

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 No. IPR2023-01235

U.S. Patent No. 9,865,135

**PATENT OWNER'S PRELIMINARY RESPONSE
PUBLIC**

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EXHIBIT LIST

EXHIBIT	DESCRIPTION
EX2001	Complaint, <i>Blackhawk Network, Inc. v. SL Card Company Inc.</i> , No. 2022-051638 (Superior Court of Ariz.), dated May 23, 2022.
EX2002	SL Card Company's Amended Answer to Complaint, Affirmative Defenses and Counterclaims, <i>Blackhawk Network, Inc. v. SL Card Company Inc.</i> , No. 2022-051638 (Superior Court of Ariz.), dated July 19, 2023.
EX2003	Product Distribution Agreement between Blackhawk Network, Inc., SL Card Company Inc., and Linq3 Technologies LLC, effective January 1, 2017.
EX2004	Blackhawk confidential presentation entitled "New Products Discussion: BHN Linq3," dated May 2018, and May 8, 2018 cover e-mail.
EX2005	Correspondence, California Lottery to Linq3, dated November 9, 2017.
EX2006	Blackhawk and Linq3 e-mail correspondence, dated February 14, 2018, re "Texas-Gary Grief, Lottery Director."
EX2007	Blackhawk and Linq3 e-mail correspondence, dated April 26, 2018, re "AZ Update 4-26-2108."
EX2008	Blackhawk and Linq3 e-mail correspondence, dated November 9-11, 2018, re "Hugo Lopez: Response to Your Letter."
EX2009	Ontario Lottery & Gaming Annual Report 2017-2018
EX2010	Blackhawk and Linq3 e-mail correspondence Nov. 10-13, 2017 re "California Lottery – Lopez Summary."
EX2011	Blackhawk and Linq3 e-mail correspondence, dated Dec. 7, 2017, re QuickTicket.
EX2012	Blackhawk confidential presentation entitled "QuickTicket," dated December 2017.

EXHIBIT	DESCRIPTION
EX2013	Blackhawk confidential e-mail correspondence, dated May 1, 2018, re “New Products Deck- BHN Linq3,” and attachment.
EX2014	Blackhawk and Linq3 e-mail correspondence, dated September 17, 2018, re “Linq3-Blackhawk Amendment re QuickTicket.”
EX2015	Canadian Patent Application 2 855 434, entitled “Pre-Printed Lottery Tickets Systems and Methods,” filed July 3, 2014.
EX2016	Patent Assignment OLG to BHN Canada, March 2016
EX2017	Patent Assignment Agreement, dated August 30, 2016.
EX2018	U.S. Patent 10,229,561, entitled “Processing of a User Device Game-Playing Transaction based on Location,” filed June 18, 2018.
EX2019	U.S. Patent 10,217,326, entitled “Processing of a User Device Game-Playing Transaction based on Location,” filed November 20, 2017.
EX2020	U.S. Patent No. D877,812, entitled “Quick ticket for lottery,” filed August 22, 2018.
EX2021	U.S. Patent No. 1020,943,432, entitled “Processing of a Game-Playing Transaction based on Location,” filed March 12, 2019.
EX2022	U.S. Patent No. 10,943,438, entitled “Processing of a Game-Playing Transaction based on Location,” filed March 11, 2019.
EX2023	Prosecution History of Trademark Appl’n. 87/953,104 to QUICKTICKET
EX2024	Motion To Dismiss Second Amended Complaint Under Federal Rules of Civil Procedure 12(B)(1), 12(B)(2), and 12(B)(6) by Defendants Interactive Communications International, Inc. and E2interactive, Inc., <i>Blackhawk Network, Inc. v. SL Card Company Inc.</i> , c.a. CV-21-00813-PHX-MTL (D. Az.), filed August 18, 2021, with Exhibit A thereto.
EX2025	Press Release, “InComm Expands into Lottery Industry with Linq3 Technologies Acquisition,” dated March 12, 2019.

EXHIBIT	DESCRIPTION
EX2026	InComm Webpage, “About Us - InComm Payments,” https://www.incomm.com/about-us/ (retrieved Nov. 9, 2023).
EX2027	InComm Webpage, “Helping Consumers Cash In With Ease,” https://www.incomm.com/products/lottery-gaming/ (retrieved Nov. 6, 2023).
EX2028	USPTO Assignment Record Search
EX2029	U.S. Patent No. 11,580,823, entitled “Processing of a Game-Playing Transaction based on Location,” filed March 9, 2021.
EX2030	U.S. Patent No. 11,776,355, entitled “Processing of a Game-Playing Transaction based on Location,” filed March 9, 2021.
EX2031	USPTO Patent Center report re Continuity of U.S. Appl’n. 16/010,398 (dated November 6, 2023).
EX2032	Scheduling Order, <i>Blackhawk Network, Inc. v. SL Card Company Inc.</i> , No. 2022-051638 (Superior Court of Ariz.), dated March 13, 2023.
EX2033	Notice of Conference Reset, <i>Blackhawk Network, Inc. v. SL Card Company Inc.</i> , No. 2022-051638 (Superior Court of Ariz.), dated November 11, 2023.
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EX2036	Declaration of Jason Hoffman in Support of Patent Owner’s Motion for <i>Pro Hac Vice</i> Admission

I. INTRODUCTION

The Board should exercise discretion not to institute *inter partes* review due to Petitioner's unclean hands and the unclean hands of SL Card Company Inc. (often called "Linq3"), a real-party-in-interest that the Petition fails to identify.

The present IPR derives from a contract dispute between Patent Owner and Linq3, which has been acquired by an affiliate of Petitioner. *See* EX2001, EX2002. As explained below, Blackhawk and Linq3 were partners in an effort to develop a ticketless lottery product, called the "Play Now Product," that would be purchased at retailer point of sale ("POS") devices, thereby obviating the need for a separate lottery terminal, and activated by mobile phone. The Play Now Product, however, was rejected by several state lotteries precisely because it employed mobile phones. In response, the parties attempted to develop a new product based on a "QuickTicket" product that Blackhawk developed and sold in Canada prior to its contract with Linq3. The collaboration effort terminated when InComm, a Blackhawk competitor, acquired Linq3.

Linq3, without Blackhawk's knowledge or consent, caused patent and trademark applications to be filed to Blackhawk's QuickTicket product in violation of contract provisions specifying that Blackhawk shall own any "modifications, derivations or improvements" made to Blackhawk's Preexisting Intellectual

Property. In a state court action to enforce Blackhawk's ownership rights, Linq3 argues that Blackhawk has no intellectual property rights and, therefore, Linq3 need not have met its contractual obligations. This IPR seemingly was filed to pursue that argument. The argument is a red herring, however, because the contract does not relieve Linq3 of its obligations if patents are declared invalid. Under the contract, it is Blackhawk's right to own new intellectual property is that intellectual property represents a "modification[], derivative[], or improvement[]" to Blackhawk's Preexisting Intellectual Property.

As further explained below, Linq3 via Linq3 Technologies LLC ("L3")—which is the former owner of Linq3—filed its patent and trademark applications with full knowledge that QuickTicket is Blackhawk's intellectual property. After it made its initial patent filings, Linq3 proposed amending the contract to consider the QuickTicket product as a variant of the Play Now Product (the amendment was never executed). Linq3, therefore, has unclean hands. Not only has Petitioner failed to identify Linq3 as a real-party-in-interest, Petitioner's post-acquisition conduct shows that it, too, has unclean hands.

The Board is never compelled to institute an *inter partes* review. It has discretion to deny institution in appropriate circumstances. Here, as explained below, the Board is confronted by a Petitioner that violated the age-old maxim that "[h]e who comes into equity must come with clean hands." *Keystone Driller Co. v.*

Gen. Excavator Co., 290 U.S. 240, 241 (1933). Moreover, the parties' respective ownership interests under the contract will be resolved in state court likely in the upcoming Spring. The Board should deny institution of this *inter partes* review in favor of the state court action, which will resolve ownership rights to the material on which Linq3 filed its derivative patent applications.

II. FACTS

A. The Product Distribution Agreement

In January 2017, Blackhawk, Linq3 and L3 entered into a Product Distribution Agreement (the "PDA") in which they would develop the Play Now Product. EX2003.0006 (§§ 2-3), EX2002.0015 (§ 18). At the time, Linq3 was a wholly-owned subsidiary of L3, formed to develop the Play Now Product. EX2002.0014 (§§ 12-13). SL Card had no employees, however; L3 undertook SL Card's development responsibilities during the time that the PDA was active. The same person, Daniel Cage, signed the PDA on behalf of Linq3 and L3 as president of both entities. EX2003.0019.

The Play Now Product was intended to provide "a consumer solution for real-time, ticketless lottery transactions." EX2003.0006 (§ 2), .0023 (§ A). Specifically, the Play Now Product involved a "physical reusable, ticketless lottery product" (EX2003.0034) in the form of a "Play Now Product card" that is sold in a store.

EX2003.0026-27 (§§ 4-5). The Play Now Product card was to be activated via a transaction at the point of sale, that the “holder of such Play Now Product card requests to Play the Lottery Products represented by the Play Value of such Play Now Product card by sending the applicable text message instruction to Linq3” using a mobile phone. EX2003.0026 (§ 5). The PDA provides a mockup of the intended card:



EX2003.0034: Mock-Up of Play Now Card

As a ticketless product, the Play Now Product’s lottery numbers would be sent to purchasers’ mobile phones via text messages. EX2002.0016 (§ 22).

The PDA defines “Intellectual Property” as “any patents, patent rights, copyrights, trade secrets, trademarks, trade names, service marks, rights in software, and all other intellectual property, and all applications and rights to apply for registration or protection rights pertaining thereto.” EX2003.0003. The PDA defines “Preexisting Intellectual Property” as “all Intellectual Property that a Party

owned or had the exclusive right to use as of immediately prior to the Effective Date.” EX2003.0004. The Effective Date of the Distribution Agreement is January 1, 2017. EX2003.0001. Section 10.1 of the PDA states:

As between Blackhawk and Linq3, Blackhawk owns (i) Blackhawk’s Preexisting Intellectual Property and any modifications, derivatives, or improvements made thereto; and (ii) any new Intellectual Property it creates both independent of, and in connection with, its performing Services or delivering Deliverables pursuant to this Agreement that does not contain Linq3 Preexisting Intellectual Property or Linq3 Intellectual Property or any derivative works thereof.

EX2003.0011.

Section 10.3 of the PDA states that Linq3 has no rights to any of Blackhawk Preexisting Intellectual Property or Blackhawk Intellectual Property and that Linq3 is restricted from making or selling any derivative works of such intellectual property:

Linq3 understands and agrees that no license, right, title or interest in any Blackhawk Preexisting Intellectual Property or Blackhawk Intellectual Property is granted hereunder and Linq3 will not gain by virtue of this Agreement any rights of ownership in any Intellectual Property or Preexisting Intellectual Property owned by Blackhawk. Linq3 shall not make, have made, sell, offer to sell, use, disclose, reproduce, distribute, perform, display, modify, copy or create derivative works of any

Blackhawk Preexisting Intellectual Property or Blackhawk Intellectual Property in any form or forum without Blackhawk's prior written consent.

EX2003.0012.

The PDA defines “‘Confidential Information’ of a disclosing Party” as:

“all confidential and/or proprietary information or material which (i) gives such disclosing Party some competitive business advantage or the opportunity of obtaining such advantage or the disclosure of which could be detrimental to the interests of such disclosing Party; and/or (ii) which is either (A) marked "Confidential," "Restricted," or "Proprietary Information" or with other similar marking, (B) known by the Parties to be considered confidential and proprietary, or (C) from all the relevant circumstances should reasonably be assumed to be confidential and proprietary.”

EX2003.0009. The PDA also provides that “Each receiving Party agrees not to disclose or make available in any form the disclosing Party's Confidential Information to any third party or to use the disclosing Party's Confidential Information for any purpose other than the evaluation, negotiation, performance, implementation and enforcement of this Agreement and as otherwise specified in this Agreement. Each receiving Party agrees to take commercially reasonable steps to ensure that Confidential Information of the disclosing Party received hereunder is not disclosed or distributed by its employees, agents, representatives or contractors in violation of the provisions of this Agreement.” *Id.*

B. The Parties Abandoned the Play Now Product for State Lotteries that Expressed Disfavor of a Product that Relies on Mobile Phones.

The parties developed the Play Now Product throughout 2017, and Linq3 marketed it to several state lotteries as “Play at the Checkout.” The parties received feedback from the California, Texas, and Arizona lotteries indicating that use of mobile phones to play the lottery was a non-starter. EX2002.0017 (“certain states, in particular Arizona, California, and Texas, did not allow the use of any mobile phone to play lottery games.”); *see also* EX2004.0003. Specifically, in November 2017, the California lottery rejected Play at the Checkout as “unworkable” because it required mobile phone text messages to activate lottery cards, which would violate a California statutory requirement that lottery products use technologies that were widely available in 1984. EX2005. In early 2018, the parties learned that the Texas lottery also wanted to avoid use of mobile phones. EX2002.0017, EX2006. And, in April 2018, the parties learned that the Arizona lottery [REDACTED]

[REDACTED] EX2002.0017, EX2007. As the parties responded to these requirements, they abandoned the mobile phone-based techniques of the ticketless Play Now Product for these state lotteries in favor of Blackhawk proposals, called “QuickTicket” and “QuickTicket V2.”

First, in November 2017, after California rejected the Play Now Product, Blackhawk proposed to Linq3 that they develop a product using QuickTicket, a product that Blackhawk had patented and sold in Canada. EX2008, EX2009.0012. In QuickTicket, lottery tickets are scanned at retailer POS equipment, the tickets are activated, and POS equipment prints assigned lottery numbers and draw information on sales receipts. EX2012.0007. QuickTicket is a ticket-based product: The QuickTicket is the bearer instrument that must be redeemed to claim any winnings. EX2012.0005 (“THIS IS YOUR OFFICIAL LOTTERY TICKET”). Mobile phones are not involved.

Linq3 quickly became interested in Blackhawk’s QuickTicket product. Linq3 personnel asked detailed questions about the product throughout December 2017, which Blackhawk answered fully. EX2010.0001, EX2011. Linq3 personnel, including Mr. Cage, traveled to Canada in December 2017 to observe firsthand the QuickTicket activation process at a retailer POS equipment:



EX2045.0015

The December 2017 slide deck described the QuickTicket purchase flow, explaining how retailer POS equipment, the Blackhawk network, and the lottery system interact step-by-step:



QUICKTICKET (V-2)

- **What is QUICKTICKET V-2?**
- **Why do we need a V2?**
 - *More scalable for a national offering*
 - *Integration for the LOTTO and retailer is easier*
 - *Standard gift card transaction for BH*
- **Focus Group Highlights**
 - *Reaction to QUICKTICKET concept was the same regardless (with/without numbers)*
 - *No difference between the versions in terms of purchase likelihood*
 - *Given a choice, respondents did have a clear preference to V1*
 - *This did not reflect an aversion to pre-selected numbers, the overall opinion of pre-selected numbers was more favorable than unfavorable*
 - *This was particularly true among folks that had seen V1 prior*





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EX2012.0007

Specifically, retailer POS equipment scans a barcode on the back of a QuickTicket and requests activation from the Blackhawk transaction processor network. EX2012.0007. The Blackhawk network communicates with a lottery system, which provides lottery numbers and a draw date to Blackhawk and activates the QuickTicket within its system. When the Blackhawk network provides the lottery

numbers and draw date to the retailer's POS equipment, the POS equipment prints the data on a grocery receipt. *Id.* Customers redeem winnings by presenting the QuickTicket to retailers. *Id.*

Blackhawk's December 2017 slide deck also confidentially proposed a variation of QuickTicket, called "QuickTicket V2:"

QUICKTICKET (V-2)



• What is QUICKTICKET V-2?

• Why do we need a V2?

- *More scalable for a national offering*
- *Integration for the LOTTO and retailer is easier*
- *Standard gift card transaction for BH*



• Focus Group Highlights

- *Reaction to QUICKTICKET concept was the same regardless (with/without numbers)*
- *No difference between the versions in terms of purchase likelihood*
- *Given a choice, respondents did have a clear preference to V1*
- *This did not reflect an aversion to pre-selected numbers, the overall opinion of pre-selected numbers was more favorable than unfavorable*
- *This was particularly true among folks that had seen V1 prior*

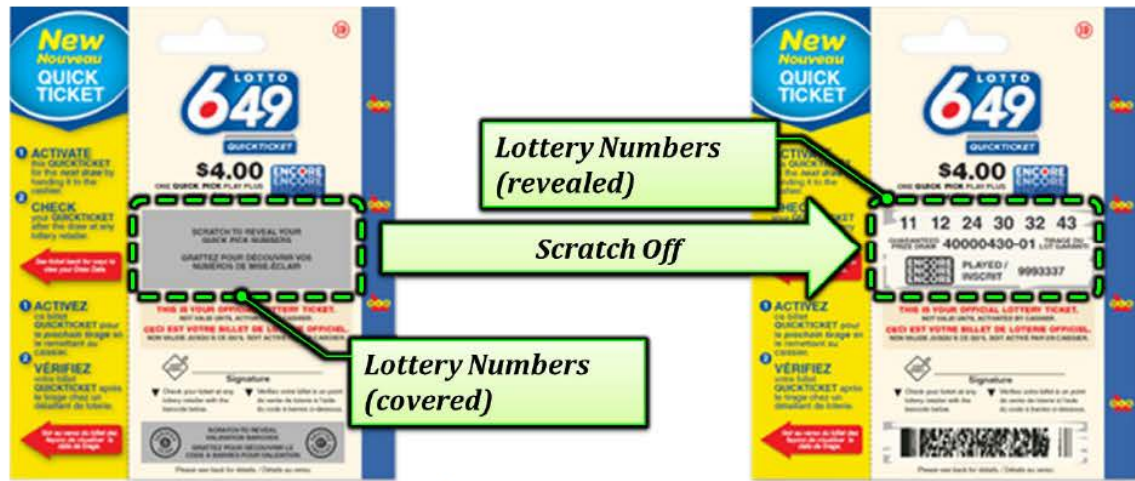
LinQ3



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EX2012.0010

The QuickTicket V2 differed from the original QuickTicket in that lottery numbers are pre-printed on lottery tickets. The numbers would be placed under an opaque scratch off material that consumers removed at time of purchase:



EX2012.0010 (annotated)

Blackhawk confidentially proposed QuickTicket V2 to Linq3 again in May 2018, after the Arizona lottery expressed its preference for “a pre-printed scratch off draw card game.” EX2004.

QuickTicket V2 USA

New version of BHN's Lottery Product in Canada
Gift card without mobile component at checkout for PowerBall and MegaMillions

Concept:

Issue a scratch off draw ticket in Blackhawk retailers, in check lane. This ticket would be merchandised and would contain quick picks printed on ticket, covered with opaque coating which reveals quick picks when scratched off.

Consumer flow:

- 1) Consumer would purchase Power Ball and Mega Million scratch off tickets in lane.
- 2) The cashier would scan a c128 barcode issued by BHN to activate the lottery play and the Quick Picks would be entered into the next draw.
- 3) After purchase, the consumer would scratch off the opaque coating revealing quick pick board numbers.



EX2004.0005

Blackhawk explained that QuickTicket V2 “contain[s] quick picks printed on ticket, covered with opaque coating which reveals quick picks when scratched off.”

EX2004.0005; *see also* EX2013.0003 (earlier Blackhawk internal discussions regarding new products, including QuickTicket USA).

On September 17, 2018, Linq3 proposed an amendment to the PDA [REDACTED]

[REDACTED] EX2014. Among other things, the proposed amendment would establish [REDACTED]

[REDACTED] *Id.* Where the PDA defined the parties' collaboration as development of "a consumer solution for real-time, *ticketless* lottery transactions" (EX2003.0006 (emphasis added)), Linq3's amendment proposed [REDACTED]

[REDACTED] (EX2014.0002 (emphasis added)). By the time Linq3 proposed this amendment, Linq3 already had filed a utility patent application, a design patent application, and a trademark application to material derived from Blackhawk's Preexisting Intellectual Property. *See* § II.D below. Blackhawk never agreed to Linq3's proposed amendment.

C. QuickTicket and QuickTicket V2 are Blackhawk Preexisting Intellectual Property.

Blackhawk owned Canadian and U.S. patent applications, filed before the January 2017 effective date of the PDA, that disclosed QuickTicket and QuickTicket V2. EX2015 (Canadian application 2855434 A1), EX2016 (March 2016 assignment

of Canadian application to Blackhawk), EX1001 (U.S. application),¹ EX2017 (August 2016 inventor assignment to Blackhawk). Taking the '135 Patent as an example, it discloses the salient features of the QuickTicket product that Blackhawk disclosed to Linq3 in December 2017:

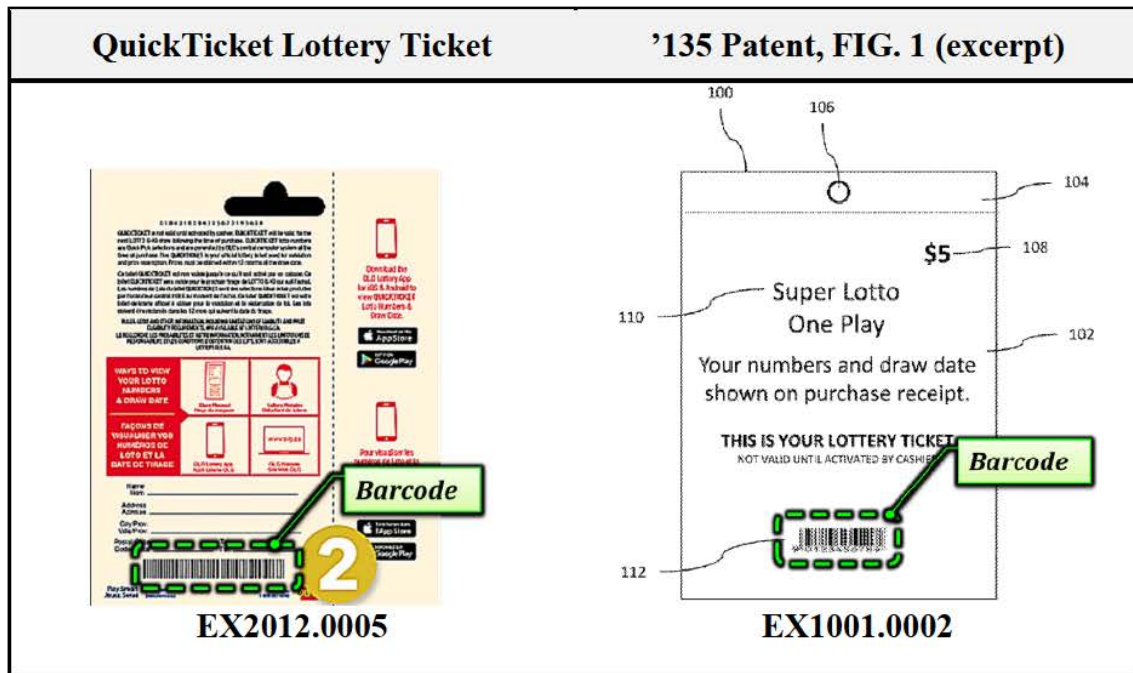
QuickTicket Feature (EX2012.0007)	'135 Patent's Disclosure
QuickTicket has a unique barcode:	The pre-printed tickets would each have a unique bar code that identifies the particular pre-printed ticket and would also have a Universal Product Code bar code that would identify the lottery product. One bar code may contain both pieces of information. EX1001.0011-12 (cols. 2:65-3:5).
The retailer POS equipment scans barcode from QuickTicket.	Until purchased and activated, the pre-printed tickets have no value, nor do they have any wager or draw date assigned. ... Once scanned by the retailer's POS and paid for by the customer, the lottery system will generate wagers for the pre-printed ticket and assign the next available draw date. EX1001.0012 (col. 3:8-13). During the checkout process, the pre-printed ticket is scanned by the cashier in the retailer's POS as they would scan any other product being purchased. <i>Id.</i> (col. 4:18-20).

¹ The U.S. application became the '135 Patent challenged in this IPR. EX1001.

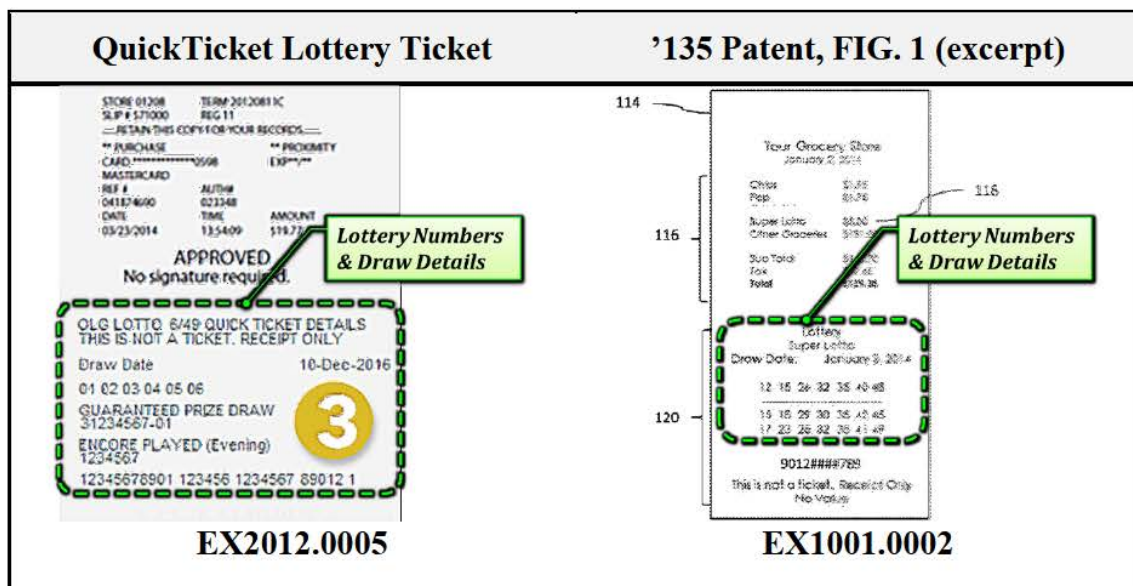
QuickTicket Feature (EX2012.0007)	'135 Patent's Disclosure
The retailer POS equipment communicates activation request to the Blackhawk network:	A pre-printed lottery ticket is scanned (702) at a POS terminal 202 and unique identification information and details of the pre-printed ticket is communicated (704) to the transaction processor 630 ... EX1001.0014-15 (cols. 8:66-9:2).
The Blackhawk network communicates with lottery system:	[T]he transaction processor 630 [] in turn communicates (706) the unique identifier and pre-printed ticket details to a lottery system 220... EX1001.0015 (col. 9:2-4).
Lottery system provides lottery numbers and a draw date to the Blackhawk network:	[A] lottery system 220 [] verifies the ticket information and determines draw and wager information and activates the pre-printed ticket (708) ... EX1001.0015 (col. 9:4-6).
The Blackhawk network provides the lottery numbers and draw date to the retailer POS equipment:	The transaction processor 630 may communicate the draw and wager information (724) to the POS terminal 202 ... EX1001.0015 (col. 9:19-21).
The retailer POS equipment prints lottery details on a grocery receipt:	[T]he POS terminal 202 [may] print the draw information on the customer's receipt (726). EX1001.0015 (col. 9:19-22).

Table 1

The '135 Patent also discloses the basic configuration of the QuickTicket lottery tickets. In one embodiment, the lottery tickets possess the same barcode 112 as the QuickTicket product does, and they do not have pre-printed lottery numbers:

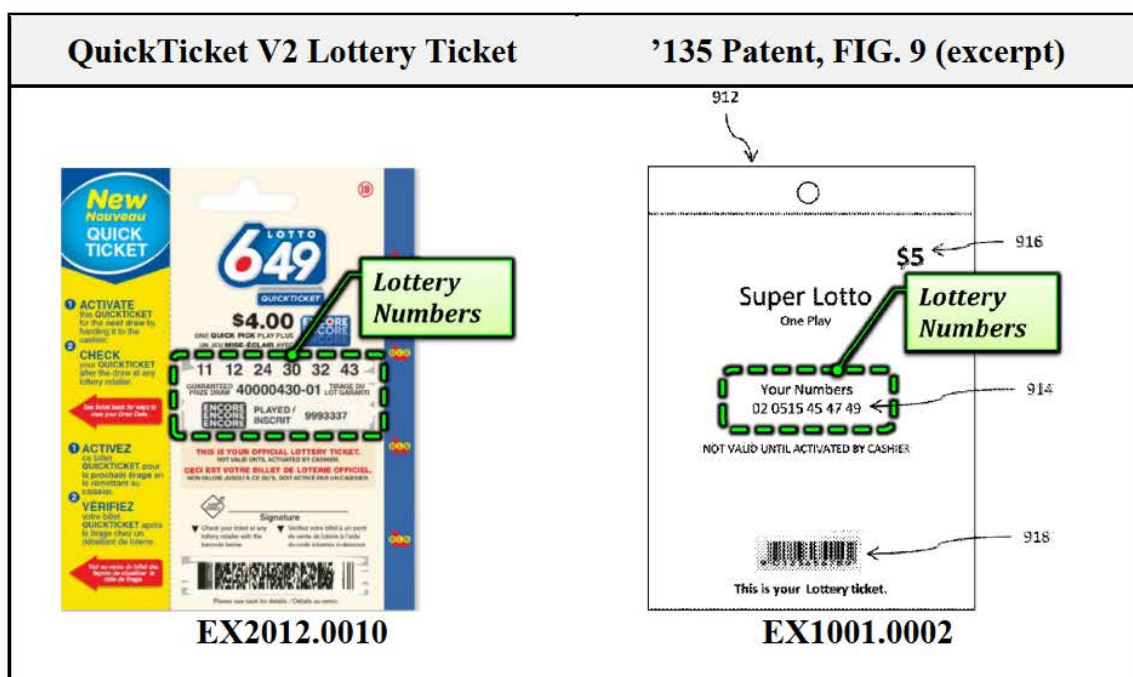


See EX1001.0011-12 (cols. 2:65-3:7). Instead, as with QuickTicket, the application's lottery numbers and draw information are printed on a sales receipt:



See EX1001.0012 (col. 3:14-16).

The '135 Patent also discloses, in a second embodiment, the QuickTicket V2 product configuration that Blackhawk disclosed to Linq3 in December 2017. As explained, QuickTicket V2 contains lottery numbers preprinted on the lottery ticket before the time of purchase. EX2012.0010. The '135 Patent discloses this same configuration:



See also EX1001.0015 (col. 10:5-14) (describing numbers of the draw printed on a lottery ticket). Ticket activation may occur as described above in Table 1. Blackhawk's proposals for QuickTicket V2 in the December 2017 and May 2018 slides contain additional information that is not disclosed in the '135 Patent, such as the feature that the lottery numbers are "covered with an opaque coating which reveals quick picks when scratched off." EX2004.0005.

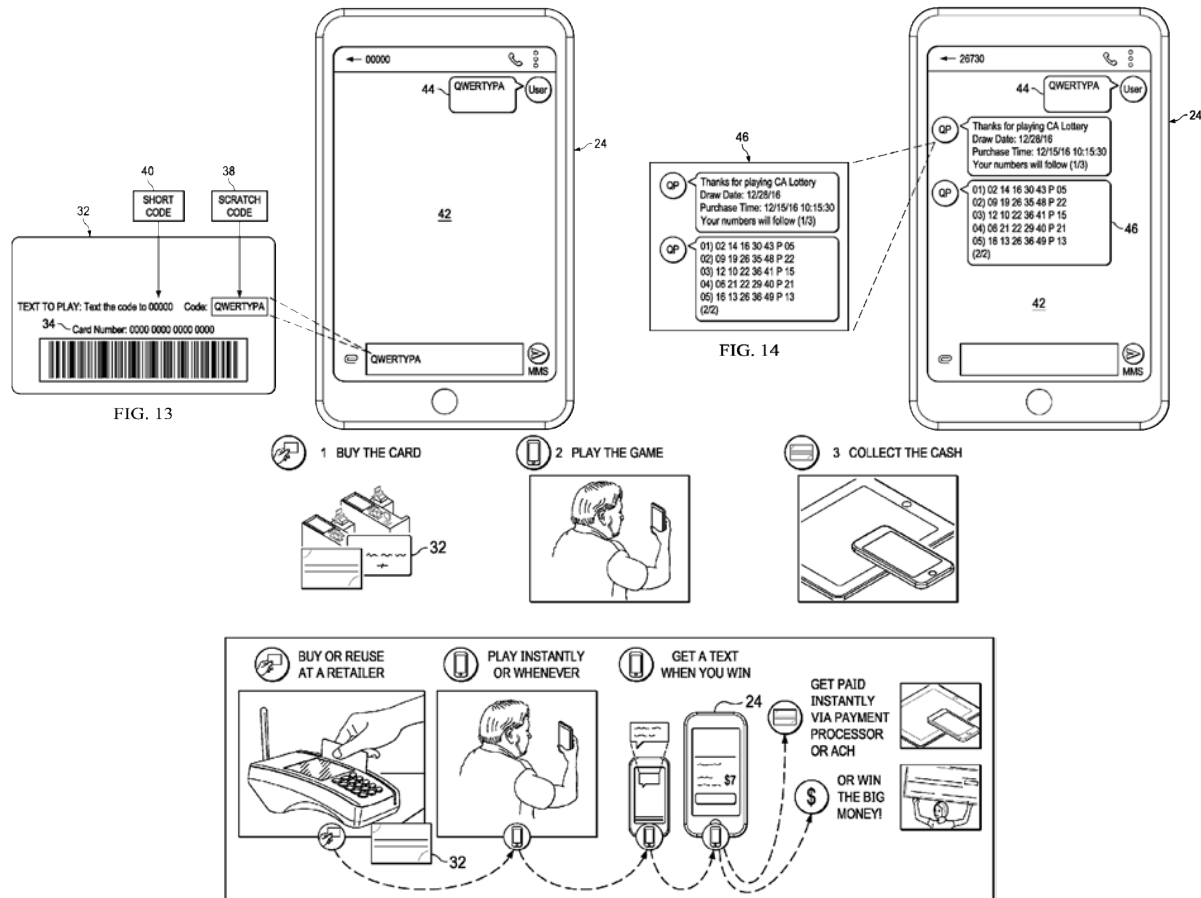
The PDA defines “Preexisting Intellectual Property” as “all Intellectual Property that a Party owned or had the exclusive right to use as of immediately prior to the Effective Date,” e.g., January 1, 2017, and it includes not only granted patents but also to “all applications and rights to apply for registration or protection rights pertaining thereto.” EX2003.0003-04. The ’135 Patent was filed as application s.n. 14/679,028 on April 6, 2015, before the effective date of the PDA, and therefore meets the definition of Blackhawk’s Preexisting Intellectual Property. EX1001.

D. Linq3 via L3 Files Patent and Trademark Applications Directed to Derivations of Blackhawk’s QuickTicket and QuickTicket V2 Products.

During the parties’ collaboration period and unbeknownst to Blackhawk, L3 filed patent applications at the U.S. Patent and Trademark Office that included derivations of Blackhawk’s Preexisting Intellectual Property. First, L3 filed application s.n. 16/010,398 (the “’398 Application”) in June 2018. EX2018. The ’398 Application is identified as a continuation-in-part application of a prior application, s.n. 15/818,569 (the “’569 Application”), now U.S. Patent 10,217,326 (EX2019), and it names Daniel Cage among its inventors. As compared to the ’569 Application, the ’398 Application added 11 figures of disclosure and associated text. *Compare* EX2018.0004-38 (FIGS. 1-40) *with* EX2019.0004-30 (FIGS 1-29).

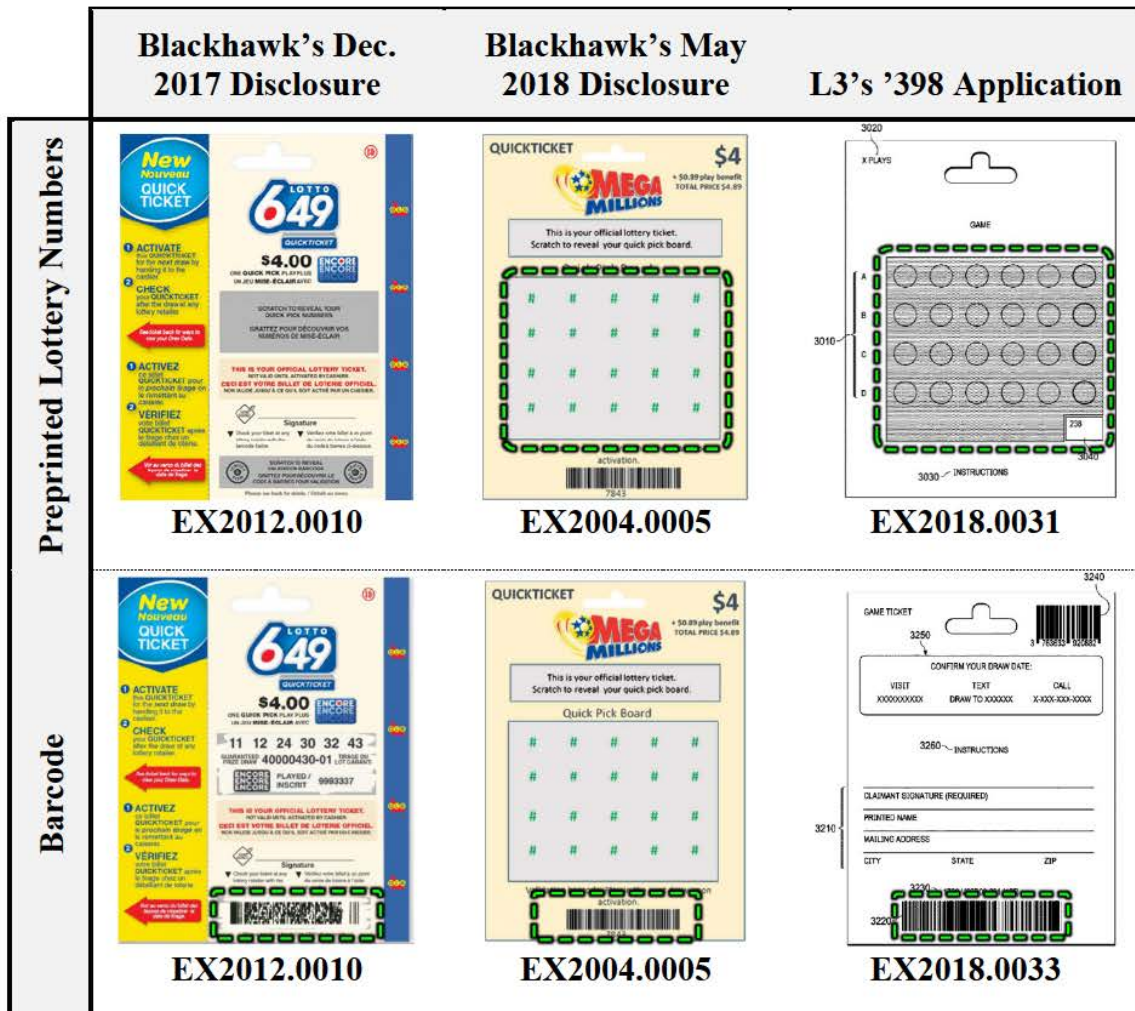
The prior ’569 Application was directed to the Play Now product, the one the state lotteries rejected because it required a mobile device. EX2002.0017 (“certain

states, in particular Arizona, California, and Texas, did not allow the use of any mobile phone to play lottery games.”). For example, the ’569 Application discloses that a consumer activates a lottery purchase, receives lottery numbers, and receives notifications of lottery outcomes all by mobile phone:



Appl’n 15/818,569, FIGS. 13, 14 & 19 (EX2019.0018, .0019, .0024)

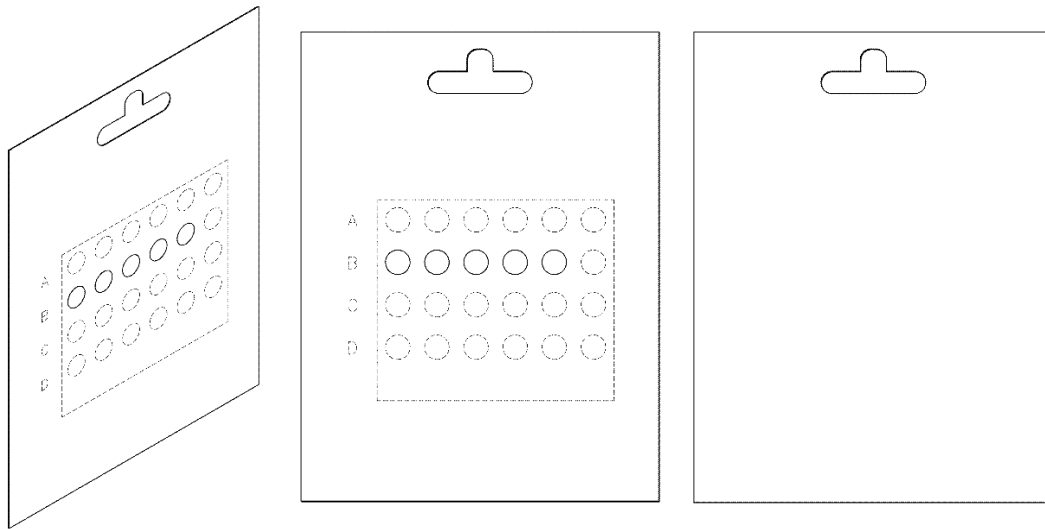
The ’398 Application adds disclosure that was derived from confidential material that Blackhawk disclosed to Linq3. For example, FIGS. 30 & 32 of the ’398 Application show configuration of a lottery ticket that strongly resembles the QuickTicket V2 designs that Blackhawk disclosed to Linq3:



The '398 Application granted as U.S. Patent 10,229,561 (the "'561 Patent").

EX2018.

Second, in August 2018, Linq3 via L3 filed a design patent application, s.n., 29/660,720 (the "Design Application") entitled "Quick Ticket for Lottery" which claims "[t]he ornamental design for a quick ticket for lottery, as shown and described," which is based upon features disclosed to Linq3 by Blackhawk:

**EX2020.0002-04**

The Design Application granted as U.S. Patent D877,812 (the “’812 Patent”). EX2020.

Linq3 via L3 filed other continuation applications that claim priority to the ’368 Application, including U.S. Patent No. 10,943,432 (the “’432 Patent”) (EX2021), filed March 12, 2019, and U.S. Patent No. 10,943,438 (the “’438 Patent”) (EX2022), filed March 11, 2019.

On June 7, 2018, Linq3 via L3 filed U.S. trademark application s.n. 87/953,104 to the mark “QuickTicket.” EX2002.0019 (¶ 38). In 2019, L3 provided a sample lottery ticket as used by the Texas lottery as proof that the mark was in use:



EX2023.0018

Again, this lottery ticket strongly resembles the QuickTicket V2 configuration that Blackhawk disclosed to Linq3 in December 2017 (EX2012.0010) and May 2018 (EX2004.0005). And prior to October 31, 2022, Linq3 was assigned ownership of the QuickTicket trademark. EX2002.0020 (¶ 45).²

E. InComm Acquires Linq3 in March 2019

Petitioner is a provider of prepaid and stored-value products and payment solutions in the U.S., including for example, gift cards, financial services cards, and

² EX2002 uses the term “Linq3” to refer to Linq3 Acquisitions LLC (EX2002.0019 (¶ 41)) whereas, in this Preliminary Response, “Linq3” refers to SL Card Co. SL Card Co. is the assignee of the QuickTicket mark. EX2002.0020 (¶ 45).

the like. EX2024.0003 (§ II.A.1). Petitioner is a member of an integrated array of entities that operate under the tradename “InComm.” *Id.*

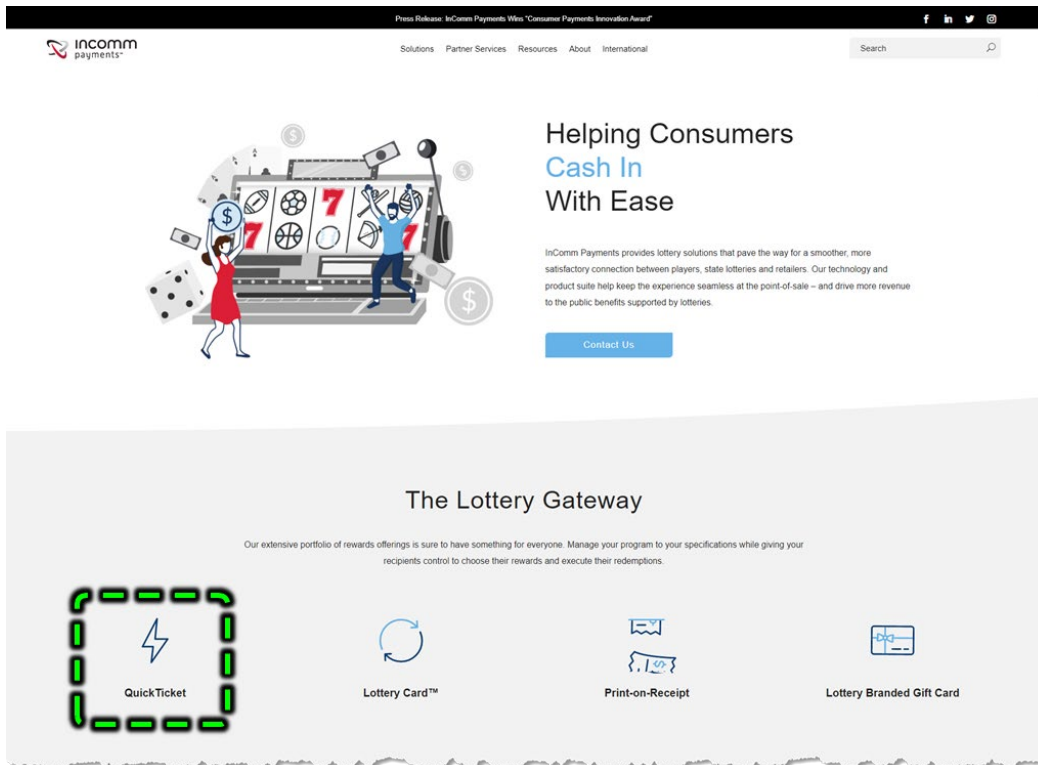
InComm acquired Linq3 on March 12, 2019:



EX2026 (excerpt)

See also EX2025. As discussed above, before this acquisition, Blackhawk and Linq3 competed with Petitioner in the market for lottery products and services. Now, Blackhawk competes with Petitioner/Linq3 in this market.

Petitioner markets lottery solutions using the brand name QuickTicket:



EX2027 (annotated excerpt)

Linq3 represents that Petitioner does so under a license to Linq3's rights in the QuickTicket mark. EX2002.0020 (¶¶ 46-47). Linq3 represents that Petitioner has sold lottery products and services in the United States since November 2019. *Id.* As discussed above, Linq3 derived the QuickTicket mark and its product features from Blackhawk's Preexisting Intellectual Property.

e2Interactive was formed to hold InComm's intellectual property. EX2024.0003 (§ II.A.1). e2Interactive also is part of the InComm corporate family. *Id.* The '561, '812, '432, and '438 Patents that L3 filed improperly were assigned to e2Interactive as part of Incomm's acquisition of Linq3. EX2028. e2Interactive continues to prosecute patent applications that disclose derivations of Blackhawk's

Preexisting Intellectual Property, having filed for both U.S. Patent 11,580,823 (EX2029) and U.S. Patent 11,776,355 (EX2030) in March 9, 2021 and having filed another continuation application 18/375,143 (EX2031) mere months ago.

F. The Arizona State Court Action

Blackhawk filed the Arizona state court action against Linq3 to pursue its intellectual property ownership interests under the PDA. EX2001 (herein the “Arizona state case”). The PDA states that all “modifications, derivatives, or improvements” made to Blackhawk’s Preexisting Intellectual Property will be owned by Blackhawk. EX2003.0011 (§ 10.1). Thus, Blackhawk seeks injunctive relief requiring Linq3 and InComm to assign the ’561, ’812, ’432, ’438, ’823, and ’355 Patents to Blackhawk. EX2001.0020-21 (Relief Sought, ¶ C).

The Arizona state case is nearing completion. EX2032. The parties already have completed fact and expert discovery. *Id.* (¶¶ 4-5). Case dispositive motions will be briefed fully by early January. *Id.* (¶ 7). The court will hold a trial setting conference on January 11, 2024 (EX2033), which should set a trial date (EX2032 (¶ 8)), likely for Spring 2024. Thus, the Arizona state case should conclude before this IPR can reach a final written decision, which is expected in early 2025. *See* 35 U.S.C. § 316(a)(11).

The Arizona state case is the second lawsuit that Blackhawk filed involving the PDA. Blackhawk filed a lawsuit in the U.S. District Court for the District of

Arizona, *Blackhawk Network Inc. v. SL Card Co.*, et al., c.a. CV-21-00813-PHX-MTL in May 2021, but the case was dismissed for lack of subject matter jurisdiction. *Blackhawk Network Inc. v. SL Card Co.*, 589 F. Supp. 3d 1115 (D. Ariz. 2022).

G. The Prior PGR

Petitioner filed PGR2020-00084 (the prior “PGR”) in September 2020 (EX1007), which was resolved in a Final Written Decision in March 2022 (EX1008). The Federal Circuit decided an appeal from the Final Written Decision in June 2023. EX1009. Petitioner filed the Petition in this IPR following next month, in July 2023, almost three years after it filed its petition in the prior PGR. *Compare* Petition, Paper 1 (“Pet.”) *with* EX1007.

The prior PGR challenged a patent (U.S. Patent 10,769,894) that is a continuation of the ’135 Patent, challenged here. Pet. at 9. The prior PGR asserted the same prior art and the same basic invalidity theories as asserted here. *Compare* EX1007, Grounds 1-2 (applying Szrek and Llach) *with* Pet., Grounds 1-2 (Szrek and Llach). This IPR Petition reargues claim constructions from the prior PGR (Pet. § VIII), and its Ground 1 challenge repeatedly invokes the Board’s analysis in the prior PGR (*id.* § IX.A). Petitioner does not explain why it waited almost three years after it filed the PGR Petition to file this IPR Petition.

III. LEGAL STANDARDS

The Board is never compelled to institute review in an IPR. 35 U.S.C. § 314(a) (defining circumstances when a Director “may” authorize an inter partes review); *see also* *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 273 (2016) (The “decision to deny a petition is a matter committed to the Patent Office's discretion.”). The Director’s discretion to institute review is “informed by 35 U.S.C. §§ 316(b) and 326(b), which require the Director to ‘consider the effect of any such regulation [] on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings.’” PTAB Consolidated Trial Practice Guide at 56 (Nov. 2019) (herein “TPC”). IPR proceedings are “designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” *Id.* (citing H.R. Rep. No. 112–98, pt. 1, at 40 (2011), 2011 U.S.C.C.A.N. 67, 69, and S. Rep. No. 110–259, at 20 (2008)).

The Trial Practice Guide identifies factors that guide the Board’s decision to exercise discretion to institute review or not, but they are non-exclusive. TPC at 56–57 (discussing *General Plastic* factors). It encourages parties to “address [] whether any other such reasons exist in their case that may give rise to additional factors that may bear on the Board’s discretionary decision to institute or not institute, and

whether and how such factors should be considered along with the *General Plastic* factors.” *Id.* at 58.

A. Identification of Real Parties in Interest

IPRs petitions must identify all real parties in interest. 35 U.S.C. § 312(a)(2). This statutory provision “serves important notice functions to patent owners, to identify whether the petitioner is barred from bringing an IPR due to an RPI that is time-barred or otherwise estopped, and to the Board, to identify conflicts of interests that are not readily apparent from the identity of the petitioner.” *SharkNinja Operating LLC v. IRobot Corp.*, IPR2020-00735, Paper 11 at 17 (PTAB Oct. 6, 2020) (precedential). Petitioner bears the burden of persuasion on this issue. *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336, 1356 (Fed. Cir. 2018) (herein, “*AIT*”).

“[A]t a general level, the ‘real party-in-interest’ is the party that desires review of the patent.” TPC at 14. “Thus, the ‘real party-in-interest’ may be the petitioner itself, and/or it may be the party or parties at whose behest the petition has been filed.” *Id.* “Determining whether a non-party is a ‘real party in interest’ demands a flexible approach that takes into account both equitable and practical considerations, with an eye toward determining whether the non-party is a clear beneficiary that has a preexisting, established relationship with the petitioner.” *AIT*, 897 F.3d at 1351.

B. Unclean Hands

Unclean hands is a doctrine rooted in fundamental principles of equity, requiring that a complainant “show that not only has he a good and meritorious cause of action, but he must come into court with clean hands.” *Keystone Driller*, 290 U.S. at 244. “The governing principle is ‘that whenever a party who, as actor, seeks to set the judicial machinery in motion and obtain some remedy, has violated conscience, or good faith, or other equitable principle, in his prior conduct, then the doors of the court will be shut against him in limine.’” *Id.* at 244-245. Unclean hands is not subject to any predetermined formula except that the complainant’s conduct must have an immediate and necessary relation to the relief that the complainant seeks. *Id.*

Courts have recognized unclean hands in a variety of contexts. In *Keystone Driller*, it barred a patent owner (Downie) from enforcing patents against a competitor when the patent owner arranged with a prior user of one invention (Clutter) to hide the facts of his prior use from the courts. *Id.* at 243-244. In *Precision Instr. Co. v. Automotive Maint. Mach. Co.*, unclean hands prevented a patent owner (Automotive) from asserting patents against its competitor (Precision Instrument) when the founder of Precision Instrument (Larson) fraudulently filed patent applications in his own name on inventions developed by Automotive’s engineer. 324 U.S. 806, 809-814 (1945). Automotive had developed evidence of

fraud by Larson during interference proceedings, which it settled by taking title to the fraudulent filings. *Id.* at 818-819. This led to an unclean hands finding against Automotive because Automotive concealed the fraud perpetrated by Larson rather than revealing it to the Patent Office. *Id.*

And, more recently, the Federal Circuit affirmed a finding of unclean hands rendered against Merck, who engaged in both business misconduct and litigation misconduct with respect to its competitor. *Gilead Scis., Inc. v. Merck & Co.*, 888 F.3d 1231, 1239 (Fed. Cir. 2018). Merck's business misconduct arose because Merck's patent attorney gained knowledge of a pharmaceutical's structure from a collaborator during a call in which the attorney was required to be "firewalled" from other Merck development efforts. *Id.* at 1240-41. The attorney, however, prosecuted Merck's patent-in-suit following the disclosure, and the disclosure influenced the attorney's prosecution decisions. *Id.* Merck further engaged in misconduct during the *Gilead* case by developing false testimony from the patent attorney regarding his access to the materials disclosed by the collaborator. The patent attorney's conduct led two asserted patents to be rendered unenforceable against Gilead, who acquired Merck's prior collaborator. *Id.* at 1248.

To Patent Owner's knowledge, the Board has considered unclean hands in an institution analysis only once. *Kavo Dental Techs, LLC v. Osseo Imaging, Inc.*, IPR2020-00659, Paper 10 (PTAB June 10, 2020). There, it concluded without

elaboration that the petitioner had “not shown sufficiently that Patent Owner has unclean hands.” *Id.* at 19. *Kavo*, however, demonstrates that the Board will consider unclean hands analyses when determining whether to institute review in an IPR. *Id.*

IV. ARGUMENT

The Board should exercise discretion to deny institution because Petitioner and its omitted real-party-in-interest, Linq3, both have unclean hands. Their interest in challenging validity of the '135 Patent is a misguided ploy to distract the Arizona state court from their own breaches of the PDA and their misappropriation of intellectual property that rightfully belongs to Blackhawk. The ploy should not work since patent validity is immaterial under the contract; instead the PDA vests Blackhawk with ownership of all “modifications, derivations, or improvements made” to Blackhawk’s Preexisting Intellectual Property. Moreover, the Petition was filed three years after its Petition in the prior PGR but only one month after the Federal Circuit decided an appeal from the PGR, which shows that Petitioner intentionally withheld its Petition in the present IPR until the PGR proceedings concluded. All these factors counsel in favor of exercising discretion not to institute review in this IPR.

A. The Petition Fails to Identify the Real Party in Interest

Petitioner erroneously identifies itself as the sole real-party-in-interest in this IPR. Pet. at 74. Linq3 is also a real-party-in-interest. Petitioner's omission of Linq3 is material in this circumstance because, as explained below, Linq3 acted with unclean hands by misappropriating intellectual property that rightfully belongs to Blackhawk, and Petitioner collaborates with Linq3 and others to continue this improper conduct following the March 2019 acquisition of Linq3.

The circumstances show that Linq3 is a real party in interest and that the IPR is filed at its behest. Blackhawk's state court complaint names Linq3 as the defendant. EX2001. The complaint asserts that Linq3 breached the PDA by taking Blackhawk's QuickTicket invention, and by filing patent and trademark applications (working through L3) directed to Blackhawk's QuickTicket and QuickTicket V2 inventions without Blackhawk's consent. *See id.* (Count I). Linq3 defends the Arizona state court case on grounds that Blackhawk has no Preexisting Intellectual Property. Thus, Linq3 undoubtedly is a "party that desires review of the patent" (TPC at 14), and one that has "a preexisting, established relationship with the petitioner" (*AIT*, 897 F.3d at 1351).³

³ L3 also would be a real-party-in-interest to this IPR but it ceased operations.

EX2024.0022 (¶ 16).

The Board considers real-party-in-interest issues, in part, to determine whether “the petitioner is barred from bringing an IPR due to an RPI that is time-barred or otherwise estopped.” *SharkNinja*, IPR2020-00735, Paper 11 at 17. Here, because Linq3 is a real-party-in-interest to the Petition, the Board should address Linq3’s unclean hands when determining whether to exercise discretion to institute review. Not only must a Petitioner have “a good and meritorious cause of action, but he must come into court with clean hands.” *Keystone Driller*, 290 U.S. at 244. As discussed below, Linq3’s hands are unclean.

The circumstances also suggest that Petitioner’s omission of Linq3 was made purposefully in an effort to gain an advantage (*SharkNinja* at 19) by obscuring Linq3’s unclean hands and, by extension, Petitioner’s own. Linq3 is far closer to Petitioner than Petitioner intimates. Pet. at 75 (characterizing SL Card as a distant “company that an affiliate of Petitioner acquired on March 12, 2019”). Instead, as discussed hereinbelow, Petitioner is a beneficiary to Linq3’s breach of the PDA as a licensee to Linq3’s misappropriated trademark to QuickTicket and a seller of lottery products and services that are derivations of Blackhawk’s QuickTicket product. *See, for example*, EX2002.0020 (¶¶ 46-47);⁴ *see also* EX2003.0012 (§ 10.3: Linq3 shall

⁴ In EX2002, “ICI” refers to Petitioner, Interactive Communications International, Inc. *See* EX2002.0020 (¶ 43).

not make or sell “derivative works of any Blackhawk Preexisting Intellectual Property or Blackhawk Intellectual Property in any form or forum without Blackhawk's prior written consent.”).

B. Unclean Hands Applies to Linq3 and to Petitioner

Unclean hands applies to Linq3. Linq3 breached its contractual obligations by taking Blackhawk’s QuickTicket invention without Blackhawk’s consent by secretly filing patent applications and a trademark application directed to Blackhawk’s QuickTicket invention and derived from Blackhawk’s Preexisting Intellectual Property and confidential information. EX2018, EX2020 EX2021, EX2022. Linq3 exploits the QuickTicket product and the misappropriated mark, through a license to Petitioner (another member of the InComm family of companies), in connection with Lottery Products and Services sold in the United States without Blackhawk’s consent. EX2002.0020 (¶¶ 45-46), EX2026, EX2027.

Linq3 knows full well that QuickTicket was Blackhawk’s Preexisting Intellectual Property. Blackhawk identified QuickTicket as Blackhawk’s intellectual property when it first proposed QuickTicket in November 2017. EX2008. And Linq3 recognized QuickTicket as Blackhawk’s intellectual property when [REDACTED]

[REDACTED] Blackhawk is entitled to all intellectual property rights

regarding QuickTicket including “modifications, derivatives, or improvements.” EX2003.0006.

Petitioner is a direct beneficiary of Linq3’s ill-gotten gains. Petitioner uses the QuickTicket mark in commerce as Linq3’s licensee. EX2002.0020. It sells products that are derivative works of Blackhawk Preexisting Intellectual Property in contravention of the PDA. EX2003.0012 (§ 10.3); EX2002.0020 (¶ 46: “ICI [Petitioner] has continuously used the QUICKTICKET Mark in connection with Lottery Products and Services sold in the United States.”). Moreover, other improper patent filings have been made even after Petitioner acquired Linq3 in 2019 (EX2025), with two continuation patents filed in 2021 and another continuation application filed in 2023. EX2029, EX2030, EX2031. These later filings were made by e2Interactive, which is part of the integrated array of companies that operate under the tradename “InComm.” EX2024.0003.

The unclean hands, namely, Linq3’s breach of the contract and Petitioner’s benefit therefrom, has a direct relationship to this IPR. *Keystone Driller*, 290 U.S. at 244. As explained, Linq3 agreed under the PDA that Blackhawk would continue to own its Preexisting Intellectual Property and all modifications thereto. EX2003.0011 (§ 10.1). Linq3 further agreed not to make or sell any derivations of such intellectual property. EX2003.0012 (§ 10.3). This IPR attempts to destroy the

very intellectual property that Linq3 agreed to respect in the PDA. The Patent Office should close the door to Petitioner's IPR petition.

C. The Outcome of this IPR is Immaterial to the Arizona State Court Case.

Blackhawk's breach of contract claim against Linq3 remains viable no matter whether this IPR is instituted or not, or what its outcome might be. EX2001. As explained, Linq3 breached the PDA by appropriating for itself intellectual property that the parties agreed shall be owned by Blackhawk because they are "modifications, derivatives, [and] improvements" of Blackhawk's Preexisting Intellectual Property. EX2003.0006. Even if the Board were to institute and eventually cancel all claims from the '135 Patent, Blackhawk's breach of contract claim would remain because, as shown above, QuickTicket and QuickTicket V2 are Blackhawk Preexisting Intellectual Property under the PDA and Blackhawk is entitled to own all "modifications, derivatives, [and] improvements" thereto. These issues will be tried in Arizona state court, likely in Spring 2024. EX2032, EX2033.

Blackhawk's claim against Petitioner's sale of QuickTicket lottery products also lies in contract, not patent infringement. As discussed, Linq3 agreed to give wider berth to Blackhawk's intellectual property than is required under the Patent Act. *See* EX2003.0012 (§ 10.3: Linq3 agreed not to "make, have made, sell, offer to sell, use, ... copy or create derivative works of any Blackhawk Preexisting

Intellectual Property or Blackhawk Intellectual Property in any form or forum without Blackhawk's prior written consent.”). Petitioner thus sells products that are fruits of Linq3’s breach of this provision, which causes Blackhawk’s contract claim to remain viable regardless of the outcome of the present IPR.

Because the parties’ dispute lies in contract rather than patent infringement, instituting review in this IPR would not further the AIA’s goal of “limit[ing] unnecessary and counterproductive litigation costs.” TPC at 56. As an initial matter, the Arizona state case likely will have completed by the time this Board could render a final written decision in this IPR even if trial were instituted. *See* 35 U.S.C. § 316(a)(11). Second, and more importantly, this Board will not be tasked to resolve issues involving whether Linq3 via L3 filed for “modifications, derivatives, [and] improvements” of Blackhawk’s Preexisting Intellectual Property when it made its patent and trademark filings or when marketing the product. Thus, the invalidity challenges presented in the Petition will have no effect on the parties’ contract disputes.

In circumstances such as this, it is a far better use of the Board’s and the parties’ resources to deny institution of *inter partes* review and to allow the Arizona

state case to proceed to completion where the parties' rights to ownership of the intellectual property in dispute will be resolved.⁵

D. General Plastic Factors Favor Denying Institution.

Although this IPR does not present a classic *General Plastic* fact-pattern because the IPR challenges a different patent than the PGR did, the Board should be mindful of Petitioner's delay in filing this IPR when it determines whether to exercise discretion not to institute review. Petitioner filed its IPR petition only after the PGR proceedings concluded, ensuring that Petitioner could respond in this IPR to any reservations that might be expressed by either the Board or the Federal Circuit in the prior PGR. Petitioner's IPR filing, which followed the Federal Circuit decision by only a month, shows that Petitioner gamed the system.

General Plastic recognizes that the America Invents Act's goals of improving patent quality and increasing efficiency of the patent system are to be balanced against abuse of the review process by repeated attacks on patents. TPC at 56 (discussing *General Plastic Indus. Co. v. Canon K.K.*, IPR2016–01357, paper 19 at 16-17 (PTAB September 6, 2017)). *General Plastic* lists various factors that guide

⁵ Ownership of the '135 Patent, the patent challenged on this IPR, is not in dispute. Instead, ownership of the intellectual property represented by EX2018, EX2020, EX2021, EX2022, EX2029, EX2030, and EX2031 are disputed.

the Board's when deciding whether to exercise discretion to institute review, which include:

Factor 2: Whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it;

Factor 3: Whether at the time of filing of the second petition the petitioner already received the patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the first petition; and

Factor 4: The length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;

General Plastic at 16.

These factors suggest that the Board should deny institution because Petitioner laid in wait until appellate proceedings had concluded in the Federal Circuit appeal before filing its Petition in this IPR. Here, Petitioner undoubtedly knew of the art presented in this IPR when it filed for the PGR (factor 2) because Petitioner reuses the same art, the same claim construction arguments, and the same invalidity theories as in the PGR. *Compare* EX1007, Grounds 1-2 (applying Szrek and Llach) *with* Pet., Grounds 1-2 (Szrek and Llach). Here, Petitioner had received the full record from the PGR (factor 3)—it waited until outcome of the Federal Circuit appeal was known before filing the Petition in this IPR. *Compare* EX1009

(decided June 7, 2023) *with* Pet. (filed July 21, 2023). This means, of course, that Petitioner waited years after the PGR to file its IPR (factor 4). Petitioner's decision to file the IPR only after the PGR appellate proceedings had concluded represents a variation of the kind of harassment that the Board considers whether to institute review. Here, when considered alongside the Petitioner's unclean hands, these factors favor denying institution.

V. CONCLUSION

For the foregoing reasons, Petitioners request the Board to decline to institute *inter partes* review of the '135 Patent.

Respectfully submitted,

Date: November 16, 2023

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IPR2023-01235

CERTIFICATE OF WORD COUNT

The undersigned certifies that the foregoing Patent Owner's Preliminary Response, exclusive of the Table of Contents and Table of Authorities, has a word count of 6,755 words as computed by Microsoft Word.

Date: November 16, 2023

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EX2045.0047

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing Patent Owner's Preliminary Response and all non-confidential exhibits (EX2001, EX2002, EX2003, EX2005, EX2009, EX2015, EX2016, EX2017, EX2018, EX2019, EX2020, EX2021, EX2022, EX2023, EX2024, EX2025, EX2026, EX2027, EX2028, EX2029, EX2030, EX2031, EX2032, EX2033, EX2034, EX2035, and EX2036) were served electronically via email on November 16, 2023 on the following:

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EX2045.0048

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