

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

INTERACTIVE COMMUNICATIONS INTERNATIONAL, INC.,
Petitioner,

v.

BLACKHAWK NETWORK INC.,
Patent Owner.

IPR2024-00465
Patent 11,488,451 B2

Before LYNNE H. BROWNE, BART A. GERSTENBLITH, and
ARTHUR M. PESLAK, *Administrative Patent Judges*.

GERSTENBLITH, *Administrative Patent Judge*.

DECISION
Granting Institution of *Inter Partes* Review
35 U.S.C. § 314

ORDER
Granting Patent Owner's Motion for Protective Order
and Motion to Seal
37 C.F.R. §§ 42.14, 42.54

I. INTRODUCTION

A. Background

Interactive Communications International, Inc. (“Petitioner”) filed a Petition (Paper 1, “Pet.”) requesting institution of *inter partes* review of claims 1–24 (“the Challenged Claims”) of U.S. Patent No. 11,488,451 B2 (Ex. 1001, “the ’451 patent”). Blackhawk Network, Inc. (“Patent Owner”) filed a confidential Preliminary Response (Paper 8, “Prelim. Resp.”); a redacted, public version of the Preliminary Response (Paper 9); and a combined Motion for Protective Order and Motion to Seal (Paper 10, “Motion” or “Mot.”).¹

An *inter partes* review may be instituted only if “the information presented in the petition . . . and any [preliminary] response . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a) (2018). For the reasons given below, on this record, Petitioner has established a reasonable likelihood that it would prevail in showing the unpatentability of at least one of the Challenged Claims. Accordingly, we institute an *inter partes* review of the Challenged Claims on all grounds raised in the Petition.

B. Related Proceedings

Petitioner identifies PGR2020-00084, PGR2020-00085, IPR2023-01235, and *Blackhawk Network, Inc. v. Interactive Communications International, Inc.*, No. 2022-1650 (Fed. Cir.), as related matters. Pet. 72–73. In PGR2020-00084, Petitioner challenged several claims of U.S. Patent

¹ Citations to the Preliminary Response herein are to the confidential version (Paper 8), but they similarly apply to the redacted, public version (Paper 9).

No. 10,769,894 B2, which shares a common parent application with the '451 patent. After trial, the Board held all challenged claims unpatentable (Ex. 1008 (Final Written Decision)) and the United States Court of Appeals for the Federal Circuit affirmed (Ex. 1009). In particular, the Federal Circuit determined “[t]he Board properly construed Szrek’s disclosure of the inter-operational characteristics of a store’s back office, [point of sale (POS)] terminal, and lottery administration system” and that “the Board properly analyzed how a skilled artisan would have interpreted Szrek’s teachings.” *Blackhawk Network, Inc. v. Interactive Communications International, Inc.*, No. 2022-1650, 2023 WL 3861082, at *2 (Fed. Cir. June 7, 2023).

Petitioner raises challenges based on obviousness that are similar to those it previously raised in PGR2020-00084 (e.g., obviousness over Szrek and Llach and obviousness over Szrek, Llach, and Gilmore). In PGR2020-00085, the Board denied institution. Patent Owner correctly notes that the “PGR proceedings to which . . . Petitioner cites have concluded.” Paper 4 (Patent Owner’s Mandatory Notices), 2. And, as Patent Owner explains, “IPR2023-01235 is a pending IPR proceeding that involves U.S. Patent No. 9,865,135, which is related to the '451 Patent at issue, here.” *Id.*

Petitioner also identifies *Blackhawk Network, Inc. v. SL Card Company Inc.*, No. 2:21-cv-00813-PHX-MTL (Ariz. Superior Court), as a related matter. Pet. 72. Petitioner explains that, in this proceeding, Patent Owner asserts a breach of contract claim against SL Card, “a company that an affiliate of Petitioner acquired on March 12, 2019.” *Id.* at 72–73. The parties agree that this state court case does not involve infringement or invalidity of any patent. *Id.* at 73; see Paper 4, 2 (noting that the case does not involve infringement or invalidity of the '451 patent).

C. Real Parties in Interest

Petitioner identifies Interactive Communications International, Inc. as a real party in interest. Pet. 73. Patent Owner identifies Blackhawk Network Inc. as a real party in interest (owner of all substantial interests in the '451 patent by assignment). Paper 4, 2.

As discussed further below, Patent Owner asserts that Petitioner also should have identified “SL Card Company Inc. (often called ‘Linq3’)” as a real party in interest. Prelim. Resp. 1–2, 32–35.

D. The Asserted Grounds of Unpatentability and Declaration Evidence

Petitioner challenges the patentability of claims 1–24 of the '451 patent on the following grounds:

Claims Challenged	35 U.S.C. §²	Reference(s)/Basis
1–9, 11–24	103	Irwin ³
10	103	Irwin, Szrek ⁴
1–10, 12–24	103	Szrek, Llach ⁵
11	103	Szrek, Llach, Gilmore ⁶

Pet. 2. Petitioner supports its challenge with a Declaration of Michael Hutton (Ex. 1003).

² The Leahy-Smith America Invents Act (“AIA”) included revisions to 35 U.S.C. § 103 that became effective on March 16, 2013. Because the '451 patent has an effective filing date after March 16, 2013 (*see* Ex. 1001, codes (22), (60), (63)), we apply the current version of § 103 here.

³ U.S. Patent No. 9,405,984 B2, issued Aug. 2, 2016 (Ex. 1030, “Irwin”).

⁴ U.S. Patent No. 7,627,497 B2, issued Dec. 1, 2009 (Ex. 1005, “Szrek”).

⁵ U.S. Patent Application Publication No. 2013/0041768 A1, published Feb. 14, 2013 (Ex. 1006, “Llach”).

⁶ U.S. Patent Application Publication No. 2005/0233797 A1, published Oct. 20, 2005 (Ex. 1029, “Gilmore”).

E. The '451 Patent

The '451 patent is directed to “[a] system and method of selling pre-printed lottery tickets for random draw lotteries through the retailers POS without the use of additional lottery hardware.” Ex. 1001, code (57). The '451 patent teaches that, broadly speaking, there are two types of lotteries: (1) “instant win lotteries where a printed ticket provides all of the lottery information” and (2) a “draw-based lottery or ‘online’ lottery, where a player makes a wager on a subsequently occurring event.” *Id.* at 1:26–33. For the draw-based lotteries, the '451 patent teaches that the typical ticket is printed using a lottery-specific terminal and specialized printing device that is wholly separate from the point of sale (“POS”) terminal. *See id.* at 1:42–53.

The '451 patent teaches that, “[a]lthough the model of a single terminal and printer is effective for single checkout lane environments such as convenience stores and gas stations, it is not ideal for multi-lane environments such as grocery stores, discount and big box retailers.” Ex. 1001, 1:53–57. A drawback of this system, according to the '451 patent, is that it requires a customer to wait in two separate lines (or at a minimum go to two separate locations) to purchase their goods and to purchase a lottery ticket, when in a multi-lane environment. *Id.* at 1:57–61. “This is extremely inconvenient for most customers who simply bypass the lottery counter.” *Id.* at 1:61–63. Other drawbacks the '451 patent teaches are that “[i]ninstalling an approved printer or any other piece of specialized [lottery] hardware at every point of payment within a retail environment is cost prohibitive and not an effective use of capital” because “not all points of payment are open at all times” and the use of specialized hardware increases

the responsibility and training required for a cashier who operates the hardware. *Id.* at 1:64–2:5.

As a result, the '451 patent states “[i]t would be desirable to enable customers to include a lottery draw ticket in their basket along with other goods and pay for that basket at any point of payment in a retail location” by using existing point of sale equipment and without requiring any additional specialized hardware. Ex. 1001, 2:10–15. The '451 patent states that it describes “methods for selling draw[-]based tickets through the retailers POS without the use of additional hardware to generate or print the tickets.” *Id.* at 2:21–23.

The '451 patent describes a system and method that uses a “pre-printed lottery ticket,” which acts as a uniquely identifiable “legal instrument,” to initiate and facilitate the legal transaction necessary between a customer and a lottery administration body at a POS register to enable customers to purchase a chance at winning a prize associated with an upcoming lottery. Ex. 1001, 3:4–3:27. In a more detailed explanation of the invention, the '451 patent describes an embodiment with components of a POS, transaction processor, and lottery system, as shown in Figure 6 below.

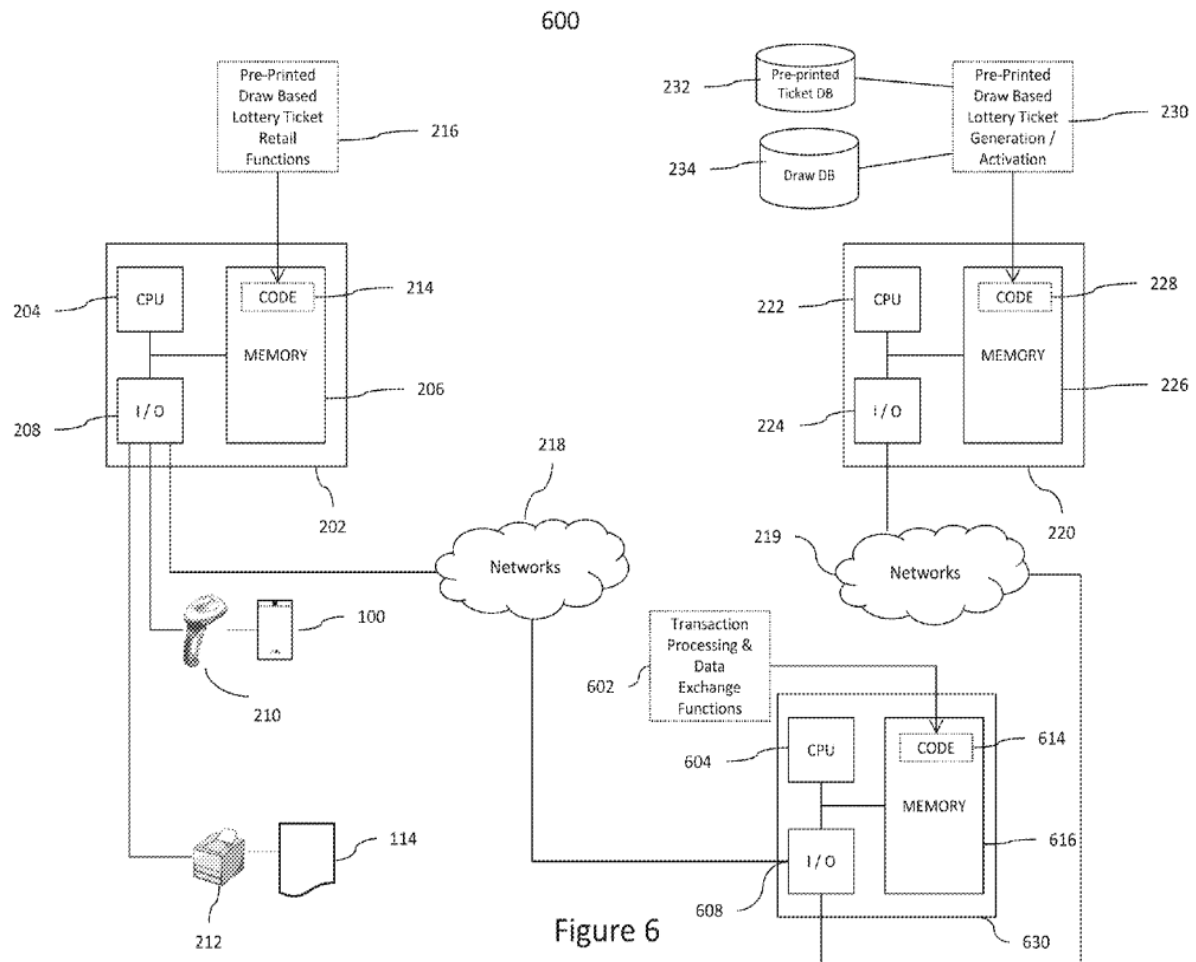


Figure 6

Id. at 2:37–38, Fig. 6. Figure 6 above “depicts components of a lottery system, point of sale environment and a transaction processor” that are “for purchasing a pre-printed lottery ticket.” *Id.* at 8:6–8. As shown,

the environment 600 for purchasing a pre-printed lottery ticket includes a retailer’s point of sale terminal 202 for the retail of the pre-printed ticket, a lottery system 220 for the generation and activation of pre-printed ticket wagers and draw date and a transaction processor 630 to facilitate the exchange of data between the retailer’s point of sale 202 and the lottery system 220 each connected to one other through one or more communication networks 218; 219.

Id. at 8:7–15.

The '451 patent states, “[t]he retailer’s POS terminal 202 may include a central processing unit (CPU) 204, memory unit 206 and [I/O] interface(s) 208 for communicating with devices external to the POS terminal.” Ex. 1001, 8:20–23. And the '451 patent teaches that “[t]he POS terminal 202 includes instructions 214 stored in the memory unit, which when executed by the processor unit 204 configure the POS terminal 202 to provide pre-printed draw-based lottery ticketing functionality 216,” including the “functionality for communicating scanned in barcode information of pre-printed lottery tickets with the transaction processor system, and receiving confirmation of the pre-printed ticket’s activation.” *Id.* at 8:28–36.

The '451 patent describes lottery system 220 as including “a central processing unit (CPU) 222, memory unit 226 and [I/O] interface(s) 224 for communicating with devices external to the lottery system 220.” Ex. 1001, 8:37–40. When processing unit 222 executes instructions 228 stored in the memory unit 226, it “configure[s] the lottery system to provide pre-printed draw-based lottery ticket activation and cancellation functionality 230,” in addition to having the functionality to “generate draw and wager information and associate the pre-printed ticket information in a draw information database 234.” *Id.* at 8:40–43, 8:52–55.

Transaction processor system 630 is described by the '451 patent as including “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.” Ex. 1001, 8:59–62. Memory unit 616 stores instructions that CPU 604 executes to “provide transaction processing and data exchange functionality 602” with a plurality of different retailers to a

single lottery system and enable the activation or cancellation of pre-printed lottery tickets to be performed at a retailer's POS terminal 202. *Id.* at 8:62–9:3. “Once activated, the pre-printed ticket serves as a lottery ticket and may be verified as any regular lottery ticket purchased from a lottery terminal.” *Id.* at 9:30–32.

F. Illustrative Claim

Claim 1, the sole independent claim challenged in this proceeding, is illustrative of the claimed subject matter and is reproduced below with Petitioner's annotations added for reference (*see* Pet. vii):

1[pre]. A method for providing a manufactured, pre-printed, random draw lottery ticket comprising:

1[a] (a) receiving, by a third-party transaction processor, a transaction request from a retailer point of sale (POS) to activate the manufactured, pre-printed, random draw lottery ticket, wherein the manufactured, pre-printed, random draw lottery ticket is selected by a customer prior to initiation of a check-out process and is presented by the customer for activation during the checkout process, 1[b] wherein the third-party transaction processor receives transaction requests from a plurality of different retailers;

1[c] (b) providing, via a first secured communication, by the third-party transaction processor, to a lottery administration system unique identification information associated with pre-printed lottery ticket information received from the retailer POS without the use of lottery hardware; and

1[d] (c) receiving, via a second secured communication, by the third-party transaction processor, from the lottery administration system, indication that draw information has been associated with the manufactured, pre-printed, random draw lottery ticket.

Ex. 1001, 10:34–56.

II. DISCRETIONARY DENIAL

Patent Owner's Preliminary Response is focused entirely on urging us to exercise our discretion to deny institution and does not address the merits of Petitioner's challenges. *See generally* Prelim. Resp. In particular, Patent Owner contends that the Board should exercise its discretion and not institute *inter partes* review of the '451 patent because of 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." Prelim. Resp. 1.

Patent Owner contends that this *inter partes* review "derives from a contract dispute between Patent Owner and Linq3." Prelim. Resp. 1. In short, Patent Owner and Linq3 "were partners in an effort to develop a ticketless lottery product," but the "collaboration effort terminated when InComm, a [Patent Owner] competitor, acquired Linq3." *Id.* Patent Owner asserts that Linq3 caused patent and trademark applications to be filed directed to one of Patent Owner's products, thus leading to "a state court action to enforce [Patent Owner's] ownership rights." *Id.* at 1–2. Patent Owner also contends that Petitioner intends to influence the state court contract dispute by challenging the '451 patent via this *inter partes* review proceeding. *Id.*

Even assuming Linq3 is a real party in interest to Petitioner and assuming we may exercise our discretion to deny institution based on unclean hands (*see Kavo Dental Techs, LLC v. Osseo Imaging, Inc.*, IPR2020-00659, Paper 10 at 19 (PTAB June 10, 2020)), Patent Owner essentially asks us to resolve multiple factual issues related to its contract dispute with Linq3 to justify denial of institution. *See, e.g.*, Prelim. Resp. 1–

26. Many, if not all, of these issues appear to be involved in the contract dispute, which will be resolved by the Arizona state court. We are not in a good position to make determinations about these particular issues at this stage of the proceeding, on the limited record before us. Rather, we find that the state court is better suited to address the conduct of Linq3 of which Patent Owner complains. Accordingly, we leave these matters for the state court. To the extent Patent Owner seeks to pursue its argument that Linq3 is a real party in interest to Petitioner, even though no time bar under 35 U.S.C. § 315(b) has been asserted, Patent Owner may raise the issue of real party in interest again in its Patent Owner Response, and the parties may brief and argue the issue during trial.

Additionally, although acknowledging that this *inter partes* review “does not present a classic *General Plastic* fact-pattern”—because the Petition challenges a different patent than the patent challenged in IPR2023-01235—Patent Owner asserts that, by waiting to file the Petition until after Patent Owner filed its preliminary response in IPR2023-01235, Petitioner “gain[ed] an advantage in this IPR.” Prelim. Resp. 40–42 (citing *General Plastic Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 at 16–17 (PTAB Sept. 6, 2017) (precedential)).

We disagree. First, we agree with Patent Owner that the fact pattern presented here is not the typical situation in which the factors from *General Plastic* are considered. In particular, this proceeding challenges claims of a *different* patent than the patents at issue in PGR2020-00084 and IPR2023-01235. Challenging claims of different patents significantly distinguishes the facts here from those in *General Plastic*, and we decline Patent Owner’s

invitation to extend *General Plastic* in this regard. Accordingly, we do not exercise our discretion to deny institution.

III. ANALYSIS

A. Legal Standards – Obviousness

The U.S. Supreme Court set forth the framework for applying the statutory language of 35 U.S.C. § 103 in *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17–18 (1966):

Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.

The Supreme Court explained in *KSR International Co. v. Teleflex Inc.* that

[o]ften, it will be necessary for a court to look to interrelated teachings of multiple patents; the effects of demands known to the design community or present in the marketplace; and the background knowledge possessed by a person having ordinary skill in the art, all in order to determine whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue. To facilitate review, this analysis should be made explicit.

550 U.S. 398, 418 (2007) (citing *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006)) (“[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.” (alteration in original))).

“Whether an ordinarily skilled artisan would have been motivated to modify the teachings of a reference is a question of fact.” *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1327 (Fed. Cir. 2016) (citations omitted). “[W]here a party argues a skilled artisan would have been motivated to combine references, it must show the artisan ‘would have had a reasonable expectation of success from doing so.’” *Arctic Cat Inc. v. Bombardier Recreational Prods. Inc.*, 876 F.3d 1350, 1360–61 (Fed. Cir. 2017) (quoting *In re Cyclobenzaprine Hydrochloride Extended-Release Capsule Patent Litig.*, 676 F.3d 1063, 1068–69 (Fed. Cir. 2012)).

B. Level of Ordinary Skill in the Art

Petitioner proposes that the level of ordinary skill in the art is an artisan with a working knowledge of POS activation systems and lottery systems that was gained through a mixture of training and work experience in the relevant field such as (i) having a Bachelor’s degree in computer science, computer communications, electrical engineering, or equivalent degree, coupled with at least three years of work experience; (ii) having a Master’s degree in computer science, computer communications, or electrical engineering, but having less work experience; or (iii) having no formal degree, but having experience in the relevant field of at least six years of work experience.

Pet. 2–3 (citing Ex. 1003 ¶¶ 13–14).⁷ Patent Owner does not propose a level of ordinary skill in the art in its Preliminary Response. *See generally* Prelim. Resp.

⁷ Petitioner proposes the same level of ordinary skill in the art that the Board adopted in PGR2020-00084, Pet. 2–3 (citing Ex. 1008, 11), and which matches the level of ordinary skill addressed preliminarily in the institution decision in IPR2023-01235 (IPR2023-01235, Paper 11 at 13–14).

At this stage of the proceeding and on the present record, we find that Petitioner’s uncontested level of ordinary skill in the art is consistent with the level of ordinary skill in the art reflected by the ’451 patent and the prior art of record. *See Okajima v. Bourdeau*, 261 F.3d 1350, 1355 (Fed. Cir. 2001); *In re GPAC Inc.*, 57 F.3d 1573, 1579 (Fed. Cir. 1995); *In re Oelrich*, 579 F.2d 86, 91 (CCPA 1978). Therefore, we adopt Petitioner’s level of ordinary skill in the art, as articulated above, in our consideration of the issues presently before us.

C. Claim Construction

In this *inter partes* review, claims are construed using the same claim construction standard that would be used to construe the claims in a civil action under 35 U.S.C. § 282(b). *See* 37 C.F.R. § 42.100(b) (2020). The claim construction standard includes construing claims in accordance with the ordinary and customary meaning of such claims as understood by one of ordinary skill in the art at the time of the invention. *See id.*; *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312–14 (Fed. Cir. 2005) (en banc). In construing claims in accordance with their ordinary and customary meaning, we take into account the specification and prosecution history. *Phillips*, 415 F.3d at 1315–17.

Additionally, only terms that are in controversy need to be construed, and these need be construed only to the extent necessary to resolve the controversy. *See Realtime Data, LLC v. Iancu*, 912 F.3d 1368, 1375 (Fed. Cir. 2019) (“The Board is required to construe ‘only those terms . . . that are in controversy, and only to the extent necessary to resolve the controversy.’”) (quoting *Vivid Techs., Inc. v. Am. Sci. & Eng’g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999)).

First, Petitioner contends that it “applies the ordinary meaning of the terms.” Pet. 11 (citing Ex. 1003 ¶ 92).

Second, Petitioner asserts that “the plain meaning of ‘transaction processor’ is as the Board construed it in PGR2020-00084: ‘a processor that processes transactions between two devices.’” Pet. 12 (quoting Ex. 1008, 22) (citing Ex. 1008, 13–24; Ex. 1003 ¶¶ 93–94).

Third, Petitioner contends “[t]he claims and [S]pecification are clear that the transaction processor is a separate device from the POS terminal and the lottery administration system.” Pet. 12 (citing Ex. 1003 ¶¶ 95–96). Petitioner asserts that claim 6 makes clear that these are separate components by reciting “a ‘transaction processor comprising: at least one communication interface for communicating with *other computing systems*’ and a ‘processing unit configure[d] to ‘transmit[]’ and ‘receiv[e]’ information from a POS terminal or lottery administration system.” *Id.* (alterations in original). Petitioner also contends the Specification “supports that these components are separate.” *Id.* (citing Ex. 1001, 8:8–15, 8:59–62). And Petitioner asserts that, in PGR2020-00084, the Board reached a similar conclusion. *Id.* (citing Ex. 1008, 17–20, 20–22).

In PGR2020-00084, the Board construed “transaction processor”⁸ in accordance with its plain meaning as “a processor . . . that processes transactions between two devices” and specifically “decline[d] to limit processors . . . to ‘third party’ processors . . . because the intrinsic record does not justify such a modification and it would create uncertainty.” Ex. 1008, 22. Petitioner contends that, unlike the claims at issue in

⁸ In that proceeding, the Board also construed “transaction processor system.” Ex. 1008, 13–22.

PGR2020-00084, the claims at issue here expressly recite “third-party transaction processor,” and therefore “it is not necessary to further construe” the term. Pet. 12–13 (citing Ex. 1003 ¶ 97).

Patent Owner does not take a position as to claim construction at this stage of the proceeding. *See generally* Prelim. Resp.

At this stage of the proceeding and on the present record, we need not construe any claim terms expressly because none are in dispute. *See Realtime Data*, 912 F.3d at 1375.

D. Ground 1: Obviousness over Irwin

Petitioner asserts that Irwin would have rendered the subject matter of claims 1–9 and 11–24 obvious to one of ordinary skill in the art at the time of the invention. Pet. 13–45.

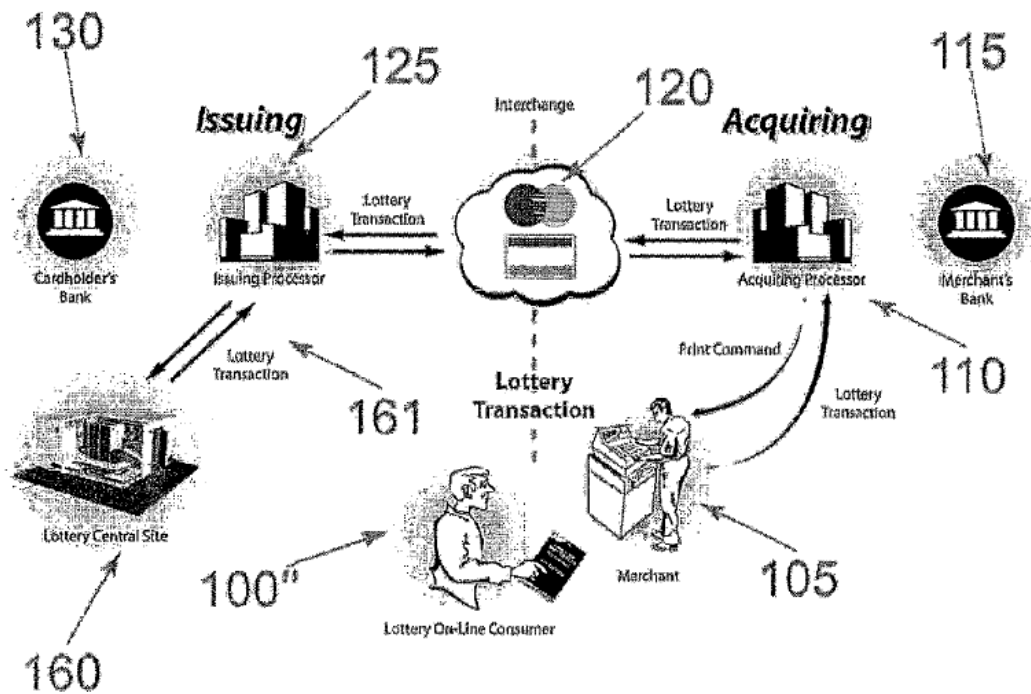
1. Scope and Content of the Prior Art

a. Irwin (Ex. 1030)

Irwin is directed to “methods and systems for performing all logistical functionality (e.g., activation, sales, validation, etc.) of lottery and contest type tickets (e.g., instant lottery tickets, on-line lottery tickets, promotional materials, etc.) using existing infrastructures without the need for additional lottery or game specific hardware installed at a retailer’s location.”

Ex. 1030, 1:12–18. Irwin explains that the use of existing infrastructures “also enables street vendors to readily: activate, sell, and validate lottery tickets, and to pay applicable prizes of lottery games.” *Id.* at 1:18–21.

Figure 11 is reproduced below.



Irwin's Figure 11 "is a flow chart of the representative example of the existing credit/debit card interchange network of [Figure] 1 when it is utilized for on-line lottery ticket sales." Ex. 1030, 3:29–31. Irwin explains that once a customer engages with a merchant for quick-pick (i.e., "numbers automatically selected for the consumer") purchases of on-line tickets, "the pending quick-pick transaction is forwarded to the acquiring processor 110 ([Figure] 11), routed through the interchange 120, to the issuing processor 125." *Id.* at 9:50–56, 9:66–10:1. According to Irwin, "[t]he issuing processor would then detect either a lottery [Bank Identification Number (BIN)] or a special 'lottery quick-pick BIN' and route the pending transaction through the designated channel 161 to the lottery's central site 160 or complementary gaming system." *Id.* at 10:1–5. Irwin explains

[t]he lottery's central site or complementary gaming system would then decode the quick-pick request, use a random number generator to generate a pseudorandom quick-pick, log

the quick-pick transaction with a generated serial number on its database, and transmit a print command documenting the quick-pick and the assigned serial number to be printed on the merchant's printer at his or her location 105 and recorded at the central site at a later time if a complementary gaming system is used.

Id. at 10:5–14.

2. *Claim 1*

a. *1[pre]*

The preamble of claim 1 recites “[a] method for providing a manufactured, pre-printed, random draw lottery ticket comprising.” Ex. 1001, 10:34–35. Petitioner contends “Irwin discloses this limitation.” Pet. 13 (citing Ex. 1003 ¶¶ 99–101). Petitioner asserts “Irwin is directed to ‘[l]ogistics methods for portable, mobile processing of lottery and contest tickets.’” *Id.* (citing Ex. 1030, code (57)). Petitioner further contends that Irwin discloses an embodiment where “[f]or quick-pick . . . purchases of **on-line tickets**,’ a merchant displays ‘a plastic hanging card 200’ that is manufactured and pre-printed ‘with a quick-pick coded interchange compatible barcode 201’ for customer selection.” *Id.* (alteration and omission in original) (citing Ex. 1030, 9:50–56). Petitioner asserts that “[t]hese cards are tickets for a **random draw lottery** that supports ‘quick-pick (i.e., numbers automatically selected for the consumer),’ such as ‘Pick 3, Pick 4, Powerball, Mega Millions,’ which are random draw lotteries.” *Id.* (citing Ex. 1030, 9:50–56). Petitioner points to Figure 12, reproduced below, as depicting “the **manufactured, pre-printed, random draw lottery cards**.” *Id.* (citing Ex. 1003 ¶ 100).

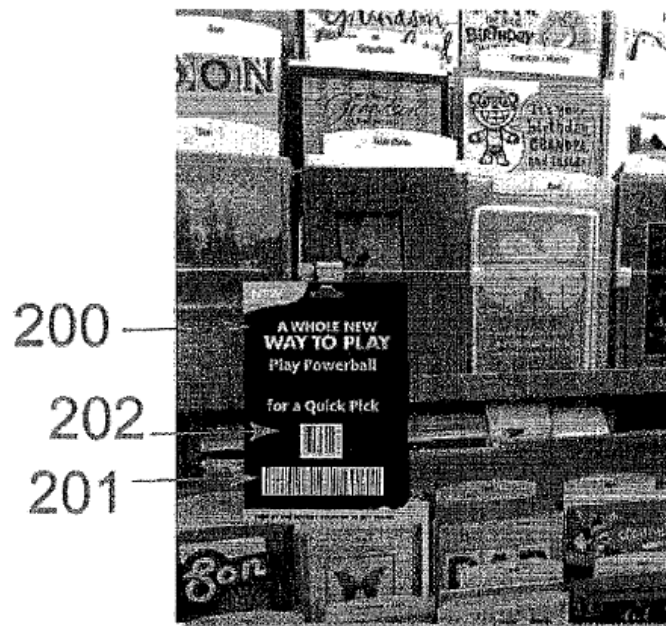


FIG 12

Irwin’s Figure 12 “is a front plan view of a first representative example of a quick-pick card compatible with [Irwin’s] interchange network.” Ex. 1030, 3:32–34.

Petitioner also points to Irwin’s Figure 21, reproduced below, as disclosing “preprinted passive tickets 224” that are sold through street vendors that are registered as sold on a central site. Pet. 14 (citing Ex. 1030, 16:65–17:2). Petitioner contends Figure 21 “depicts an example of ‘a preprinted passive ticket,’ which is a *manufactured, pre[-]printed, random draw lottery ticket*.” *Id.* (citing Ex. 1003 ¶ 101).

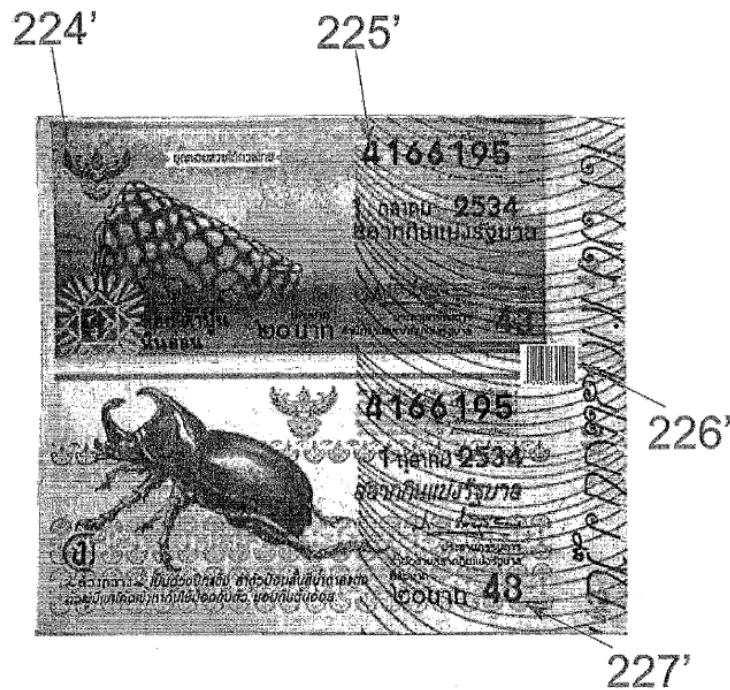


FIG 21

Irwin’s Figure 21 “is a front plan view of a first representative example of a preprinted passive ticket.” Ex. 1030, 3:59–60.

At this stage of the proceeding, Patent Owner does not challenge Petitioner’s argument and evidence directed to the preamble of claim 1. *See generally* Prelim. Resp.

We find Petitioner’s arguments persuasive as to the preamble of claim 1 and supported on the record before us for the reasons explained by Petitioner.⁹

b. Element 1[a]

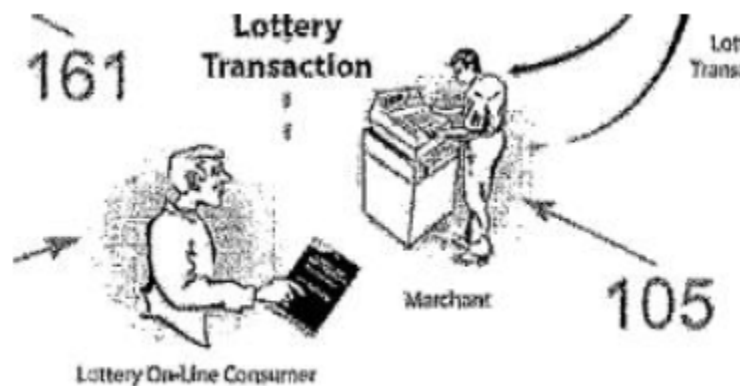
Element 1[a] recites

(a) receiving, by a third-party transaction processor, a transaction request from a retailer point of sale (POS) to activate the manufactured, pre-printed, random draw lottery

⁹ We need not determine whether the preamble of claim 1 is limiting because we find, on the present record, that Petitioner has shown it is met by Irwin.

ticket, wherein the manufactured, pre-printed, random draw lottery ticket is selected by a customer prior to initiation of a check-out process and is presented by the customer for activation during the checkout process.

Ex. 1001, 10:36–43. Petitioner first addresses the latter portion of element 1[a], contending Irwin teaches “[w]herein the manufactured, pre-printed, random draw lottery ticket is selected by a customer prior to initiation of a check-out process and is presented by the customer for activation during the checkout process” by disclosing that “the consumer . . . take[s] a plastic hanging card 200 [*i.e.* **lottery ticket**] . . . to the merchant,’ who will ‘take the hanging card . . . and scan the UPC barcode for the quick-pick request,’ *i.e.* **a check-out process.**” Pet. 15 (alterations and omissions in original) (citing Ex. 1030, 9:51–60; Ex. 1003 ¶¶ 102–103). Petitioner points to a portion of Irwin’s Figure 11, reproduced below from the Petition, which Petitioner contends “depicts a ‘Lottery On-Line Consumer’ **presenting** a hanging card to a ‘Merchant’ at a POS terminal **for activation.**” *Id.*



Irwin’s Figure 11 “is a flow chart of the representative example of the existing credit/debit card interchange network of [Figure] 1 when it is utilized for on-line lottery ticket sales.” Ex. 1030, 3:29–31.

Additionally, Petitioner contends ‘[s]treet vendors’ also sell pre-printed lottery cards, which are also activated by a ***check-out process***.” Pet. 16 (citing Ex. 1030, 9:57–58, 12:44–46, 13:40–42, 15:65–16:19). Petitioner asserts that “Irwin also discloses that ‘preprinted passive tickets’ are ‘sold through street vendors,’ and a [person of ordinary skill in the art] would understand that such tickets are ***selected by a customer and presented to the street vendor for activation***.” *Id.* (citing Ex. 1030, 16:65–17:1). Petitioner contends one of ordinary skill in the art would have found it obvious “that the street vendor could allow a customer to select and present the preprinted passive tickets because that would allow the customer to choose which ticket to purchase, especially when the vendor may have different types of lottery tickets for sale.” *Id.* (citing Ex. 1003 ¶ 104).

Turning to the first portion of element 1[a], Petitioner contends Irwin discloses “[r]eceiving . . . a ***transaction request from a retailer point of sale (POS) to activate the manufactured, pre-printed random draw ticket***” because “[t]he merchant scans, using ‘***POS equipment*** 105,’ the hanging card’s ‘barcode 201 to trigger a quick-pick request’ (***transaction request***).” Pet. 16 (citing Ex. 1030, 6:31–35, 9:51–60; Fig. 11). Petitioner asserts “[t]his ‘quick-pick request’ is also referred to as a ‘quick-pick transaction’ or, in Figure 11, a ‘Lottery transaction’ and is ‘forwarded to the acquiring processor 110 ([Figure] 11), routed through the interchange 120, to the issuing processor 125.’” *Id.* at 16–17 (color and emphasis omitted) (citing Ex. 1030, 9:66–10:1; Ex. 1003 ¶ 105). Petitioner provides the following annotated version of Irwin’s Figure 11:

tickets.” Pet. 18 (omission in original) (citing Ex. 1030, 13:19–21, 13:40–42). Petitioner contends that “[t]he tablet is a **POS**.” *Id.* (citing Ex. 1030, 13:50–14:9). Petitioner asserts that “[t]he street vendor’s tablet uses the same network (including the same Lottery transaction request, acquiring processor 110, interchange 120, and issuing processor 125) and process as the merchant’s POS terminal to purchase and validate lottery tickets.” *Id.* (color and emphasis omitted) (citing Ex. 1030, 16:30–36, Fig. 19; Ex. 1003 ¶ 107).

Turning to the “third-party transaction processor” language of claim 1, Petitioner contends Irwin teaches “[r]eceiving, by a **third-party transaction processor, a transaction request from a retailer point of sale (POS)**” because Irwin discloses “a number of **third-party transaction processors** that receive the **transaction request** from the merchant’s POS terminal or tablet, including (1) the ‘acquiring processor 110,’ (2) the ‘interchange 120,’ (3) the ‘issuing processor 125,’ and (4) in some embodiments, the ‘issuing/acquiring processor.’” Pet. 18–19 (citing Ex. 1003 ¶ 108).

First, Petitioner asserts the “‘acquiring processor 110’ is a **third-party processor** that receives the **transaction request** from the POS terminal.” Pet. 19 (citing Ex. 1030, 9:66–10:1, Figs. 11, 19). Petitioner contends the “[a]cquiring processor is ‘the institution that has contracted with the merchant to exclusively conduct his or her debit or credit card transactions.’” *Id.* (citing Ex. 1030, 4:24–26). Petitioner asserts the acquiring processor “is a **third-party** processor because it is a different party than the merchant or the customer” and “is a **transaction processor, i.e.** ‘a processor that processes transactions between two devices,’ because it processes transactions between the merchant’s POS or tablet and the

interchange by forwarding the activation request, which it ‘garner[s] a fee for his or her troubles.’” *Id.* (alteration in original) (citing Ex. 1003 ¶ 109; Ex. 1030, 4:27–29).

Second, Petitioner contends “[i]nterchange is a ‘credit or debit card interchange’ that ‘is actually comprised of multiple operators (e.g., Visa, MasterCard, Discover, etc.).” Pet. 19 (quoting Ex. 1030, 4:29–31). Petitioner asserts interchange is “a **third-party** processor” and “is a **transaction processor** because it processes transactions between acquiring processor and issuing processor by ‘forward[ing] the transaction information to the [i]ssuing processor 125 of the card.”” *Id.* (first alteration in original) (citing Ex. 1030, 4:36–38). Petitioner contends interchange 120 “**receives the activation request from the POS terminal** via the acquiring processor 110,” which “is consistent with the ’451 patent’s teaching that ‘point of sale terminal 202’ and ‘transaction processor 630’ are ‘connected to one other through one or more communication networks 218,’” and that data is exchanged “indirectly using the processors of one or more network access points, such as routers or interconnection hubs.” *Id.* at 19–20 (citing Ex. 1030, 9:66–10:1, Figs. 11, 19; Ex. 1001, 8:9–16; Ex. 1003 ¶ 110).

Petitioner asserts issuing processor 125 is a third-party processor because “it is a debit/credit-card-issuing bank.” Pet. 20 (citing Ex. 1003 ¶ 111); *see id.* (issuing processor 125 “is the issuer of the ‘debit or credit card account number 106,’ e.g. the customer’s bank” (citing Ex. 1030, 4:39–42)), *id.* (“The interchange routes transaction data to a particular issuing processor ‘based on the Bank Identification Number embedded in debit or credit account number 106.’” (citing Ex. 1030, 4:33–38)). Petitioner contends issuing processor 125 is a transaction processor because “it

processes transactions between interchange and lottery central site by, for example, ‘detect[ing] either a lottery BIN or a special ‘lottery quick-pick BIN’ and rout[ing] the pending transaction . . . to the lottery’s central site 160.’” *Id.* (first alteration and omission in original) (citing Ex. 1030, 10:1–5). Petitioner asserts issuing processor 125 “***receives the activation request from the POS terminal*** via the acquiring processor 110 and interchange 120.” *Id.* (citing Ex. 1030, 9:66–10:1, Figs. 11, 19; Ex. 1003 ¶ 111).

Petitioner points to the embodiment depicted in Figure 22, contending that “the issuing and acquiring processors 110’ are the same entity” and “there is no need for an interchange.” Pet. 20 (citing Ex. 1030, 17:21–23, Fig. 22). Petitioner annotates Irwin’s Figure 22, reproduced below, asserting “this ‘issuing/acquiring processor’ receives the transaction request directly from a street vendor’s tablet” and for the same reasons addressed above, “the ‘issuing/acquiring processor’ is also a ***third party transaction processor***.” *Id.* at 20–21 (citing Ex. 1030, Fig. 22; Ex. 1003 ¶ 112).

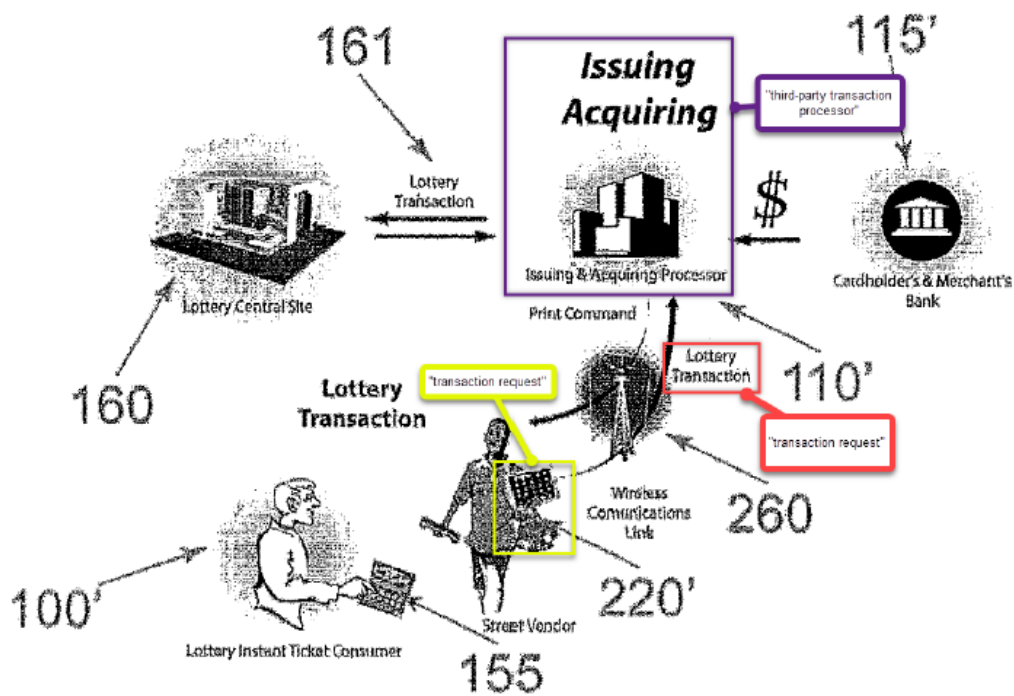


FIG 22

Pet. 21. Petitioner annotated Irwin’s Figure 22 (which “is a flow chart of the representative example of the existing credit/debit card interchange network of [Figure] 19 utilized . . . with the same acquiring and issuing processor” (Ex. 1030, 3:61–63)), to identify a “third-party transaction processor” (purple) and two “transaction request[s]” (red and yellow). Pet. 21.

Petitioner asserts “Irwin discloses that the network used for selling and activating lottery tickets has been ‘readily modified to have the advantage of the street vendor 220’ using the card issuing processor as also the acquiring processor 110’” and that one of ordinary skill in the art “would therefore understand that the combined/acquiring processor is used for activating lottery tickets.” Pet. 21 (citing Ex. 1030, 17:18–21; Ex. 1003 ¶ 113).

Further, Petitioner contends that, to the extent Patent Owner asserts Irwin does not expressly disclose that the network shown in Figure 22 is

used for activating lottery tickets (whether by brick-and-mortar merchants or street vendors), one of ordinary skill in the art would have found it obvious to “use the combined issuing/acquiring processor depicted in Figure 22 for activating lottery tickets.” Pet. 22 (citing Ex. 1003 ¶ 114). In particular, Petitioner asserts one of ordinary skill in the art would have been motivated to do so because “‘there is no need for an interchange, since the issuing and acquiring processors 110’ are the same entity’ and ‘[t]his elimination of the interchange as well as a separate acquiring processor also removes the associated interchange and acquiring processor fees, thus reducing the communication related costs of the transaction.’” *Id.* (alteration in original) (citing Ex. 1030, 17:21–26). And, Petitioner contends one of ordinary skill in the art would have had a reasonable expectation of success “because the acquiring processor, interchange, issuing processor of Figures 11 and 19 have simply been combined into one processor and the activation process otherwise remains the same (and largely the responsibility of the unchanged lottery central site).” *Id.* (citing Ex. 1003 ¶ 114).

At this stage of the proceeding, Patent Owner does not challenge Petitioner’s argument and evidence directed to element 1[a]. *See generally* Prelim. Resp.

We find Petitioner’s arguments persuasive as to element 1[a] and supported on the record before us for the reasons explained by Petitioner.

c. Element 1[b]

Element 1[b] recites “wherein the third-party transaction processor receives transaction requests from a plurality of different retailers.” Ex. 1001, 10:43–45. Petitioner contends “Irwin discloses that the *transaction processors*[—] ‘acquiring processor 110,’ ‘interchange 120’ and

‘issuing processor 125’[—]*receive transaction requests from different retailers.*” Pet. 22 (citing Ex. 1003 ¶¶ 115–120). Petitioner asserts “Irwin describes that the ‘acquiring processor 110’ *receives requests from different retailers* because it is ‘the institution that has contracted with the merchant to exclusively conduct his or her debit or credit card transactions,’ for which it ‘garner[s] a fee.’” *Id.* at 22–23 (citing Ex. 1030, 4:24–26). Petitioner contends that, in 2015, one of ordinary skill in the art would have understood that “such institutions were typically large institutions that had contracts with multiple merchants (hundreds, if not thousands) to conduct their transactions on their behalf.” *Id.* at 23 (citing Ex. 1003 ¶ 116). Petitioner asserts one of ordinary skill in the art “would know that such institutions included large banks such as Wells Fargo, JP Morgan Chase, and Bank of America, as well as technology companies such as Square.” *Id.* (citing Ex. 1003 ¶ 116; <https://nilsonreport.com/newsletters/1046/>).

Additionally, Petitioner asserts that acquiring processor 110 “is part of ‘the existing credit/debit interchange network’ that is used [to] process different transactions with different merchants.” Pet. 23 (citing Ex. 1030, 4:15–19). Thus, Petitioner contends the “‘same interchange network’ is used for ‘gift/debit card activation’ . . . , activation of ‘instant (scratch-off) lottery ticket[s]’ . . . , and activation of ‘quick-pick . . . purchases of on-line tickets’” *Id.* (alteration and penultimate omission in original) (citing Ex. 1030, 4:17–19, 6:24–29, 9:50–65). Petitioner further asserts that “the same network handles requests from multiple ‘brick and mortar merchant locations’ as well as multiple ‘street vendors.’” *Id.* (citing Ex. 1030, 12:44–46). Petitioner contends “Irwin further describes that ‘for this system to work, *each merchant* would have to be assigned an unique inventor report

card 175 ([Figure] 7) with the merchant’s identity encoded on the card . . . ,’ further indicating that the acquiring processor handles requests from multiple retailers.” *Id.* (omission in original) (citing Ex. 1030, 7:10–14, 11:1–3).

Petitioner also asserts Irwin describes that interchange 120 “***receives requests from different retailers*** because it is ‘comprised of multiple operators (*e.g.*, Visa, MasterCard, Discover, etc.).’ which a [person of ordinary skill in the art] would understand are large credit card companies that handle transactions from numerous retailers.” Pet. 24 (citing Ex. 1003 ¶ 118). Petitioner contends that, “[a]s with the acquiring processor, the interchange is also part of ‘the existing gift/debit interchange network’ that is used to handle lottery ticket activation requests from multiple merchants.” *Id.* (citing Ex. 1003 ¶ 118).

Further, Petitioner contends Irwin describes that issuing processor 125 “***receives requests from different retailers*** as the issuer of the ‘debit or credit card account number 106,’ *e.g.* the customer’s bank.” Pet. 24 (citing Ex. 1030, 4:39–42¹⁰). Petitioner asserts that one of ordinary skill in the art would have understood “that such banks handle transactions from numerous retailers which their customers may visit.” *Id.* (citing Ex. 1003 ¶ 119). And Petitioner contends that, “[a]s with the acquiring processor and interchange, the issuing processor is also part of ‘the existing gift/debit interchange network’ that is used to handle lottery ticket activation requests from multiple merchants.” *Id.* (citing Ex. 1003 ¶ 119).

¹⁰ Petitioner’s citation is to “*Id.*, 4:39–42” and the previous citation is to Exhibit 1003 (Hutton’s Declaration). Pet. 24. Nonetheless, we understand Petitioner intended to cite Irwin, Exhibit 1030.

Lastly, Petitioner contends that, “[f]or similar reasons, the combined acquiring/issuing processor in Figure 22 also handles requests from multiple merchants and street vendors.” Pet. 24 (citing Ex. 1030 ¶ 120).

At this stage of the proceeding, Patent Owner does not challenge Petitioner’s argument and evidence directed to element 1[b]. *See generally* Prelim. Resp.

We find Petitioner’s arguments persuasive as to element 1[b] and supported on the record before us for the reasons explained by Petitioner.

d. Element 1[c]

Element 1[c] recites “(b) providing, via a first secured communication, by the third-party transaction processor, to a lottery administration system unique identification information associated with pre-printed lottery ticket information received from the retailer POS without the use of lottery hardware; and.” Ex. 1001, 10:46–51. Petitioner contends that Irwin teaches “[p]roviding . . . **by the third-party transaction processor, to a lottery administration system**” because “Irwin discloses that each of the above **third-party transaction processors** (acquiring processor, interchange, issuing processor, acquiring/issuing processor) provide, either directly or indirectly, the activation request to a ‘lottery central site 160’ (***i.e. lottery administration system***) for activation of the lottery ticket.” Pet. 24–25 (color omitted) (citing Ex. 1030, 10:1–4, Figs. 11, 19, Fig. 22; Ex. 1003 ¶¶ 121–122). Petitioner’s annotated versions of Irwin’s Figures 11 and 22 are reproduced below.

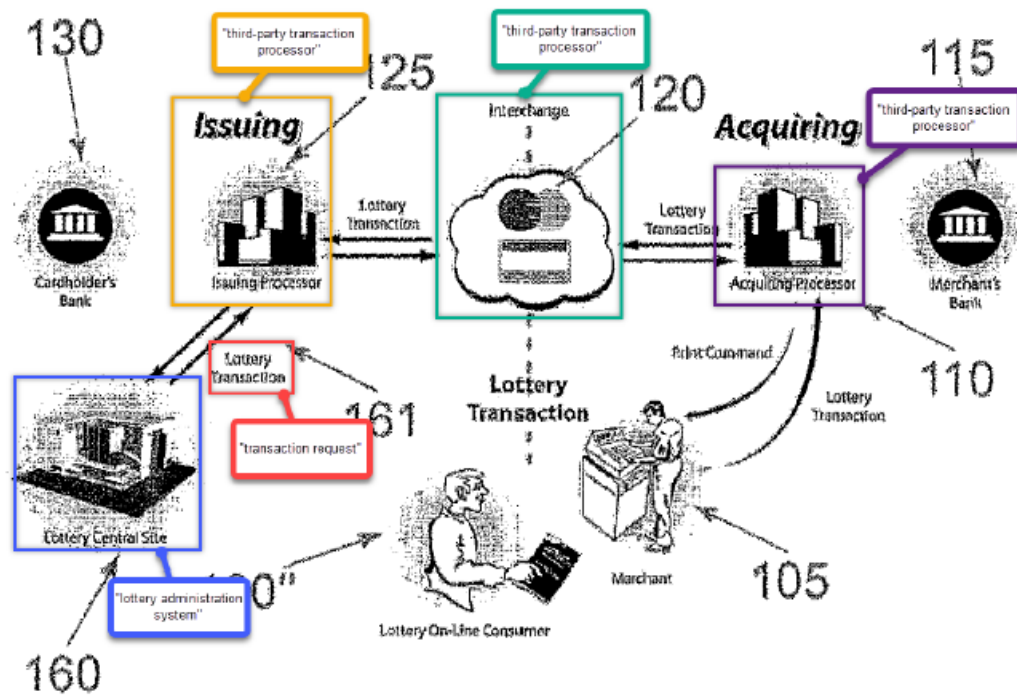


FIG 11

Pet. 25. Petitioner annotated Irwin’s Figure 11 (which “is a flow chart of the representative example of the existing credit/debit card interchange network of [Figure] 1 when it is utilized for on-line lottery ticket sales” (Ex. 1030, 3:29–31)), to identify three “third-party transaction processor[s]” (yellow, green, purple), a “transaction request” (red), and a “lottery administration system” (blue). Pet. 25.

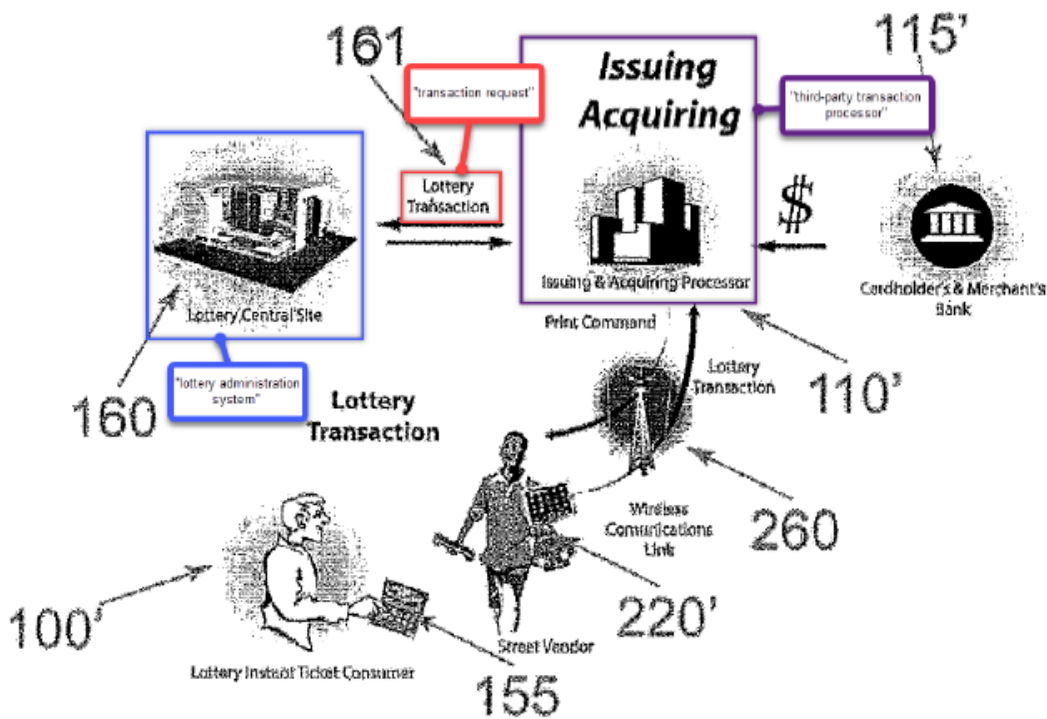


FIG 22

Pet. 26. Petitioner annotated Irwin’s Figure 22 (which “is a flow chart of the representative example of the existing credit/debit card interchange network of [Figure] 19 utilized . . . with the same acquiring and issuing processor” (Ex. 1030, 3:61–63)), to identify a “lottery administration system” (blue), a “transaction request” (red), and a “third-party transaction processor” (purple). Pet. 26.

Petitioner contends Irwin teaches “[v]ia a *first secured communication*” because Irwin discloses “that the request sent to the lottery central site 160 is a *secured communication*.” Pet. 26 (citing Ex. 1003 ¶ 123). Specifically, Petitioner asserts Irwin discloses that “interface 161,” which is “used to send the request to the lottery central site 160,” is “‘secure to data manipulation or monitoring’ and preferably employs ‘a Virtual Private Network (VPN) . . . to ensure that the interface 161 was

authenticated and encrypted, with its unique Internet Protocol (IP) addresses secured from monitoring.” *Id.* (citing Ex. 1030, 6:39–49).

Petitioner asserts Irwin teaches “[u]nique identification information associated with pre-printed lottery ticket information received from the retailer POS” because Irwin discloses that “[t]he third-party transaction processors provide to the lottery central system 160 **unique identification information** associated with the lottery ticket and received from the POS.” Pet. 26–27 (citing Ex. 1003 ¶¶ 124–127).

Petitioner contends that, “for preprinted quick-pick cards, the merchant or street vendor POS extracts ‘a lottery BIN 206’ and a ‘quick-pick coded interchange compatible barcode 201’ from the card that are ‘concatenated to a data blob (207) containing the quick-pick request data,’ which is sent to the lottery central site.” Pet. 27 (citing Ex. 1030, 9:50–65). Petitioner asserts “[t]he lottery BIN is ‘unique to lottery tickets’ and ‘associated with a lottery data blob also provided on the lottery ticket,’ *i.e.* **unique identification information associated with the lottery ticket.**” *Id.* (citing Ex. 1030, claim 1). Petitioner also contends that the “interchange compatible barcode likewise ‘contain[s] the [unique] BIN’” (*id.* (citing Ex. 1030, claim 7)) and that “since the interchange compatible barcode is ‘quick-pick coded,’ it is likewise **unique identification information associated with the lottery ticket.**” *Id.* (citing Ex. 1003 ¶ 125).

Petitioner asserts that, “[f]or pre-printed passive tickets, they are ‘printed in advance with unique identifiers.’” Pet. 27 (citing Ex. 1030, 16:42–44). Petitioner contends that “Figures 20 and 21 depict pre-printed tickets with ‘unique identifiers 227’ and ‘unique serial number 225.’” *Id.* (citing Ex. 1030, 16:60–61). According to Petitioner, “[t]he ‘ticket’s serial

number 225' and 226' (barcode embodiment of serial number) [are] scanned [using the vendor's POS tablet] and recorded in a central site database at the time of sale.” *Id.* (alterations in original) (citing Ex. 1030, 16:67–17:2; Ex. 1003 ¶ 126).

Petitioner contends Irwin teaches “[r]eceived from the retailer POS without the use of lottery hardware” because Irwin discloses “that its system ‘eliminat[es] the need for special vending hardware,’ *i.e.* ‘custom hardware . . . installed at the retailer’s place of business.’” Pet. 28 (second alteration and omission in original) (citing Ex. 1030, 7:43–49, 2:56–57). Petitioner asserts that, “[f]or street vendors, ‘no special lottery equipment is carried by the street vendor.’” *Id.* (citing Ex. 1030, 13:24–25; Ex. 1003 ¶ 127).

At this stage of the proceeding, Patent Owner does not challenge Petitioner’s argument and evidence directed to element 1[c]. *See generally* Prelim. Resp.

We find Petitioner’s arguments persuasive as to element 1[c] and supported on the record before us for the reasons explained by Petitioner.

e. Element 1[d]

Element 1[d] recites “(c) receiving, via a second secured communication, by the third-party transaction processor, from the lottery administration system, indication that draw information has been associated with the manufactured, pre-printed, random draw lottery ticket.” Ex. 1001, 10:52–56. Petitioner contends Irwin teaches “[r]eceiving . . . by the third-party transaction processor, from the lottery administration system, indication that draw information has been associated with the lottery ticket” because Irwin discloses “that after a pre-printed quick-pick card or

pre-printed passive lottery ticket is activated, the lottery central site (*i.e.* **lottery administration system**) provides draw details for the activated ticket (*i.e.* **draw information**) to the above third-party transaction processors.”

Pet. 28 (citing Ex. 1003 ¶¶ 128–131).

Petitioner asserts that,

[f]or activation of a pre-printed quick-pick card, the lottery central cite ‘decode[s] the quick-pick request, use[s] a random number generator to generate a pseudorandom quick-pick, log[s] the quick-pick transaction with a generated serial number on its database, and transmit[s] a print command documenting the quick-pick and the assigned serial number to be printed on the merchant’s printer.

Pet. 28 (alterations in original) (citing Ex. 1030, 10:5–12). Petitioner contends that, “[t]he provision of such draw details, particularly the pseudorandom quick-pick numbers and the serial number, and the print command are **indications that draw information has been associated with the lottery ticket.**” *Id.* at 28–29 (citing Ex. 1003 ¶ 129).

Petitioner contends that, “[f]or activation of a pre-printed passive lottery ticket, the ticket will be ‘registered as sold on the central site,’ which involves ‘tying the ticket to a particular drawing.’” Pet. 29 (citing Ex. 1030, 17:3–13). According to Petitioner, “[o]nce registered, the street vendor can ‘print out a receipt specifying the associated preprinted passive game ticket’s serial number with the drawing’s date and time,’ *i.e.* **draw information association with the lottery ticket.**” *Id.* (citing Ex. 1030, 17:13–16).

Petitioner thus contends that, “[s]ince it is the lottery central site which associates a ticket to a particular drawing, such draw information was sent by the lottery central site to the street vendor, which is an indication that said

draw information was associated with the lottery ticket.” *Id.* (citing Ex. 1003 ¶ 130).

Further, Petitioner asserts Irwin discloses “[v]ia a **second secured communication**” because Figures 11, 19, and 22 depict that “draw details from the lottery central site are sent through channel 161, which as described above is a secure channel.” Pet. 29. Thus, Petitioner contends “the draw details sent by the lottery central site are a **secured communication**.” *Id.* (citing Ex. 1003 ¶ 131).

At this stage of the proceeding, Patent Owner does not challenge Petitioner’s argument and evidence directed to element 1[d]. *See generally* Prelim. Resp.

We find Petitioner’s arguments persuasive as to element 1[d] and supported on the record before us for the reasons explained by Petitioner.

3. Claims 2–9, 11–24

Petitioner provides a similarly detailed analysis with argument supported on the present record showing how Irwin would have rendered obvious the subject matter of claims 2–9 and 11–24 to one of ordinary skill in the art at the time of the invention. Pet. 29–45.

At this stage of the proceeding, Patent Owner does not challenge Petitioner’s argument and evidence directed to claims 2–9 and 11–24. *See generally* Prelim. Resp.

We have reviewed Petitioner’s detailed arguments and evidence, and we find Petitioner’s arguments persuasive as to claims 2–9 and 11–24 and supported on the record before us for the reasons explained by Petitioner. Pet. 29–45.

4. Objective Indicia of Nonobviousness

Neither party presents evidence of objective indicia of nonobviousness at this stage of the proceeding.

5. Weighing the Graham Factors

“Once all relevant facts are found, the ultimate legal determination [of obviousness] involves the weighing of the fact findings to conclude whether the claimed combination would have been obvious to an ordinary artisan.” *Arctic Cat*, 876 F.3d at 1361. On balance, considering the record presently before us, Petitioner has established a reasonable likelihood that it would prevail in showing that Irwin would have rendered the subject matter of claims 1–9 and 11–24 of the ’451 patent obvious to one of ordinary skill in the art at the time of the invention.

E. Ground 2: Obviousness over Irwin and Szrek

Ground 3: Obviousness over Szrek and Llach

Ground 4: Obviousness over Szrek, Llach, and Gilmore

Petitioner asserts (1) Irwin and Szrek would have rendered the subject matter of claim 10 obvious, (2) Szrek and Llach would have rendered the subject matter of claims 1–10 and 12–24 obvious, and (3) Szrek, Llach, and Gilmore would have rendered the subject matter of claim 11 obvious to one of ordinary skill in the art at the time of the invention. Pet. 2, 45–70. As noted above, Patent Owner does not challenge Petitioner’s argument and evidence under these Grounds in the Preliminary Response. *See generally* Prelim. Resp. Because we have determined above that, at this stage of the proceeding and on the present record, the information presented in the Petition shows that there is a reasonable likelihood that Petitioner will prevail with respect to its challenge based on Irwin (Ground 1), we need not

address, in this Decision, Petitioner’s additional challenges. *See* 35 U.S.C. § 314(a); *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018) (“Section 314(a) does not require the Director to evaluate every claim individually. Instead, it simply requires him to decide whether the petitioner is likely to succeed on ‘at least 1’ claim. Once that single claim threshold is satisfied, it doesn’t matter whether the petitioner is likely to prevail on any additional claims; the Director need not even consider any other claim before instituting review.”).

IV. PATENT OWNER’S MOTION FOR PROTECTIVE ORDER AND MOTION TO SEAL

Patent Owner filed a combined Motion for Protective Order and Motion to Seal requesting the entry of the Board’s default protective order and seeking to seal Exhibits 2004, 2006–2008, and 2010–2014 as well as portions of Patent Owner’s Preliminary Response discussing Patent Owner’s allegedly confidential information. Mot. 2.¹¹ Patent Owner represents that Petitioner does not oppose entry of the proposed protective order and takes no position on the Motion to Seal. *Id.* at 10. Patent Owner explains that the information it seeks to seal consists of “Patent Owner’s sensitive business information that is not publicly available.” *Id.* at 3. Patent Owner asserts the information specifically pertains to “several confidential disclosures of its intellectual property” to Linq3 during a period of time in which Patent Owner and Linq3 were engaged in a Product Distribution Agreement

¹¹ Patent Owner’s combined Motion does not include page numbering. Going forward, Patent Owner should ensure that each document filed in this proceeding includes page numbers. In our citations to specific pages of the Motion, we treat the caption page as page one.

(Ex. 2002), which Agreement included restrictions on confidential information exchanged by the parties (*see id.* at 9 (paragraphs 8.1–8.3)). Mot. 2; *see id.* at 4–5 (providing a general description of each exhibit and confidential information contained therein).

The standard for granting a motion to seal is “for good cause.” 37 C.F.R. § 42.54(a). The moving party bears the burden to show entitlement to the requested relief and to establish that the information sought to be sealed is confidential information. *Id.* § 42.20(c). The “good cause” standard for granting a motion to seal reflects the strong public policy for making all information in an *inter partes* review open to the public. *Argentum Pharms. LLC v. Alcon Rsch., Ltd.*, IPR2017-01053, Paper 27 at 3 (PTAB Jan. 19, 2018) (informative). When assessing whether the standard has been met, we may consider whether the information at issue is truly confidential, whether harm would result upon public disclosure, and whether the interest in maintaining confidentiality as to the information outweighs the strong public interest in an open record. *Id.* at 3–4.

We have reviewed the documents at issue and we agree with Patent Owner that they reflect confidential business strategy and information which is worthy of protection via a protective order. We find that Patent Owner’s public filing of its redacted Preliminary Response (Paper 9) strikes the right balance “between the public’s interest in maintaining a complete and understandable file history and the parties’ interest in protecting truly sensitive information.” Consolidated Trial Practice Guide (Nov. 2019) (“CTPG”),¹² 19. Further, the general nature of Patent Owner’s reliance on

¹² Available at <https://www.uspto.gov/TrialPracticeGuideConsolidated>.

the sealed exhibits is discernable from the public version of the Preliminary Response. *See generally* Paper 9.

Additionally, Patent Owner requests that we enter the Board’s default protective order—the same protective order that the Board entered in related case IPR2023-01235. Mot. 7 (citing Ex. 2036¹³). The Motion, however, indicates that the proposed protective order (Exhibit 2047) was taken from the Board’s July 2019 Trial Practice Guide Update. *Id.* (hyperlink included in Motion). We remind Patent Owner that the CTPG is the current governing practice guide, including the default protective order therein (although substantively the same as the default protective order included in the July 2019 Update). *See* CTPG 117–22. Going forward, the parties should refer to the CTPG for all relevant practice guide information.

For the reasons noted above, Patent Owner’s Motion for Protective Order and Motion to Seal is *granted*. And, as indicated in the Order below, Exhibit 2047 is now the protective order applicable to this proceeding.

V. CONCLUSION

For the reasons discussed above, we do not exercise our discretion to deny institution. Additionally, Petitioner has demonstrated a reasonable likelihood that it would prevail in showing that at least one claim of the ’451 patent is unpatentable. Our analysis is based on the preliminary record

¹³ The Motion erroneously cites to Exhibit 2036, which is an order from the Arizona Superior Court. *See* Ex. 2036; Prelim. Resp. vi (Exhibit List identifying Exhibit 2036). Exhibit 2047 is the proposed protective order submitted by Patent Owner. *See* Ex. 2047; Prelim. Resp. vii (Exhibit List identifying Exhibit 2047). For clarity, we point to Exhibit 2047 going forward.

developed thus far and may change after the record is developed fully, during trial.

VI. ORDER

Accordingly, it is:

ORDERED that, pursuant to 35 U.S.C. § 314(a), *inter partes* review is instituted as to claims 1–24 of the '451 patent on each ground set forth in the Petition;

FURTHER ORDERED that Patent Owner's Motion for Protective Order and Motion to Seal (Paper 10) is *granted*;

FURTHER ORDERED that the Protective Order filed as Exhibit 2047 will govern this proceeding; and

FURTHER ORDERED that, pursuant to 35 U.S.C. § 314(c) and 37 C.F.R. § 42.4(b), *inter partes* review of the '451 patent shall commence on the entry date of this Decision, and notice is hereby given of the institution of a trial.

IPR2024-00465
Patent 11,488,451 B2

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