "third party"
11 to mean?
12 A. A retailer or a vendor.

INCOMM-1034 65:10-17.¹

Further, Blackhawk's lottery expert further confirmed that the third-party transaction processor can be part of the retailer's system. *INCOMM-1034* 70:3-71:16. Thus, adding the term "third party" to the claimed transaction processor would not be consistent with Blackhawk's own lottery expert's understanding of the term.

Third, limiting the claimed *transaction processor* to a "third party" *transaction processor* is not helpful since the term third party in the context of the '894 Patent has no clear bounds. For example, Blackhawk's lottery expert testified that in one example, a lottery terminal located in a retailer's store is manufactured by IGT (a vendor), the terminal is owned by the lottery administration, and it is

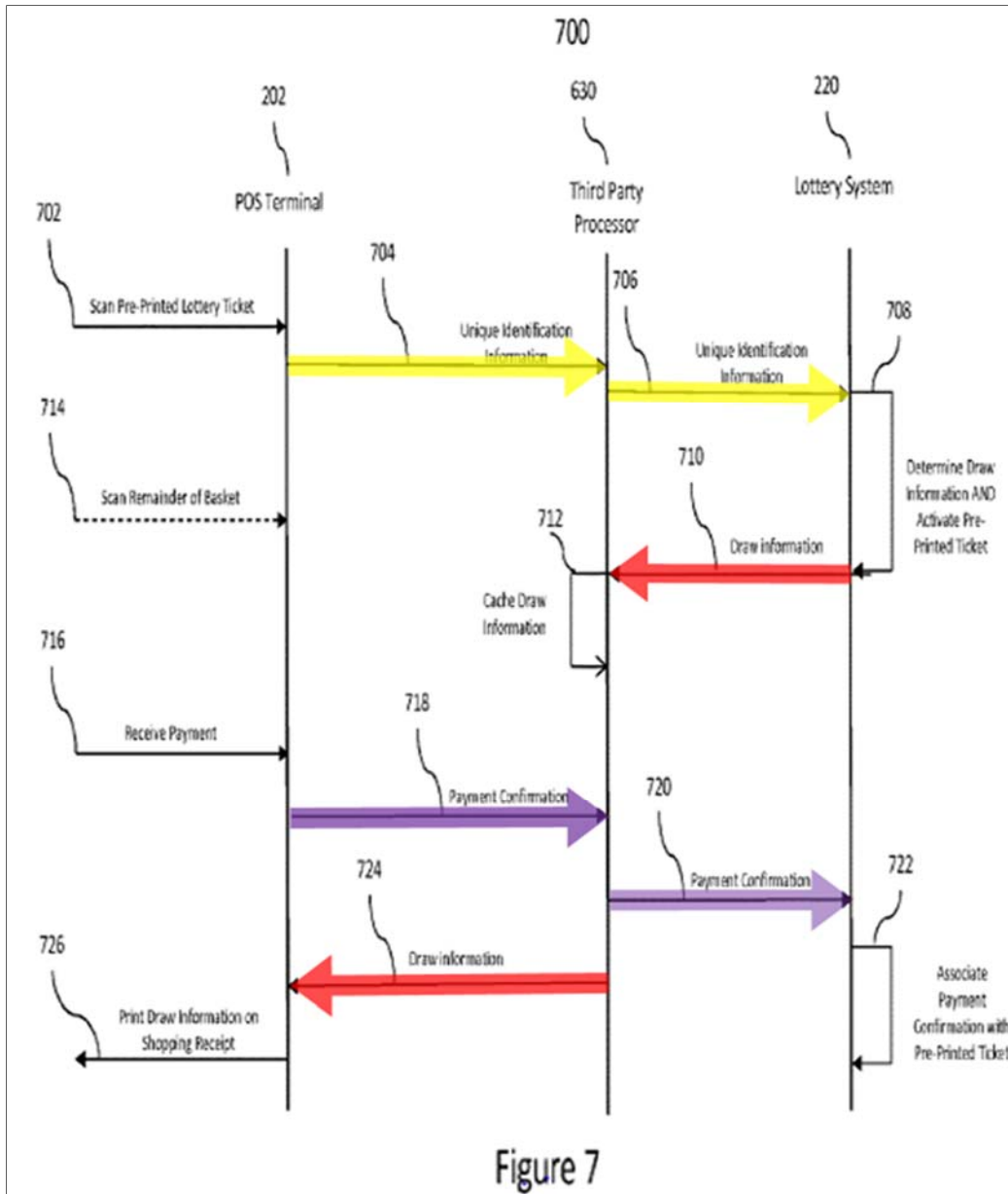
¹ Testimony transcripts are cited in the form page:line (pp:ll).

programmed by IGT. (29:2-30:25; 33:20-23; 62:1-23.) This real-life example demonstrates why adding the term “third party” is not helpful without the term itself being further defined to specify what constitutes a third party and what role the third party plays, *e.g.*, does it refer to the entity in physical possession of the processor, the entity that manufactured the processor, or the entity that owns the processor, or the entity that programs the processor?

Fourth, adding the term “third party” to the claimed transaction processor does not change the functionality or structure of the transaction processor and thus is not relevant for patentability purposes. The ’894 Patent describes that the transaction processor system facilitates² the communication and data transfers between the POS and lottery system. *INCOMM-1001* 3:36-38. Blackhawk’s technical expert confirmed that the ’894 Patent does not include any description of how the transaction processor system “facilitates” communications between the POS and the lottery system. *INCOMM-1035* 53:14-54:12, 56:16-57:19. Instead,

² The 894 Patent contains an obvious typographical error when it uses the word “facilitating” instead of “facilitated” in the following statement: “the communication and data transfers between the POS and lottery system may be facilitating by a transaction processor system.” *INCOMM-1001* 3:36-38.

the transaction processor is described at a very high level and includes “a central processing unit (CPU) 604, memory unit 616 and I/O interface(s) 608 for communicating with devices external to the transaction processor system 630” and instructions stored in the memory unit 616, where the “instructions 602 may include any functionality necessary for the successful exchange of data and the activation or cancellation of the pre-printed ticket.” *INCOMM-1001* 8:56-67. This high level functionality of the transaction processor is illustrated in FIG 7.



INCOMM-1001 Fig. 7

As illustrated in annotated FIG. 7, the identical information that is sent by the POS terminal 202 to the transaction processor 630 is then sent by the transaction processor to the lottery system. Compare unique identification information (704 vs 706)[orange], and payment confirmation (718 vs 720)[purple].

Further, the identical information that is sent by the lottery system 220 to the transaction processor 630 is then sent by the transaction processor 630 to the POS terminal 202 without change. Compare draw information (710 vs 724)[red]. The '894 Patent does not identify any functionality or processing by the transaction processor illustrated in FIG. 7 that would impart patentability, and Blackhawk has cited no legal support for the identity of the entity that owns or controls a processor by itself being relevant to the patentability of a claim.

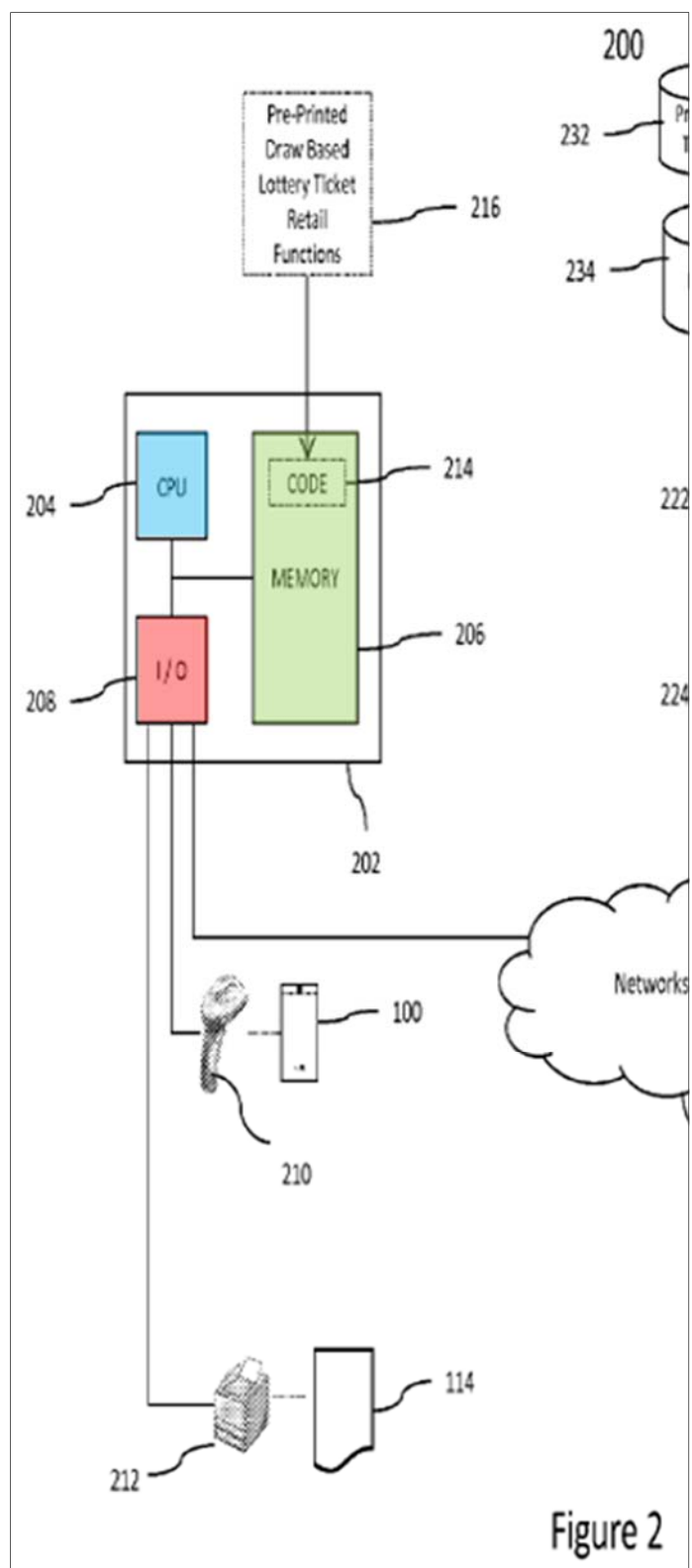
Fifth, Blackhawk asserts that “the claims recite transaction processor, retailer, and lottery administration as distinct elements.”³ POR 19. That is not accurate. Independent Claims 1 and 6 are system claims which recite the structure of a *transaction processor system* and Claim 1 does not recite a retailer, and Claim 6 does not recite either a retailer or lottery administration system. Instead, the

³ The POR relies almost exclusively on the recitation of *transaction processor* in Claim 7 and asserts that the term *transaction processor* should be construed the same for all claims. However, the same claim term could have different meanings in the same patent depending on the context in which the claims is used. *Aventis Pharmaceuticals, Inc. v. Amino Chemicals Ltd.*, Nos. 11-1335, -1336 (Fed. Cir. May 20, 2013).

claimed *transaction processor system* recited in Claims 1 and 6 is broad enough to read on the POS terminal as shown in FIGs. 2 and 3. For example, Claim 1 recites:

- 1. A transaction processor system comprising:
at least one communication interface for communicating with other devices;
at least one processing unit for executing instructions; and
at least one memory unit for storing instructions, which when executed by the at least one processing unit causes the transaction processor system to*
 - (1) provide unique identification information from a pre-printed lottery ticket,*
 - (2) receive, from a lottery administration system, a determined draw information associated with the unique identification information,*
 - (3) provide, to the lottery administration system, payment confirmation for the pre-printed lottery ticket, and*
 - (4) facilitate provision of random draw details associated with the pre-printed lottery ticket.*

As shown in annotated FIG. 2 of the '894 Patent, the POS terminal (202) is a transaction processor system that includes the claimed communication interface for communicating with other devices (red); processing unit for executing instructions (blue) and a memory unit for storing instructions (green):



INCOMM-1001 Fig. 2

As shown in annotated FIG. 3, the memory unit includes instructions, which when executed by the processing unit causes the POS terminal to (1) provide unique identification information from a pre-printed lottery ticket (orange) , (2) receive, from a lottery administration system, a determined draw information associated with the unique identification information (red), (3) provide, to the lottery administration system, payment confirmation for the pre-printed lottery ticket (purple), and (4) facilitate provision of random draw details associated with the pre-printed lottery ticket (brown):

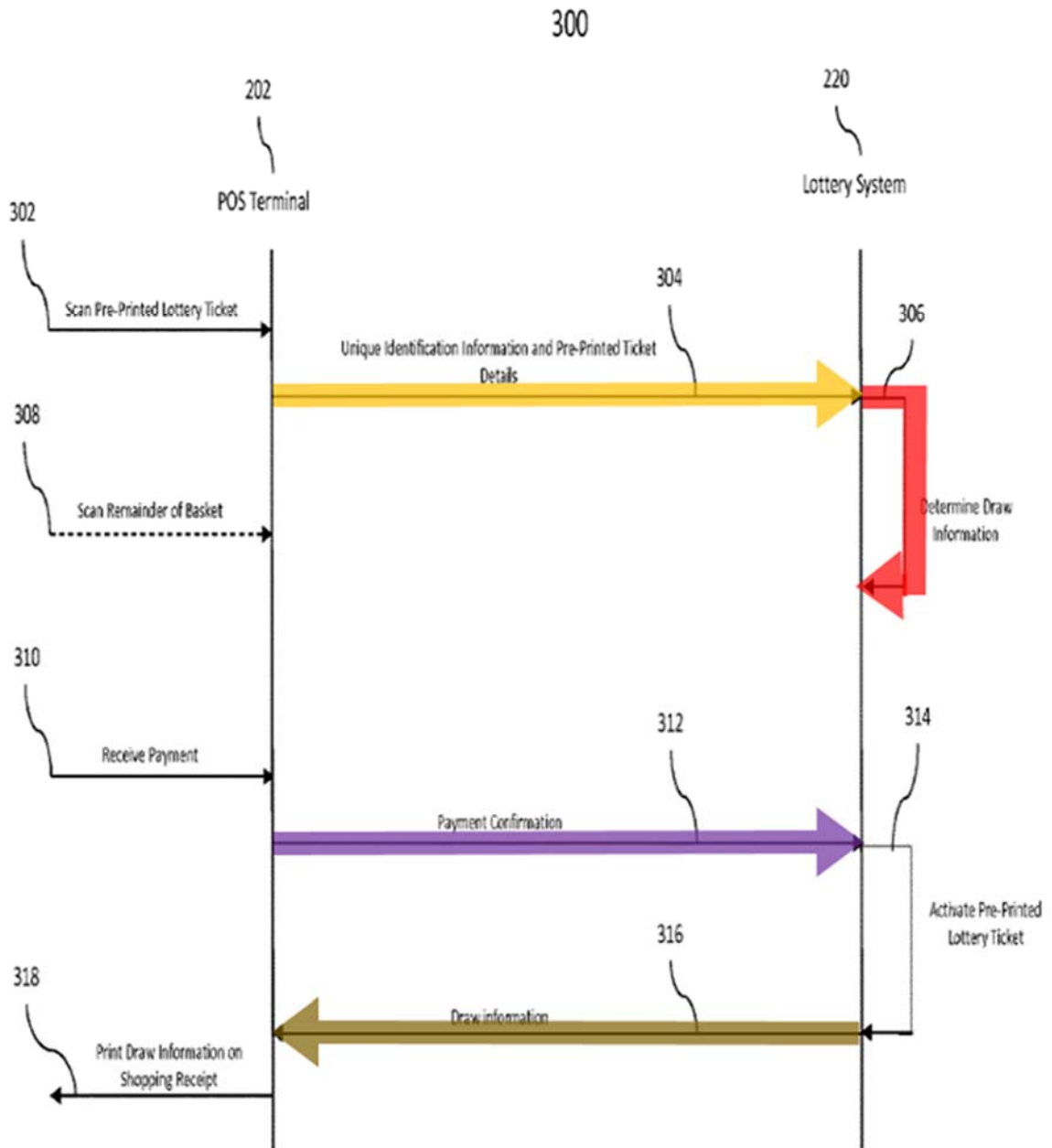


Figure 3

INCOMM-1001 Fig. 3

Blackhawk's technical expert confirmed that the limitations of Claim 1 read on the embodiments of FIGs. 2 and 3. INCOMM-1035 p. 96, l. 6-p. 103 l.11.

Claim 6 is substantially similar to Claim 1 but does not recite the lottery system administration, and thus is broader than Claim 1 and reads on the embodiments shown in FIGs. 2 and 3 for the same reason as Claim 1.

Thus, adding the term “third party” to the claimed transaction processor makes no sense in the context of Claims 1 and 6.

Sixth, Blackhawk’s assertion that “[T]he claims do not permit any interpretation of a ‘transaction processor’ that encompasses a retailer or the lottery administration system, which are separately recited elements of the claims” is legally and factually unsupported. As illustrated above, Claims 1 and 6 support an interpretation of *transaction processor* that includes a portion of a retailer’s POS system, namely, the POS terminal, as illustrated in FIGs. 2 and 3. Blackhawk ignores the use of *transaction processor system* in Claims 1 and 6, and instead focuses its arguments on Claims 7, 19 and 23. Blackhawk asserts that because those three claims recite “transaction processor or retailer” in the alternative, the transaction processor and the retailer must be “separate and distinct.” POR 21-22. This conclusion is not legally supported and nothing prevents the *transaction processor* and the retailer from sharing components, so long as the claimed *retailer* and claimed *transaction processor* are different. For example, a processor programmed with instructions to provide lottery information could be considered a transaction processor, and the same processor programed with instructions to

provide prices for retail products could be considered a retailer, notwithstanding that they are the same processor.

Thus, Blackhawk's argument that the term is "consistently used throughout the claims and specification to exclude the retailer and lottery administration system" is neither legally nor factually supported. POR 25-26.

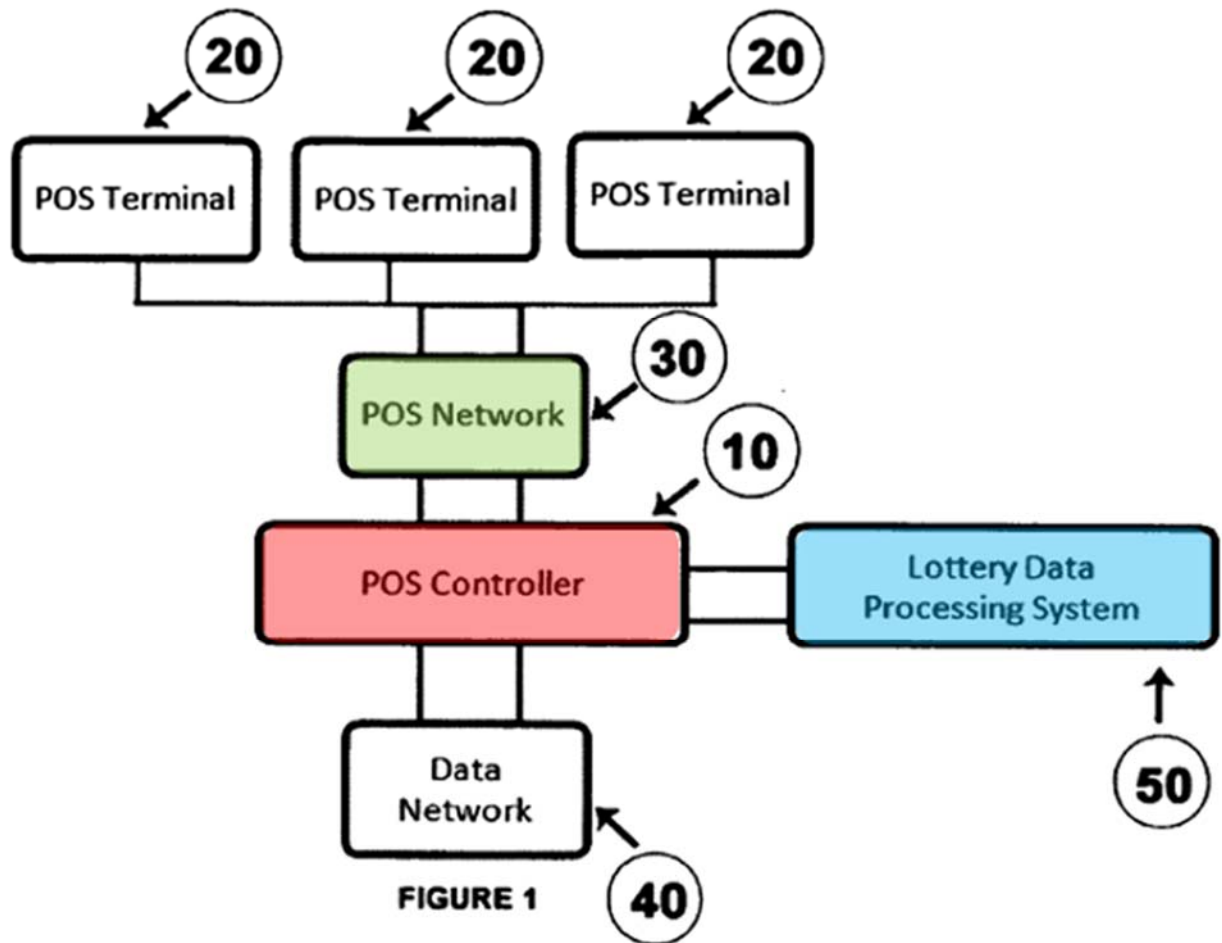
Additionally, there is no disclosure in the '894 Patent of the *retailer* communicating with the lottery system apart from using either the transaction processor or POS terminal. As described in the '894 Patent, every communication received by the lottery administrator from the retailer side is directly from the POS, or indirectly via the transaction processor. *See Fig. 3* Thus, the claims are not supported under Blackhawk's proposed construction.

Finally, the prosecution history shows that Blackhawk never identified that the claimed *transaction processor* was limited to a third party processor. For example, the parent application, U.S. Pat. App. 14/679,028 (the "'028 Application") *INCOMM-1038* contains an identical specification to the '894 Patent. During prosecution of the '028 Application, Claim 21 was at issue:

21. *A lottery system comprising:*
 - a lottery administration system;*
 - a transaction processor; and*
 - a plurality of point-of-sale terminals*

INCOMM-1038 p.94

The examiner rejected Claim 21 as anticipated by McBride (U.S. Pat. Publication No.2009/0227320, *INCOMM-1037*) which shows a POS network 30 (green) communicating with a lottery data processing system 50 (blue) through POS controller 10 (red). *INCOMM-1037* [0054-0065] *INCOMM-1038* p.56:



INCOMM-1037 Fig. 1

The POS network 30 included POS terminals 20 which the specification describes as “*existing cash registers*,” and the POS controller 10 as “*central in-*

store servers.” *Id.* [0056]. In response to this rejection over McBride, Blackhawk did not argue that the transaction processor must be a “third party” transaction processor, or distinguish McBride for not disclosing a third party transaction processor because the POS controller was described as “central in-store servers.” Instead, Blackhawk cancelled claim 21 without argument. *INCOMM-1038* p.43.

Thus, Blackhawk had the opportunity to argue that Claim 21 was patentable over McBride for the same reasons it now sets forth in the POR, *e.g.*, McBride does not disclose a “third party” transaction processor, but did not do so.

In conclusion, when the ’894 Patent is reviewed as a whole, and considering both the prosecution history and the testimony of both its lottery and technical experts, there is no support for narrowing the claimed *transaction processor* to a “third party” processor.

B. Szrek discloses a *transaction processor* under Blackhawk’s Construction

As discussed above, the written description of the ’894 Patent uses the term “third party” a single time when describing one embodiment that may be effective when a “third party system is already integrated with a retailers POS for the purpose of interchanging data and transactions. *INCOMM-1001* 3:36-40; *INCOMM-1036* ¶2.

A POSA understood that this discloses that a transaction processor can be included in a third party system that has already been integrated with a retailer's POS system. *INCOMM-1036 ¶3*. A POSA also understood that a third party system that can already be integrated into a retailers POS may be a "back office" system as disclosed in Szrek. *INCOMM-1036 ¶3*. This is consistent with Szrek FIG. 2 which shows the store back office facilitating communications between the POS and the lottery system. *INCOMM-1036 ¶3*. There is no restriction in Szrek that Szrek's store back office cannot be part of a third party processing system that is integrated with the POS system. As discussed above, even Blackhawks's lottery expert agreed that the third-party transaction processor can be part of the retailer's system. *INCOMM-1034 70:3-71:16*.

Thus, even under Blackhawk's construction of transaction processor, Szrek disclosure of the back office satisfies this claim limitation.

C. Payment Confirmation

Claim 1 requires that the transaction processor "provide, to the lottery administration system, payment confirmation for the pre-printed lottery ticket." Claim 6 requires the transaction processor "provide payment confirmation for the pre-printed lottery ticket,"

A POSA understood that a lottery ticket could not be redeemed for any value until purchase of the ticket has been confirmed. *INCOMM-1005* ¶¶ 62, 64. For example, Szrek expressly discloses that “the preprinted ticket is not eligible to win prizes unless payment and activation occurs.” *INCOMM-1007* 4:38-29; *INCOMM-1005* ¶ 62. Szrek further discloses that the POS terminal would “get authorization for payment for the winning tickets” as part of the validation process. *INCOMM-1007* 5:17-20 Thus, a POSA understood that an authorization for payment of a winning ticket from the lottery administration, as described in Szrek, would reflect that the lottery administration received payment conformation. *INCOMM-1005* ¶¶ 62-64. Thus, Szrek does disclose payment confirmation is provided in some manner to the lottery administration prior to paying a winning ticket and as noted by Blackhawk’s expert “the lottery administration defines... the form and content of ticket activation requests.” *EX-2002* ¶12. Thus inclusion of payment confirmation in the request would be the bailiwick of the lottery administration interfacing rules, and thus a feature that would have been obvious in view of the knowledge of a POSA. Moreover, Blackhawk fails to appreciate that Claim 6 does not require payment confirmation to be sent anywhere and thus Szrek’s disclosure that “the preprinted ticket is not eligible to win prizes unless payment and activation occurs” is evidence that payment confirmation is provided.

III. Ground 2: Demonstrates that a POSA Would be Motivated to Modify the Teachings of Llach with the Teachings of Szrek

A. Blackhawk Ignores the Embodiment of Llach That Describes Activating Prepaid Cards Having No Added Value

Blackhawk's opposition to Ground 2 asserting that it would not be obvious to modify the teachings of Llach with the teachings of Szrek is based on a misstatement of the grounds. In the Petition, Ground 2 is based on modifying the teachings of Llach with teachings of Szrek to activate pre-printed lottery tickets:

It would have been obvious to a POSA given the teaching of Szrek to modify the system of Llach to similarly activate pre-printed lottery tickets. A POSA would have understood that the transaction computer would communicate the unique identification of the pre-printed lottery ticket (rather than a pre-printed card) to a lottery administrative system (rather than a card issuer) and the details provided to and from the lottery administrative system would be information related to the lottery such as draw information, bet selections, etc. as described in Szrek (rather than card and value information of Llach).

Pet. 98 (citing *INCOMM-1003*, ¶¶109,110; *INCOMM-1005*, ¶150.)

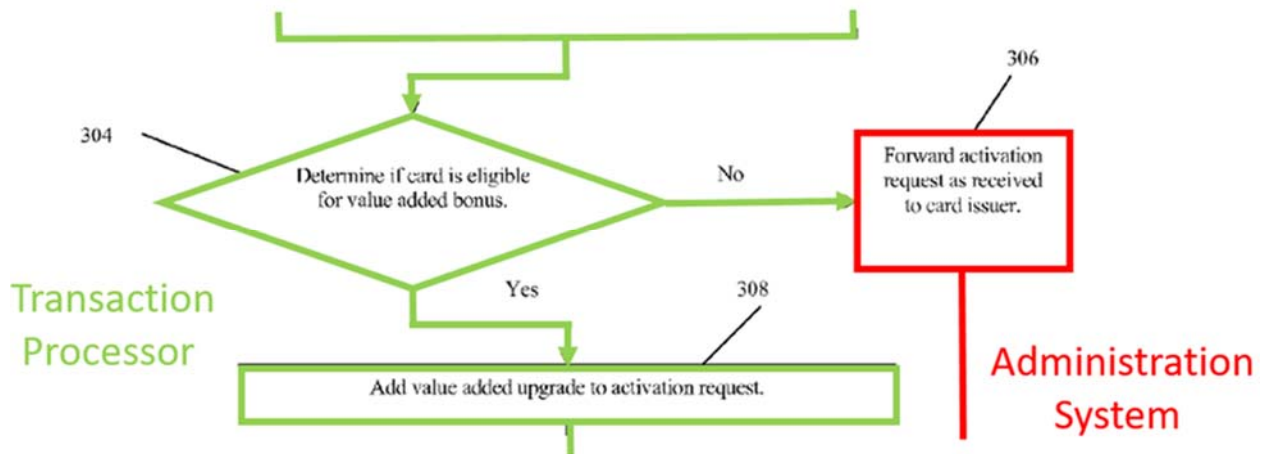
Blackhawk asserts that "InComm's conclusory assertion that it would have been obvious to use Llach's stored value card system to 'similarly activate pre-printed lottery tickets' (Pet. at 98) is deeply flawed because no lottery administration system would permit Llach's transaction computer to determine value differentiation by selectively injecting promotional value into lottery ticket activation requests." However, as demonstrated above, the Petition never asserts

that Llach would be modified to inject promotional value into lottery ticket activation requests. Rather, Petitioner asserted that existing prepaid card⁴ activation technology would be used to activate a lottery ticket at a POS using unique ID information. Specifically, Llach teaches that it can activate prepaid cards that have no value differentiation and thus no need to inject promotional value:

If the stored value card is not eligible for a value added bonus... forwards the activation request without modifying the request to include a value added bonus.

INCOMM-1008 [0052].

⁴ Petitioner uses the term “prepaid card” synonymously with “stored value card.”



INCOMM-1008 Fig. 3A.

The POR ignores this embodiment where Llach discloses the activation of a prepaid card that does not include any value added. In fact, Blackhawk's technical expert admitted that he did not consider the embodiment of Llach where a stored value card with no added value is activated:

Q. And -- and the Llach patent application is not just directed to increasing the stored value of the card; correct?

A. Well, I don't -- I don't really have an opinion on the full breadth of all of the embodiments in Llach. I know there are several.

Q. Is there an embodiment where the gift card has no additional value associated with it?

A. Maybe. I -- I don't know.

INCOMM-1035 142:7-17.

Thus, the POR and the testimony of the technical expert are based solely on an embodiment of Llach on which the Petition does not rely on, and Blackhawk's expert failed to consider the specific grounds set forth in the Petition.

Further, Blackhawk asserts that the Petition's modification of Llach with Szrek is only conclusory. In so stating, Blackhawk completely ignores the factual basis in support of Ground 2. In the Petition, the State of the Art section describes that at the time of the '894 patent, it was well-known to use POS systems to activate prepaid phone cards, gift cards and debit cards. Pet. 19-24. The Petition describes the four basic steps relating to the activation of prepaid cards. Pet. 24.

Further, the Petition identified thirteen prior art references which utilized these four basic steps to activate prepaid cards at a POS. Pet. 24-25.

Finally, the Petition identified several prior art references, including Szrek, that disclose the activation of draw lottery tickets at a retailer's POS. The POR does not address the State of the Art, and thus, this factual support stands un rebutted.

Rather than address the actual ground asserted in the Petition, the POR is solely focused on addressing arguments that the Petition never makes, *e.g.*, whether the Llach system could be used to add value to a lottery ticket. Thus, the POR's discussion of the statutory requirements for pricing and redeeming lottery tickets is not relevant to Ground 2.

B. A POSA Understood That Draw Lottery Tickets Could Be Activated Using Existing Prepaid Card Activation Technology

The POR also argues that there is no evidence that the activation of prepaid cards and the activation of lottery cards is similar. POR 43-44. In making such argument, Blackhawk ignores the State of the Art section described above, ignores the express teaching of Szrek, and ignores admissions made by Blackhawk in the Litigation

1. Szrek Discloses the Similar Activation of Prepaid Cards and Lottery Tickets

Szrek expressly describes the activation of prepaid phone cards and lottery tickets at the POS in similar terms. Specifically, Szrek discloses sending an authorization request with a phone card identifier to activate the phone card.

INCOMM-1007 2:35-59.

Similarly, Szrek discloses sending an authorization request with a ticket identifier to activate the lottery ticket.

INCOMM-1007 4:19-25.

Szrek expressly describes that the process of selling lottery tickets at the POS is “similar to a model following selling phone cards at the cash register.” 3:3:58-61.

Although Blackhawk’s technical expert, who admitted he is not a lottery expert, asserted that “a POSITA would have understood that the **premise** of ‘activating’ a stored value card is different from the ‘activation’ of a lottery ticket,”

(EX-2001 ¶44; emphasis added), on cross-examination, he admitted that he **did not know whether activating a gift card and a lottery ticket could be similar:**

Q. So just to be clear, the process for activating gift cards and the process for activating lottery tickets, that could be similar; correct?

A. I don't know.

INCOMM-1035 111:3-112:4.

Thus, Blackhawk has not rebutted the strong factual showing that supports the Petition's conclusion that a POSA would be motivated to modify the teachings of Llach with the teachings of Szrek to activate lottery tickets at the retailers POS. Pet. 99 (citing *INCOMM-1005*, ¶15.)

2. Blackhawk has admitted that Draw Lottery Tickets Could be Activated using Existing Gift Card Technology

The POR challenges Petitioner's expert testimony that a POSA would be motivated to use the existing prepaid card activation technology taught by Llach to activate draw lottery tickets, arguing that "[t]his superficial and factually unsupported assertion was merely echoed by InComm experts Hutton and Loftesness without any reasoned analysis or supporting evidence and should not be afforded any weight." POR 44. Blackhawk's argument is belied by its own admissions in a complaint filed in U.S. District Court in District of Arizona only one month before the Blackhawk submitted the POR (*INCOMM-1033*). In the Complaint, Blackhawk states:

1. Blackhawk was founded in 2001 and that it is “a leading prepaid payment network utilizing proprietary technology to offer a broad range of branded gift cards, electronic gift cards, reloadable debit cards and other prepaid phone cards and financial service products.”

INCOMM-1033 ¶25.

2. “When a gift card is purchased at the point-of-sale at a retail partner, an activation request is sent to Blackhawk. Blackhawk serves as a central hub, receiving those activation requests from thousands of retail partner stores and routing those transactions to card processors, who maintain the accounts associated with each gift card. Those card processors then send a confirmation transaction back to Blackhawk, and Blackhawk routes.”

INCOMM-1033 ¶27.

3. “Recently, however, Blackhawk has developed new lottery products, where consumers could buy a pre-printed lottery ticket in a checkout lane in a multi-lane environment and have the lottery ticket activated at the ‘point-of-sale’ and entered into a lottery drawing. Doing so would remove the lottery’s reliance on the use of specialized lottery terminals to sell their lottery tickets. Instead, lottery tickets could be sold throughout the store **and activated at any checkout counter just like a gift card.**”

INCOMM-1033 ¶29 (emphasis added).

4. Patent Owner refers to the ‘894 Patent as a QuickTicket patent.

INCOMM-1033 ¶33.

5. Claim 33 of the 894 patent is directed to the QuickTicket product.

INCOMM-1033 ¶40.

6. The QuickTicket™ product is a pre-printed lottery ticket that a “clerk scans the bar code on the ticket at the point-of-sale to **‘activate’ the ticket through the use of Blackhawk’s existing network.**”

INCOMM-1033 ¶30 (emphasis supplied).

7. The QuickTicket product **“leveraged the use of existing gift card technologies** to sell and market lottery products without requiring an additional point-of-service integration at retailers, such as a kiosk dedicated to lottery products.”

INCOMM-1033 ¶ 61 (emphasis supplied).

These admissions by Blackhawk are significant for several reasons. *First*, Blackhawk has been a leading provider of prepaid card activation services for at least fourteen years before it filed the provisional application from which the '894 Patent claims priority. The specification of the '894 Patent includes no description of the prepaid card systems that have been used for years to activate prepaid cards at the POS, including the “existing gift card technologies” that Blackhawk was using at the time it filed the '894 Patent. The Llach patent describes one of such “existing gift card technologies” that was owned by Blackhawk at the time it filed the '894 Patent.

Second, under 42.51 (b)1(iii), Blackhawk was required to serve relevant information that is inconsistent with a position advanced by Blackhawk during the present proceeding, concurrent with the filing of the POR that contains the inconsistency. Here the POR argues that there is no evidence that a POSA would understand that existing prepaid card activation technologies could be used to activate draw lottery tickets. POR 44. Thus, Blackhawk was required to serve in this proceeding the Complaint from the Litigation and to point out that it contained statements that were inconsistent with arguments that it was making in the POR.

Third, and most troubling, is that Blackhawk did not inform its technical expert of these admissions contained in the Complaint, and thus allowed its expert to opine “a POSITA would have understood that the premise of ‘activating’ a stored value card is different from the ‘activation’ of a lottery ticket,” which is very misleading considering that the expert admitted he did not know whether activating a gift card and a lottery ticket could be similar.

C. Payment Confirmation

Llach discloses “payment reports (*payment confirmation*) are provided to the card issuer (*administration system*) by the transaction computer for the cards (*preprinted ticket*)” and that “payment reports are created from the transaction logs

including detailed activation information (e.g. monetary amount ascribed to card activation) associated with the card.” Pet. 95 citing *INCOMM-1008* [0026, 0027].

Blackhawk’s argument regarding payment confirmation rests on two false premises. *First*, Blackhawk asserts that “the monetary amount ascribed to card activations” includes both “(1) how much was requested by the POS; and (2) how much ‘bonus’ value was added—not how much a customer actually paid for the card at the POS” (POR 58). *Second*, Blackhawk asserts that the purpose of the transaction log [by which the reports are created] is to “reconcile accounts (step 320) between entities...” and that “the customer is not one of the entities.” (POR 58). Based on these false premises, Blackhawk incorrectly concludes that Llach’s “transaction computer has no need to record any amount credited or debited to a customer.” However, Llach’s explicit disclosure refutes Blackhawk’s premise and conclusion.

Llach clearly includes separate entries for the amount ascribed to card activations (“*the monetary amount ascribed to card deactivations*”) and the “bonus” value in separate log entries (“*value added amounts*”).

INCOMM-1008 [0026]

Llach describes that the transaction computer uses the amount paid by the customer (payment amount) to credit and debit accounts (e.g., “*a specified amount*”

and receives payment from a customer, then an account associated with the stored value card is credited with the *payment amount*”) INCOMM-1008[0039]
(emphasis added)

Further, Llach discloses these reports, derived from the transaction logs, are “for the benefit of, use by, or for provision to” the card issuer or Card Issuers’ authorization Systems (system administrator). INCOMM-1008 [0027].

Thus, Llach specifically captured a “payment amount” received from the customer and included these confirmed payments in the reports provided to the card issuer by the transaction computer, which meets the limitation “provide, [to the lottery administration system], payment confirmation for the pre-printed lottery ticket” of Claims 1 and 6.

IV. Ground 3: Blackhawk Does Not Submit Evidence Sufficient to Rebut Petitioner's Showing of Invalidity of Claims 20/43

Blackhawks provides no basis for its assertion that Szrek's lottery activation system, which admittedly activates tickets printed from "a wagering terminal, self-service lottery terminal, or at a lottery kiosk" (each of which may involve a random selection of lottery numbers occurring only moments before the sale), could not incorporate the quick pick functions performed by those terminals or kiosks. Gilmore discloses generating the quick pick numbers at the time of purchase and providing the quick pick numbers to the lottery system in the transaction request. *INCOMM-1009*, [0063] Figs. 5, 6A. Szrek discloses an embodiment in which the lottery administration first learns of the quick pick numbers through the transaction request. *INCOMM-1007* 23-28

Blackhawk's argument regarding "on-line" lottery printers is a red herring, as Szrek discloses "[b]ecause lottery ticket is preprinted in a secure fashion, and only an activation receipt for the transaction is printed at cash register, the ticket could be regarded as secure" (*INCOMM-1007* 3:55-57). "Only a receipt of lottery transaction is printed locally at cash register which does not need to be printed in as secure fashion as a lottery ticket" (*Id.* 5:22-25) and "[o]f course, it is possible that the lottery tickets may be printed securely directly at the point of sale." (*Id.* 5:27-28). Rather than being incompatible, the teachings of Gilmore mesh smoothly

with Szrek's lottery architecture. In the proposed combination Szrek's pre-printed ticket remains the bearer instrument. The difference is that the quick pick numbers are generated at the time of sale and associated with the unique ticket identifier during the activation/transaction process (as taught by Gilmore), and provided on the customer's receipt. Moreover, Blackhawk's rebuttal is nothing more than attorney argument, as there is no supporting expert testimony from either of its experts.

V. Dependent Claims

A. Claim 2

The POR's rebuttal is premised upon a claim construction neither requested, nor supported.

B. Claims 4, 5, 8, 9 and 10

The back office (Szrek)/transaction computer (Llach) facilitates the activation of the pre-printed ticket and associates the random draw details with the unique ticket identifier/identification, as described in the Grounds. The delivery/provision of the draw details are thus facilitated by the back office or transaction processor.

C. Claims 11 and 34

As described in the Petition, Llach messages 109 and 110 provide unique identification information to the administration and draw information from the administration to the transaction computer. Pet. 93, 94 and 104. FIG. 1 illustrates communications 109 and 110 traverse between the transaction computer and the Card Issuers' Authorization system on a "secure connection" that "may be encrypted for added security." *INCOMM-1008* Fig. 1, [0023]; [0018]

In addition, Szrek recognizes the need for data security, with respect to encryption and codes, including the goal of enabling the secure sale of lottery tickets. *INCOMM-1007* 1:16-17, 1:54-56; Pet 65-66.

D. Claims 18 and 41

As emphasized by Mr. Friedman, the lottery administration governs "the manner of distribution, dissemination, or sale of lottery tickets or shares to lottery game retailers or directly to the public" *EX-2001* p. 11. In view of this common regulatory scheme, an understanding that the "lottery administrators would require some verification that the submitting retailer was authorized to sell the tickets" (Pet. 72) would have been an unusually simple concept and the technology required for such a verification would be particularly straightforward especially with respect to a POSA.

E. Claim 21 and 44

Szrek discloses sending bet information to the lottery administration in the form of ticket identifier 330 that “*could correspond to the bet combination 350 chosen by the players*” and the lottery administration “*may learn bet combination from the ticket identifier.*”

INCOMM-1007 7:12-22 7:23-28

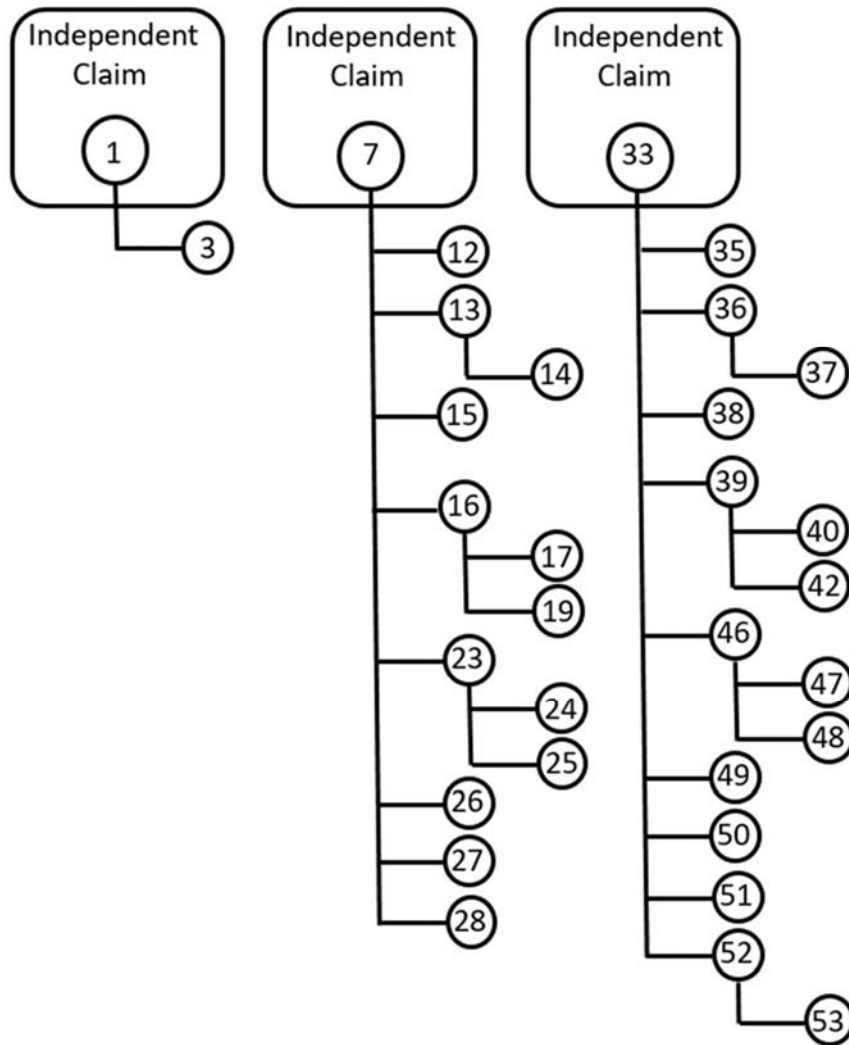
Thus, Szrek’s explicit disclosure dispatches Blackhawk’s arguments that Szrek does not disclose sending bet information to the lottery administration and that the lottery administration would not need to receive the bet information.

F. Claims 22 and 45

Blackhawk does not rebut Petitioner’s assertion that online POS systems are ubiquitous and well known. Rather Blackhawk attacks the motivation of providing “greater access and convenience.” Its argument, however is not directed to purchasing a lottery ticket but rather the redeeming of a lottery ticket. As described in the petition, the use of an online POS to activate a pre-printed ticket would allow “greater access and convenience.” Whether these benefits would extend to the redemption of a winning pre-printed ticket or every purchasing scenario does not negate the stated motivation.

G. Unrebutted Dependent Claims

Claims 3, 12-17, 19, 23-28, 35-40, 42, 46-53 were not addressed in the POR apart from the limitations in the Independent Claims 1, 7 and 33 from which they ultimately depend, and thus are patentable, irrespective of the patentability of their respective independent claims.



VI. CONCLUSION

For the reasons stated above and in the Petition, the Board should find the Challenge Claims unpatentable.

CERTIFICATION OF SERVICE ON PATENT OWNER

Pursuant to 37 C.F.R. §§ 42.6(e), 42.8(b)(4) and 42.105, the undersigned certifies that on October 15th, 2021, a complete and entire copy of this Reply to Patent Owners Response in the Post Grant Review of U.S. Patent No. 10,769,894 was provided via the Patent Trial and Appeal Board End to End (PTAB E2E) System as well as delivering a copy via email on the following counsel for Patent Owner at:

Orion Armon

oarmon@cooley.com

Kevin J. Zimmer

kzimmer@cooley.com

Chih-Yun Wu

swu@cooley.com

Dated: October 15, 2021

/D. Joseph English/

D. Joseph English, Reg. No. 42,514

DJEnglish@duanemorris.com

DUANE MORRIS LLP

505 9th Street NW, Suite 1000

Washington, D.C. 20004

T: (202) 776-7800

F: (202) 776-7801

ATTORNEY FOR PETITIONER

CERTIFICATE OF COMPLIANCE

Pursuant to 37 C.F.R. § 42.24 *et seq.*, the undersigned certifies that this document complies with the type-volume limitations. This document contains 5580 words as calculated by the “Word Count” feature of Microsoft Word 2010, the word processing program used to create it.

Dated: October 15, 2021

/D. Joseph English/

D. Joseph English, Reg. No. 42,514

DJEnglish@duanemorris.com

DUANE MORRIS LLP

505 9th Street NW, Suite 1000

Washington, D.C. 20004

T: (202) 776-7800

F: (202) 776-7801

ATTORNEY FOR PETITIONER