

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. IPR2024-00465
U.S. Patent No. 11,488,451

PATENT OWNER'S CORRECTED SUR-REPLY

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I. INTRODUCTION

The Board should reject Petitioner's invalidity challenges because the Petition fails to prove invalidity by a preponderance of the evidence and because the Reply only belatedly provides evidence that Petitioner should have provided to make its prima facie case. In answer to the Patent Owner's Response (POR) showing that Petitioner's expert (Mr. Hutton) asserted conclusory opinions as fact without reasoning, the Reply provides new evidence and a new expert declaration, which confirms the failures of Petitioner's initial evidentiary showing. Petitioner's expert lacks credibility because he changed his opinions across his various declarations and at his deposition. By contrast, Patent Owner's expert (Dr. Miller) explained the bases for his opinions fully; Petitioner did not challenge any of Dr. Miller's opinions at his deposition.

The Irwin reference contradicts Petitioner's theories that Irwin's plastic hanging cards 200 and passive game tickets 224' are random access lottery tickets that are selected and presented for activation, as claimed. Petitioner's expert opined that a random draw lottery involves, among other things, a comparison between "numbers randomly selected during [a] draw event" and player-selected or system-selected draw numbers, which "determine[s] if there is a match and thus a winning ticket." EX1003 ¶ 64. And Petitioner's expert demonstrated that neither the card 200

nor the passive game ticket 224' have these characteristics. Petitioner's new expert declaration recants this prior opinion.

With respect to the Szrek/Llach combination, Petitioner's Reply characterizations confirm that there is no motivation, save hindsight, to add a third party transaction processor to the Szrek system.

II. ARGUMENT

A. Dr. Miller is a Qualified Expert

The Board should reject Petitioner's argument that Dr. Miller is not a qualified expert. Reply § I. Dr. Miller has a Ph.D. in computer science, decades of teaching experience, and a working familiarity with POS activation systems and lottery systems. EX2052 ¶¶ 3-15, 67. His experience aligns neatly with the '451 Patent's disclosure, with Petitioner's description of the state of the art, and the references on which Petitioner's invalidity challenges are based. *Compare* EX1037 at 33:22-35:19 (Dr. Miller designed a POS system that activated gift cards) *with* EX1001, Abstract (describing sales of lottery tickets through retailer POS equipment "as any other common product"), Pet. § IV (describing state of the art), EX1005 col. 2:36-51 (describing activation of merchandise at a cash register), EX1006 [0004] (activation of a stored value card at POS equipment), *and* EX1030 col. 4:51-5:49 (describing activation of gift cards). At his deposition, Dr. Miller answered questions that

demonstrate his familiarity with both POS activation systems and lottery systems. *See* EX1037 at 24:23-35:25 (POS systems), 44:4-45:10 (lottery systems).

The adopted definition of the level of ordinary skill requires only a working knowledge of POS activation systems and lottery systems, and it can be met by someone having an advanced degree and limited training or work experience. Pet. § III, POR § V. Dr. Miller's background far exceeds the level of skill called for in the parties' definition, and his testimony will help the Board to understand the evidence of record. FRE § 702(a). Moreover, his opinions on many issues, including characteristics of random draw lotteries, aligns with Mr. Hutton's opinions. *Compare, e.g.,* EX2052 ¶¶ 127-28 *with* EX1003 ¶ 64. Where he disagrees with Mr. Hutton's opinions, his reasoning is clearly set out and thoroughly supported by corroborating material. FRE § 702(b).

B. Mr. Hutton's Supplemental Declaration Should Not Be Considered, and His Opening Declaration is Entitled to No Weight.

The Board should not consider Mr. Hutton's supplemental declaration (EX1036). EX1036 is submitted in response to Patent Owner's explanations that the opening declaration (EX1003) merely parrots attorney argument without explanatory reasoning. POR § VII.A. EX1036 confirms the superficial character of the opening declaration by attempting to provide reasoning for opinions that Mr. Hutton (and Petitioner, for that matter) failed to provide at the outset. For example,

where EX1003 fails to explain why Irwin’s plastic card 200 or its passive game ticket 224’ teaches the claims’ random draw lottery ticket (EX1003 ¶¶ 100-104), EX1036 attempts to provide this reasoning. *See* EX1036 §§ II-III (relating passive game tickets to the claims), IV (the plastic card). This is an improper use of a supplemental declaration. Consolidated Trial Practice Guide (“CTPG”) at 73 (“Petitioner may not submit new evidence or argument in reply that it could have presented earlier, e.g. to make out a prima facie case of unpatentability.”), 74 (A “reply [that] belatedly presents evidence may not be considered.”). This policy applies forcefully, here, because Mr. Hutton testified at deposition that EX1003 describes all factual bases for the opinions provided in that declaration (EX2051 at 13:6-9) and he made no mention of the new facts presented now in EX1036.

EX1036 also takes Mr. Hutton’s opinions in improper new directions. CTPG at 74. As detailed above, Mr. Hutton’s opening declaration fails to explain why a passive game ticket should be considered a random draw lottery ticket, as claimed. The opening declaration explained that, in a random draw lottery, “a player purchases a ticket for a lottery draw event,” “[t]he player can either select his or her own draw numbers or the draw numbers can be randomly selected by the system,” and “[t]he numbers on the player’s tickets are then compared to the numbers randomly selected during the draw event to determine if there is a match and thus a winning ticket” (EX1003 ¶ 64), but the opening declaration fails to compare the

passive game ticket to this standard (*id.* ¶¶ 100-104). Now that the POR demonstrates passive game tickets do have these characteristics, Mr. Hutton revised his description of a random draw lottery. Now, “[n]othing ... requires that a ‘random draw’ game be limited to lotto-type games with randomly-selected numbers that do not always result in a winner.” EX1036 ¶ 9. This, of course, backtracks on the description provided in EX1003, which explained that random draw lotteries involve “numbers randomly selected during [a] draw event” (¶ 64), and therefore his new opinion is improper. CTPG at 73-74.

EX1036 also makes new characterizations of passive game tickets. As noted, Mr. Hutton failed to explain, in EX1003, why a passive game ticket might be considered a random draw lottery ticket. At his deposition, Mr. Hutton described the passive game tickets as “preprinted and serialized,” “sold,” and “then, a drawing is held to determine which of those serial numbers is the winner.” EX2051 at 70:8-15. And, now, Mr. Hutton provides new descriptions of passive games based on new material he “found” after Patent Owner filed its Response. EX1036 ¶¶ 14-15. Now, a lottery purportedly “randomly draws numbers that are compared to the players’ tickets to determine the outcomes” (*id.* ¶ 14 (citing EX1038)), or “winning tickets are selected using two huge lottery wheels,’ where ‘[t]ickets are randomly drawn with one wheel while a second wheel gives the value of the prize to be awarded’” (*id.* ¶ 15 (citing EX1039)). EX1036 goes in new directions as compared to EX1003,

it presents reasoning and supporting evidence far too late, and it should not be considered. CTPG at 73-74.

As explained (POR § VII.A), Mr. Hutton’s opening declaration (EX1003) is entitled to no weight because it fails to provide reasoning that explains the bases for his opinions. The Reply, in answer to the POR’s explanation that Mr. Hutton’s opening declaration fails to explain why a POSITA allegedly would consider Irwin’s hanging card 200 to be a “lottery ticket,” asserts, without specifics, that “Mr. Hutton’s declaration offers substantial support for his opinions.” Reply at 7. But the Reply’s substantive analysis of the card 200 (§ V.B) makes almost no use of EX1003. The Reply (p. 18) cites only to EX1003 at ¶ 100, which, as discussed (POR at 28) presents a conclusion without reasoning. The Reply cites, instead, to other material, new embodiments from Irwin (EX1030)—Mr. Hutton’s new declaration (EX1036), and claims from Irwin’s published application (EX1040)—to argue that the card 200 satisfies the claims. *Id.* By failing to identify reasoning from EX1003 that explains why a POSITA would consider Irwin’s card 200 to be a lottery ticket, Petitioner confirms Patent Owner’s argument: Mr. Hutton’s declaration merely parrots the Petition’s allegations, and it is entitled to no weight. *Xerox Corp. v. Bytemark, Inc.*, IPR2022-00624, Paper 12 at 5 (Decision on Director Review February 10, 2023).

The Reply's answer (pp. 7-8) to the POR's argument, that Mr. Hutton lacks credibility because he based his obviousness analysis, in part, on how Patent Owner entered the lottery ticket activation business in 2018, misses the point. Mr. Hutton lacks credibility, not because he lacks personal knowledge, but because he renders obviousness conclusions on non-prior art activity. Post-filing date activity, of course, is irrelevant to obviousness. 35 U.S.C. § 103 (obviousness is measured from "the effective filing date of the claimed invention"). And the fact that Mr. Hutton would parrot the same legally-improper assertion as the Petition, with the same lack of reasoning, confirms that his declaration is entitled to no weight. *See Xerox*, Paper 12 at 5.¹

The Reply's theory (p. 8), that Mr. Hutton changed his testimony "upon further review of Szrek" is wrong. He changed his testimony in response to leading questions from Petitioner's counsel. *See EX2051* at 113:21-24 ("Q. Would it also be obvious to place a transaction processor in-between the cash register and the game provider? A. Yes, it would."). Mr. Hutton flatly rejected EX2050.0003 as

¹ This is not the first time Mr. Hutton has based opinions on incorrect legal standards. *See Interactive Comm's. Int'l v. Blackhawk Netw'ks, Inc.*, IPR2023-1235, Paper 34 at 43-44 (PTAB February 6, 2025) (assigning little weight to Mr. Hutton's opinions due to application of erroneous legal standards).

representing the modification described in EX1003 ¶ 180 (EX2051 at 104:12 (“no”)), and he reversed himself only when coached by Petitioner. And when he reversed himself, Mr. Hutton acknowledged no error in his prior testimony. Instead, he justified his changed position by rationalizing interpretations of his own declaration. EX2051 at 125:3-21 (“The term ‘cash register’ [in EX1003 ¶ 180] can be interpreted as Point of Sale” ... “I didn’t intend that [statement] to be limited to that particular — particular cash register word.”). Because Mr. Hutton’s deposition testimony changes on a whim and his declaration changes opinions on a whim, it shows that he is not credible.

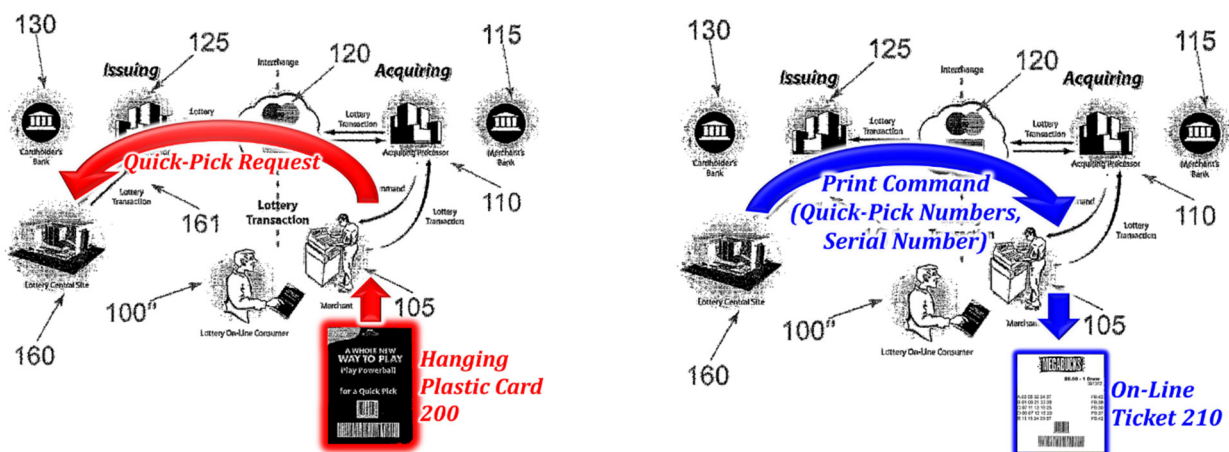
C. The Reply Confirms the Contrived Nature of the Invalidity Theories Based on Irwin.

The Challenged Claims recite a straightforward technique for activating a manufactured, pre-printed, random draw lottery ticket. The ticket “is selected by a customer prior to initiation of a check-out process and is presented by the customer for activation during the check-out process.” EX1001 claim 1. This allows the online lottery ticket to be displayed and purchased as a common in-store product, and the purchase of an online ticket employs a common practice for the customer and the retailer. *Id.* cols. 2:65-3:3, 4:17-26. The “lottery ticket[] can be placed in a customer’s shopping cart and paid for during the normal checkout process.” *Id.* col. 2:52-55.

None of the embodiments that the Petition draws from Irwin teach or suggest this subject matter. Irwin's plastic cards (FIG. 12) are not random draw lottery tickets, and they are not "activat[ed] during the check-out process." The passive game tickets (FIG. 21) sold by street vendors also are not random draw lottery tickets, and they are not "selected by a customer prior to initiation of a check-out process."

1. The Reply confirms that Irwin's plastic hanging card 200 is not a "manufactured, pre-printed, random draw lottery ticket," and it is not "presented by the customer for activation during the check-out process," as claimed.

Patent Owner's Response demonstrates that the Petition's first invalidity theory is wrong. Irwin's plastic hanging card 200 is not a lottery ticket, and it is not activated during any checkout process. Instead, Irwin discloses that the card (*red*) is used to purchase a lottery ticket 210 (*blue*) as a separate instrument:



Irwin, FIG. 11 (annotated)

See POR § VII.B.1.

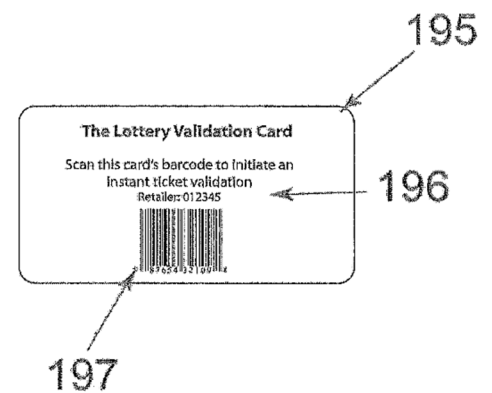
The Reply's arguments (§ V.B) are unavailing. First, contrary to the Reply's argument (p. 19), Patent Owner provides abundant support for its explanation that Irwin's card 200 is not a lottery ticket. The support comes from Irwin and both experts. Irwin very clearly describes the hanging plastic card 200 as a "card" (EX1030 at 3:32-34, 9:20-65) and the on-line ticket 210 as a "ticket" (*id.* at 3:29-31, 3:39-41, 11:20-38). Likewise, both experts identify the card 200 as a "substrate" and the ticket 210 as a "lottery ticket." EX2051 at 52:12-19 (the card 200 (FIG. 12) is a "substrate"), *id.* 56:20-57:1 (the ticket 210 (FIG. 14) is a "printed lottery ticket"); EX2052 ¶¶ 98-115. This evidence overwhelmingly demonstrates that the plastic hanging card 200 is not a lottery ticket.

To the contrary, the Reply's arguments lack support. The passage cited at col. 9:51-59 (Reply at 19) describes the card only as a "card," not a lottery ticket. EX1003 col. 9:51-59 (the consumer takes a *plastic hanging card 200* (FIG. 12) to the merchant for scan) (emphasis added). Irwin's claim 5 and EX1040, claim 7 demonstrate that a lottery ticket is printed after scanning a barcode on a separate substrate, just as the card 200 is a substrate separate from the lottery ticket 210. *See* EX1030 claim 5 ("the lottery tickets ... are preprinted and registered ... by the vendor scanning a barcode containing the unique lottery BIN"); EX1040, claim 7 (same); EX2051 at 52:12-19 (the card 200 (FIG. 12) is a "substrate"), 56:20-57:1

(the ticket 210 (FIG. 14) is a “printed lottery ticket”). The Reply’s cited material confirms that Patent Owner’s understanding of Irwin is correct, not Petitioner’s.

The Reply’s quote of Irwin’s abstract (p. 19) is misleading. Here, Irwin states that an “interchange recognizes the unique lottery BIN and initiates special routing to and further processing of the lottery data at the lottery central site outside of the interchange's debit or credit card data transfer and processing procedures.” EX1030, Abstract. The abstract contains no discussion that refers, even impliedly, to Irwin’s card 200.

The Reply (p. 20) also is wrong when it suggests that EX1040, claim 13 discusses activation of Irwin’s plastic hanging card 200. The claim relates to functions of Irwin’s lottery validation card 195 (*right*),² which places POS equipment into a state to redeem an instant-win ticket. *See* EX1030 col. 8:60-9:11. Claim 13 has no relevance to the card 200.



Irwin, FIG. 10

Irwin refutes Petitioner’s argument that “once the check-out process completes for the quick-pick card, it has been activated for use in redeeming the online ticket, if it is a winner.” Reply at 20. In Irwin, redemption uses the on-line ticket 210, not the card 200. *See* EX1030 col. 11:22-39 (“processing an on-line game

² The Petition does not rely on the validation card 195 in any invalidity challenge.

ticket validation begins [by] presenting a perceived winning on-line ticket 210 (FIG. 14) to the merchant 105,” and the merchant scans the ticket’s barcode); EX2051 at 61:6-9 (Irwin’s system determines whether a lottery ticket is a winner from a scan of the ticket 210 (FIG 14)). Irwin’s lottery central site 160 compares the *ticket’s* serial number (not a card’s serial number) to a number stored in its local database. EX1030 col. 11:58-62. Irwin never suggests that the card 200 is activated or that it is redeemed.

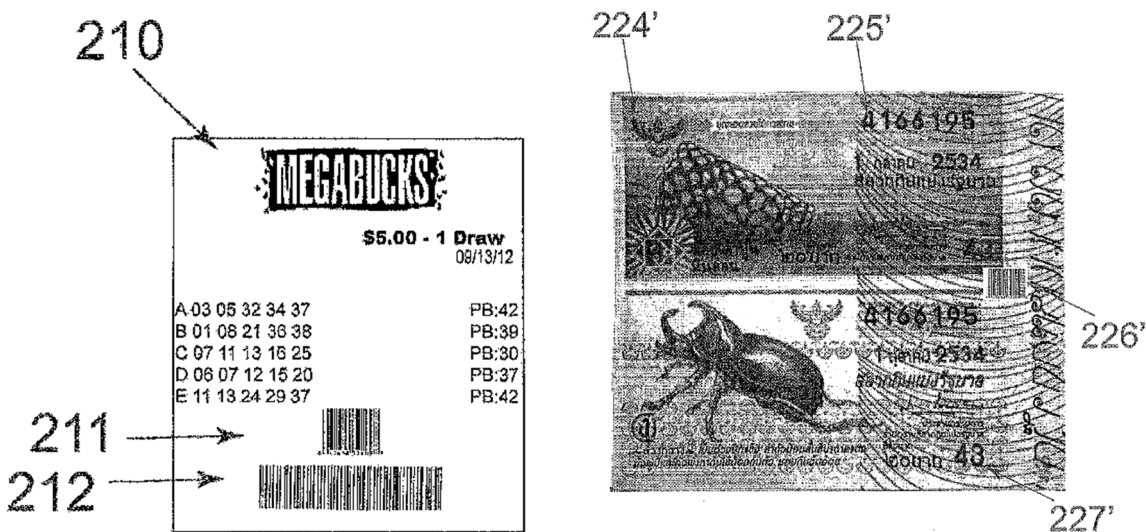
Petitioner’s acknowledgement that a lottery ticket allows a customer to *redeem* a lottery (Reply at 20 (emphasis added)), however, is significant. Again, Petitioner’s expert confirmed that Irwin’s on-line ticket 210, not the card 200, is used to redeem a winning lottery ticket. EX2051 at 61:6-9. This argument confirms that a POSITA would not recognize Irwin’s plastic hanging card 200 as a lottery ticket.

2. The Reply fails to show that Irwin’s passive games involve a “manufactured, pre-printed, random draw lottery ticket” that is “selected by a customer prior to initiation of a check-out process,” as claimed.

Patent Owner’s Response demonstrates that the Petition fails to prove obviousness under its second invalidity theory. As explained (§ VII.B.2), Irwin does not teach that the passive game embodiment involves random draw lottery tickets, or that it is “selected by a customer prior to initiation of a check-out process.” A POSITA would understand that the passive game tickets are akin to raffle tickets:

they have serialized identifiers and, when sold, drawings “pick[] the identifiers that correspond to specific prizes.” EX2051 at 70:8-15; EX1030 col. 16:39-45. And they do not have characteristics of random draw lottery tickets that Petitioner’s expert identified. EX1003 ¶ 64 (in a random draw lottery, “a player purchases a ticket for a lottery draw event,” “[t]he player can either select his or her own draw numbers or the draw numbers can be randomly selected by the system,” and “[t]he numbers on the player’s tickets are then compared to the numbers randomly selected during the draw event to determine if there is a match and thus a winning ticket.”).

Irwin discloses that the passive game ticket is distinct from the lottery ticket:



Irwin FIG. 14 (the lottery ticket) Irwin FIG. 22 (the passive game ticket)

Compare EX1030 col. 3:29-31 (FIG. 11 illustrates an interchange network “when it is utilized for on-line lottery ticket sales”), 3:39-41 (FIG. 14 is a view of an “on-line game ticket”), 13:40-42 (the street vendor 220 can “sell both instant and on-line

(e.g., Pick 3, Pick 4, etc.) lottery tickets”) *with id.* col. 16:41-42 (“In yet another embodiment, a comparable method can be used to sell passive game tickets by street vendors.”). Further, Irwin recognizes a distinction between lottery tickets and other contest tickets. *Id.* col. 1:21-24 (distinguishing contest tickets from lottery tickets). The passive game tickets are carried by mobile street vendors on their person to be sold on the spot. *Id.* col. 12:50-52, 16:41-42. A POSITA would not recognize the passive game tickets as being sold by a process where they are selected by a customer prior to initiation of a check-out process, then presented by that customer for activation during the check-out process.

The Challenged Claims are drawn to “manufactured, pre-printed, random draw lottery ticket[s].” EX1001, claim 1. By this plain recitation, they are not directed to draw-based games generally, as the Reply suggests (p. 11), but instead to random draw lottery tickets. Petitioner’s own expert confirmed that random draw lotteries involve “numbers randomly selected during [a] draw event” that are compared to “numbers on the player’s ticket” “to determine if there is a match and thus a winning ticket.” EX1003 ¶ 64. Dr. Miller agrees. EX2052 ¶¶ 127-28. Petitioner’s expert also confirmed that a passive game ticket does not work this way. EX2051 at 70:8-15 (once tickets are sold, “a drawing is held to determine *which of [their] serial numbers* is the winner.”) (emphasis added). The drawing does not

involve randomly drawn numbers that are selected during a draw event. EX1003 ¶ 64.

Petitioner's contrary arguments are unavailing. First, the Reply's criticisms of Patent Owner's interpretation the term "random draw lottery ticket" fails to recognize that it adopts the description provided by Petitioner's expert. *Compare* Reply at 10 ("PO construes a 'random draw' lottery as one in which 'numbers are randomly selected during the draw event and compared to numbers on a player's ticket.'") *with* EX1003 ¶ 64 ("The numbers on the player's tickets are then compared to the numbers randomly selected during the draw event to determine if there is a match and thus a winning ticket."). A POSITA would understand that random draw lottery tickets have the property that Mr. Hutton described.

The Reply's account of the intrinsic evidence (pp. 11-12) is wrong. The claim language recites "**random draw** lottery ticket[s]," which contradicts Petitioner's argument that the claims relate to all "**draw based** lottery tickets." Moreover, column 1 explains how such lotteries work:

A second type of lottery is a draw-based lottery or "online" lottery, where a player makes a wager on a subsequently occurring event. For example, a player may guess at numbers that will be drawn. ... Once the event occurs, for example the numbers are drawn or generated by the lottery organization, the ticket may be a winner depending on if one or more of the selected numbers were drawn or generated.

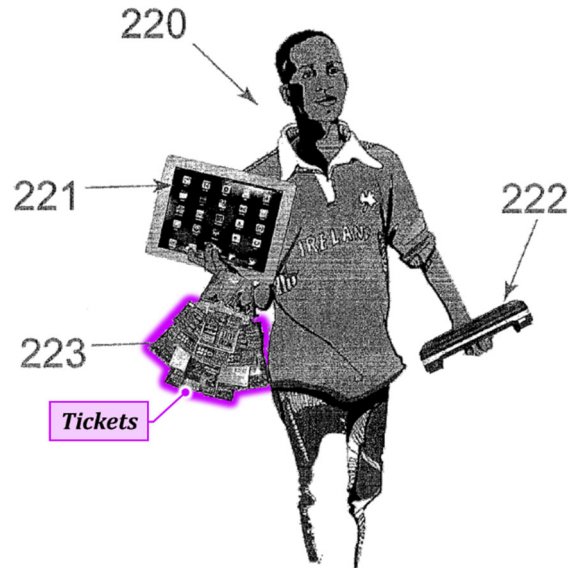
EX1001 col. 1:33-41. This description aligns perfectly with Mr. Hutton's description. EX1003 ¶ 64.

The Reply (pp. 12-13) draws incorrect inferences from the prosecution history. It ignores large portions of the argument to which it cites (EX1002.0660-62 (discussing EX1001 col. 1:31-41 and gambling.com)), which shows that Patent Owner intended to direct the claims to lotteries involving randomly-drawn numbers. This intrinsic evidence demonstrates that Patent Owner's and Mr. Hutton's view of the claims is correct.

As discussed (§ II.B), Petitioner's late-supplied extrinsic evidence, namely, EX1036, EX1038, and EX1039, should not be considered because they are belatedly-presented. CTPG at 73-74. They also take Petitioner's invalidity challenges in new directions by providing characterizations that are found nowhere in the Petition and are contradicted by Mr. Hutton's opening declaration. *Id.* at 73. Moreover, EX1038 is inadmissible hearsay (FRE 801), and is irrelevant to the present obviousness analysis because it bears a copyright date (EX1038.0005 (2025)) that is ten years after the '451 Patent's 2015 effective filing date (EX1001.0001 (63)). 35 U.S.C. § 103 (obviousness is measured from "the effective filing date of the claimed invention"). EX1039 does not purport to describe passive game tickets; the term "passive game ticket" appears nowhere in its disclosure. Even if admissible, EX1036, EX1038, and EX1039 should be given no weight.

The Reply's suggestion (p. 14) that Dr. Miller somehow admitted that passive games are lottery games is unavailing. First, Dr. Miller's declaration provides a thorough review of Irwin's disclosure of passive game tickets and how they differ from the claims' random draw lottery tickets. EX2052 ¶¶ 123-139. He characterizes random draw lottery tickets in much the same way as Mr. Hutton does. EX2052 ¶¶ 127-28, EX1003 ¶ 64. Dr. Miller made no admission at his deposition; he merely repeated language from counsel's question in answering a question on instant tickets. EX1037 at 45:7-8 ("Q. And a passive lottery game, that's also not an instant game, right?"). More telling, Petitioner asked Dr. Miller no substantive questions about Irwin at the deposition. *See* EX1037 at 6:21-23. Petitioner had a full opportunity to cross-examine Dr. Miller on his opinions regarding Irwin's passive game tickets, but it declined.

The Reply, in § V.A, fails to acknowledge clear teachings from the reference's disclosure. Irwin plainly describes the street vendors as mobile roaming retailers, who carry inventory on their persons and conduct street sales on the spot without "an established lottery infrastructure using brick and mortar locations:"



Irwin (EX1030), FIG. 22 (annotated)

EX1030 col. 12:46-52 (street vendors), 16:41-42. This approach could not be more different from the claimed technique, which allows a customer to “select a lottery product at any time with no additional interaction with a lottery retailer and drop the pre-printed lottery ticket(s) into their shopping cart.” EX1001 col. 4:21-24.

The Reply’s argument (p. 15), that Irwin’s description of “on the spot” sales relates only to an instant ticket embodiment, is wrong. Irwin discloses that street vendors sell passive game tickets by a “comparable method” as for instant win tickets. EX1030 col. 16:41-42. The same vendors use the same portable equipment to sell passive game tickets as for instant win tickets, and they register passive game tickets with a central site, just as for instant win tickets. *Id.* cols. 13:19-39 (describing equipment), 14:10-17 (activation of instant tickets), 16:65-17:4 (activation of passive game tickets). This disclosure also shows that the Reply’s argument, that

Irwin's passive game tickets are different from instant tickets because "instant tickets do not require activation by a central system" (pp. 15-16), is wrong.

The Reply's argument, that customers would select and present passive game tickets to the street vendors prior to check-out (p. 16), shows the contrived nature of Petitioner's invalidity challenge. Again, the claims recite that random draw lottery tickets are "selected by a customer *prior* to initiation of a check-out process and [] presented by the customer for activation *during* the check-out process" to allow a customer to "select a lottery product at any time *with no additional interaction with a lottery retailer* and drop the pre-printed lottery ticket(s) into their shopping cart." EX1001 col. 4:21-24 (emphasis added). It is implausible to suggest, as Petitioner asserts (p. 16), that a customer could rummage through inventory carried on the vendor's person without interaction with the vendor. Again, it is far more reasonable to expect that, for a passive game ticket, a customer would interact with the street vendor to request purchase of a game ticket, and the vendor would distribute the next ticket in order. EX2051 at 70:8-15 (tickets are serialized and sold). This is the natural conclusion to be drawn from a reference that describes sales "on the spot" by "roam[ing]" street vendors. EX1030, FIG. 21, col. 12:44-52.

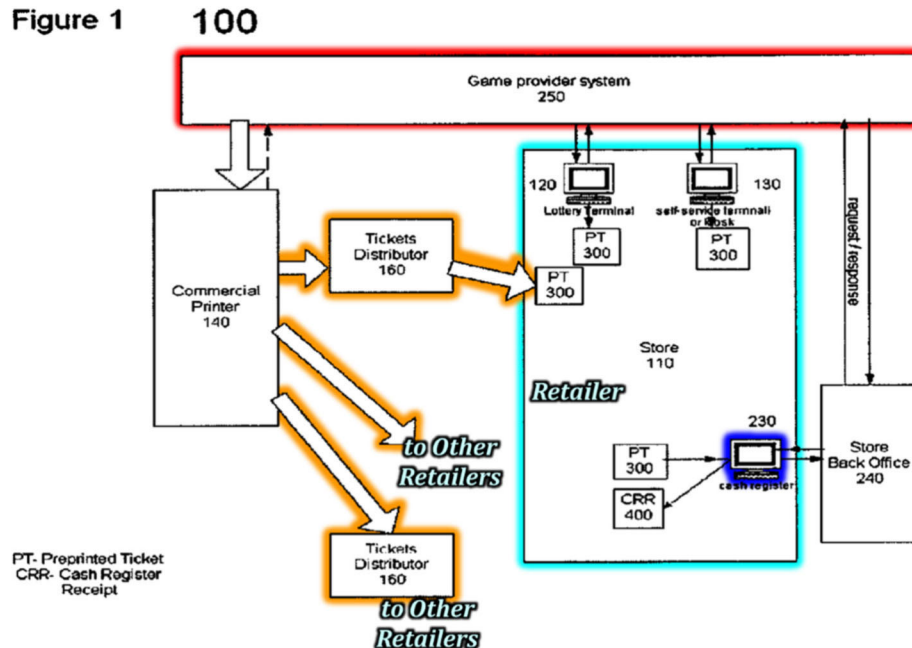
And Irwin contradicts the Reply's theory (p. 16) that street vendors carry passive game tickets on stands. Irwin discloses clearly that the vendors carry inventory on their person (EX1030, FIG. 19), and they roam about, conducting

transactions on the spot (*id.* col. 12:44-52). Expert opinions should not be given weight when their interpretation of the art is contradicted by the art itself. *Shanghai Hongene Biotech Corp. v. Chemgenes Corp.*, IPR2023-00490, paper 35, at 42 (PTAB July 18, 2024) (declining to apply an expert opinion because it is contradicted by the art’s teachings). And, as discussed, Mr. Hutton is not credible.

D. The Reply Confirms that Petitioner’s Motivation to Combine Szrek and Llach is Driven by Hindsight.

In its Response (§ VII.C), Patent Owner demonstrated that Petitioner’s proffered reasons to modify Szrek are not supported by the art. Petitioner proposes to apply the Llach architecture to Szrek simply because it resembles the architecture described by the claims, not because the prior art provides any reason to do so. This is hindsight. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 418 (2007) (“a patent composed of several elements is not proved obvious merely by demonstrating that each of its elements was, independently, known in the prior art.”).

Petitioner’s Reply arguments distort Patent Owner’s arguments and the references’ teachings. It distorts Patent Owner’s argument that Szrek already has a centralized system for activating lottery tickets by pointing to Szrek’s commercial printer 140 (Reply at 24), not the game provider (*red*), as Patent Owner argued:



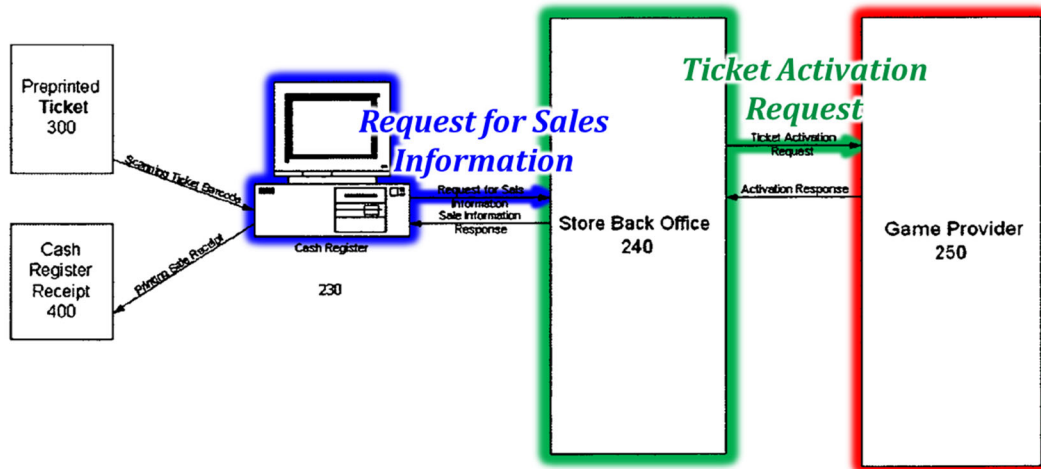
Szrek (EX1005), FIG. 1 (annotated)

See POR at 55-56. Szrek explains that the *game provider 250* distributes tickets to multiple retailers and receives activation requests from them. EX1005, FIG. 1 (above), col. 1:16-19 (checkout points and similar devices), 5:25-26 (devices other than cash registers). Thus, Petitioner’s theory, that adding Llach’s transaction processor somehow would add a centralized activation capability that Szrek lacks (Reply at 23), is incorrect. Szrek already has this capability.

The Reply’s argument (p. 25), that adding Llach’s transaction processor “result[s] in ‘reduce[d] implementation costs’ [allowing] Szrek’s system to add additional game providers seamlessly via a centralized controller,” distorts Llach. In Llach’s system, merchants 105 must be configured to “accept [the] stored value card for business transactions.” *Id.* [0013]; *see also id.* [0019] (POS equipment interprets

a card identifier on the stored value card). Llach has no teaching to suggest that, if a new card or card issuer were added to the Llach system, the transaction computer somehow would configure the merchant POS equipment to accept the new card. The Llach implementation actually increases the hassle of adding new cards because changes must be made at two locations: first, to the merchant equipment 105 and, second, to the transaction computer 150. By contrast, new game providers can be added to Szrek at one location: The back office. EX2052 ¶ 158.

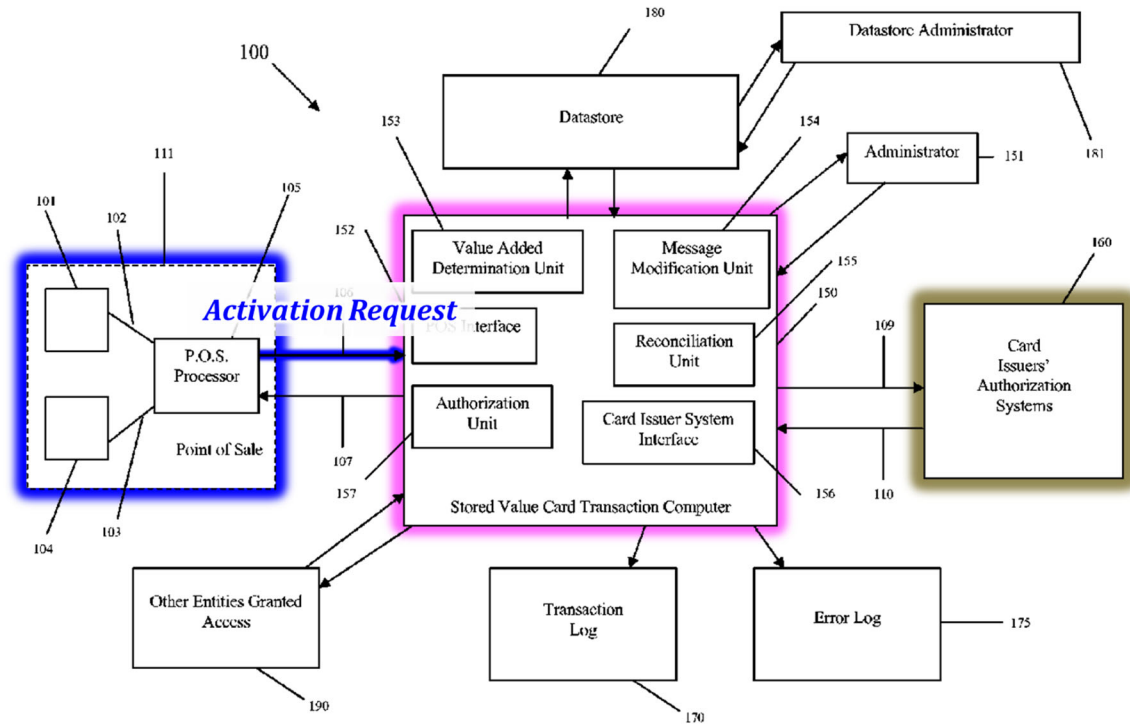
The Reply's argument (p. 25), that a POSITA would add Llach's transaction processor to Szrek because Szrek's back office cannot process gift card activation, distorts Szrek. Szrek teaches that "[s]tores sell merchandise at the cash register requiring some type of activation." EX1005 col. 2:36-38. As examples, Szrek discloses both phone cards (*id.* col. 2:38-51) and lottery tickets (*id.* col. 6:28-43). Szrek further teaches that *the back office* issues activation requests in response to barcodes scanned from such merchandise:



EX1005, FIG. 2 (annotated)

See id. col. 2:48-51 (phone cards), 4:56-64 (tickets). A POSITA would understand that expanding Szrek's system to process new merchandise merely involves reprogramming of Szrek's back office. But, as explained, Llach contains no teaching that its architecture somehow configures merchant equipment to handle new products, as the Reply suggests; the merchant equipment must be configured directly. EX1006 [0013].

The Reply (p. 26) errs when arguing that, because Szrek and Llach both disclose POS equipment that issue activation requests from scanned merchandise, it somehow suggests applying Llach's architecture to the Szrek system. Szrek's POS system generates activation requests without using Llach's architecture. Llach's POS also issues activation requests from a scan of merchandise barcode without needing the transaction computer:



EX1006, FIG. 1 (annotated)

EX1006 [0021] (the POS component 105 transmits a message requesting card activation). In Llach, the transaction processor architecture exists to support Llach's value-add capability. Llach's transaction processor does not merely route activation requests to issuers but, instead, it *alters* those activation requests by changing the value represented in them. EX1006 [0002], [0004], [0015]-[0017]. But a POSITA would not be motivated to add Llach's architecture to Szrek's system to provide an activation functionality that Szrek already possesses.

The Reply's argument (p. 27), that "Szrek's teaching that the POS and game provider system communicate 'indirectly' via an intermediary," does not suggest obviousness, it proves Patent Owner's point. In Szrek, the indirect communication

passes through the back office (EX1005 col. 2:50, 4:22-25); the back office interprets barcode scans and issues activation requests to a game provider. And, because Szrek's back office already provides for indirect communication, there is no reason to modify Szrek according to the Llach architecture. *See South-Tek Sys. v. Engr'd. Corrosion Solns.*, 748 Fed. Appx. 1003, 1006-7 (Fed. Cir. 2018) (the Board's had substantial evidence to reject a motivation theory when applied art had redundant functions); *Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342, 1369 (Fed. Cir. 2012) (no reason to combine two devices that each operate effectively independently).

The Petition demonstrates that Reply's argument (p. 27) that Petitioner's motivation arguments "include[] Llach's teaching of 'adding value to a stored value card in excess of the purchase price'" is untrue. The Petition makes no reference to Llach's added value techniques, either in its motivation analysis (Pet. § C.1) or its analysis of claim 1 (*id.* § C.2).

The Reply's arguments regarding complexity (p. 29), again, distorts Llach. Llach has no teaching that adding "a centralized intermediary greatly reduces complexity and implementation costs because modifications could be performed at one central location." As discussed, Llach states expressly that merchant POS equipment must be configured to recognize new cards (EX1030 [0013]), showing,

again, that Petitioner's modification increases complexity because, now, two systems must be programmed and updated rather than a single system.

The Reply's argument that "Petitioner's combination does not forego the back office for retrieving product type and price information" (p. 30) does not square with the Petition. The Petition states expressly that "Szrek discloses that the 'cash register 230' sends a 'transactional request to the game provider 250'" and "Szrek further discloses that 'the cash register is capable of communicating with the game provider system' either 'directly or indirectly.'" Pet. at 52. It describes no role for the back office. The Reply's suggestion that, now, the cash register sends authorization requests through the back office rewrites the Petition's invalidity grounds into something that the Petition itself does not advance. The Petition proposed a modification that "incorporate[s] Llach's teachings of an intermediary transaction computer between Szrek's cash register and game provider system" (Pet. at 47). It makes no mention of the back office.

Similarly, the Petition did not argue a modification that places a transaction processor between a back office and the game provider (Reply at 30-31). The Petition proposed to place "an intermediary transaction computer between Szrek's cash register and game provider system" (Pet. at 47); see also *id.* at 52 ("Szrek discloses that the 'cash register 230' sends a 'transactional request to the game provider 250'"). Again, the Petition never described the back office as included in

any communication flow between the cash register and the game provider. Petitioner should not be permitted to extend its invalidity challenge to the configuration shown in EX2049 as this is a modification that the Petitioner never identified.

The Reply's arguments that the proposed architecture "need not record its own accounting" or it simply would reuse Llach's (p. 31-32) should be rejected as inconsistent with Llach. Llach describes in detail the accounting processes to be performed by its transaction processor. *See* EX1030 [0027] (describing transaction logs and reconciliation), [0039] (reconciliation), [0050] (same). Llach does so to implement its added-value capability, by properly "reflect[ing] which entities received value from which other entities." *Id.* [0039]. But, here, Petitioner merely proposes using the Llach architecture to implement Szrek's capability, not Llach's capability. This incurs added complexity unnecessarily; it increases implementation costs to implement Szrek's system, when Szrek's system already implements a ticket activation capability in a direct store-to-game provider architecture (EX1005, FIG. 2) without such complexity.

III. CONCLUSION

For the reasons explained in the POR and hereinabove, Patent Owner requests the Board to reject the invalidity grounds proposed in the Petition.

Respectfully submitted,

Date: April 24, 2025

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CERTIFICATE OF WORD COUNT

The undersigned certifies that the foregoing Patent Owner's Corrected Sur-Reply exclusive of the Table of Contents and the Table of Authorities, has a word count of 5,566 words as computed by Microsoft Word.

Date: April 24, 2025

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CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing Patent Owner's Sur-Reply was served electronically via email on April 24, 2025, on the following:

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