

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 REQUEST FOR DIRECTOR REVIEW

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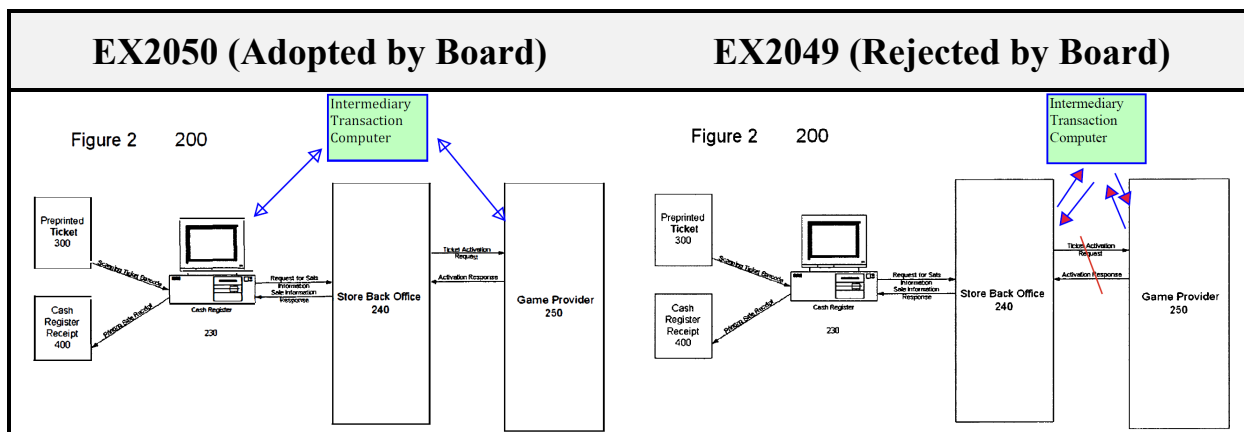
Patent Owner respectfully requests Director review and reversal of the Final Written Decision, paper 36 (the “FWD”), in this *inter partes* review. See 37 CFR § 42.75.

I. INTRODUCTION

The Board determined that all claims of U.S. Patent No. 11,488,451 (the “’451 Patent”) are obvious based on the combination of two references, Szrek and Llach.¹ FWD at 55. Specifically, based upon the opinion of Petitioner’s expert, Michael Hutton, the Board concluded that there was motivation to modify Szrek’s lottery processing system by incorporating Llach’s intermediary transaction computer to facilitate communication between Szrek’s cash register 230 and a game provider 250. The Director should review and reverse the FWD because Mr. Hutton’s testimony is so riddled with contradictions, the Board abused its discretion in crediting his testimony; the Board further made erroneous findings of fact that there was motivation to combine Szrek and Llach.

Mr. Hutton’s declaration lacked specificity regarding how Szrek should be modified. To understand his opinion, Patent Owner created two annotated configurations, EX2049 and EX2050, during Mr. Hutton’s deposition:

¹ These are Grounds 3 and 4 of the Petition. The FWD did not address Grounds 1 and 2 that were based on an “Irwin” reference. FWD at 55.



The EX2050 configuration was shown to Mr. Hutton first, but he rejected it as inconsistent with the declaration’s modification. He instead testified that the transaction computer (*green*) from Llach must be between the store back office and the game provider in Szrek as shown in EX2049. After leading questioning from Petitioner, Mr. Hutton reversed course and testified that placing the transaction computer in-between the cash register and the game provider is obvious. On re-cross, he reaffirmed that EX2050 is incorrect. But then Mr. Hutton reversed himself again and testified that both configurations are consistent with his declaration.

The Board determined that Mr. Hutton’s explanation regarding EX2049 was “not credible” and that EX2049 is unsupported by his declaration. FWD at 32. The Board found his testimony about EX2050 “confusing” but credible, and it ultimately adopted EX2050 as the invalidating modification. *Id.* at 32 n.16.

The Board abused its discretion by crediting expert testimony that contradicts itself on the most basic issues in his IPR, most importantly, how to modify Szrek.

Although the Board adopted the EX2050 configuration as the modification proposed in Mr. Hutton's declaration, Mr. Hutton testified repeatedly that EX2050 is wrong. He proposed the EX2049 configuration instead. And while the Board found Mr. Hutton not credible regarding EX2049, this finding cites testimony that discusses the EX2050 configuration that Mr. Hutton rejected. When a final written decision credits conflicting expert testimony and adopts a prior art modification that a petitioner's expert rejected, Director review is warranted because the Board abused its discretion in accepting contradicted testimony and the Board made materially erroneous findings of fact in concluding that there was motivation to combine.

II. THE EXPERT'S CONFLICTING DECLARATIONS AND DEPOSITION TESTIMONY.

In this IPR, on Grounds 3 & 4, Mr. Hutton's declaration (EX1003) proposes a modification of Szrek only superficially:

In my opinion, a POSITA would have found it obvious to modify Szrek's system for activating lottery tickets to incorporate Llach's teachings of an intermediary transaction computer between Szrek's cash register and game provider system, ...

EX1003 ¶ 180. Mr. Hutton's declaration lacks basic details of this modification, for example, how the Szrek cash register would be modified from its normal operations or what communications the intermediary transaction computer would carry between the Szrek cash register and the game provider system. It merely states that

the “intermediary transaction computer [would be placed] between Szrek’s cash register and game provider system.” *Id.*

At deposition, Patent Owner sought an explanation of Mr. Hutton’s proposed modification. Patent Owner’s counsel annotated Szrek’s FIG. 2 to show, as in EX2050 (p. 2), an intermediary transaction computer (*green*) in direct communication with Szrek’s cash register and its game provider. *See* EX2051 at 102:24-104:12.² Mr. Hutton rejected that configuration as representing the modification proposed by his declaration:

Q. I’d like to generate a -- yeah, pictorial representation of this. So if I add a box, call it a transaction computer, and I put it with arrows connecting the cash register to the game provider, does that accurately represent the modification that would be performed to Szrek’s system --

A. *No.*

Q. -- that’s represented in [EX1003] paragraph 180?

A. *No.*

EX2051 at 104:1-12 (emphases added).

² The configuration discussed in EX2051 at 104:1-12 was not preserved as an exhibit because Mr. Hutton initially rejected it and identified the modifications shown in EX2049 instead. When Mr. Hutton contradicted his earlier testimony, it became necessary to recreate the prior drawing (EX2051 at 122:12-123:13), and it was marked as EX2050 (*id.* at 129:12-17).

When asked to describe the configuration proposed in his declaration, Mr. Hutton described the configuration shown in EX2049:

Q. How would you modify this drawing?

A. *I would put the -- your new box in-between the store back office and the game provider.*

Q. Oh, I see. All right.

...

And, so, is it appropriate to show arrows from the store back office to the intermediary transaction computer, and, then, further to the game provider?

A. Yes.

Q. Okay. And, so, in this modification, is it correct that the cash register would scan a ticket and issue a communication to the store back office as -- as described in this figure?

A. Yes.

Q. Why don't you explain to me, then, how the -- the scan of the ticket would be accommodated in a modified Figure 2 diagram.

A. Okay. So, first of all, the Ticket Activation Request [and] activation response. The existing ones would go away --

Q. Okay.

A. -- replaced by the two new blue arrows, which would be -- should be labeled "Ticket Activation Request" and "Activation Request."

EX2051 at 104:14-106:4 (emphasis added). As shown in this excerpt, communications to activate lottery tickets via the cash register flow, first, to the store

back office and, further, to the intermediary transaction computer and the game provider, represented by the *blue* arrows in EX2049 (p. 2 *supra*).

On redirect examination, Petitioner's counsel asked Mr. Hutton the leading question, "would it also be obvious to place a transaction processor in-between the cash register and the game provider," to which Mr. Hutton answered "Yes, it would." *Id.* at 113:16-24. This configuration reflects the modification that Mr. Hutton rejected earlier. *Id.* at 104:1-12 ("No."). Thus, on re-cross, Patent Owner reconstructed the prior modification (*id.* at 122:12-123:13) and marked it as EX2050 (*id.* at 129:12-17).

On re-cross, Mr. Hutton reaffirmed that the EX2050 configuration is wrong:

Q. ... I've now taken Szrek's Figure 2, and I've drawn another -- another copy. So, right now, it's 1005, but we're modifying it, and I've taken an intermediary transaction computer box, and put it above the store back office and floating essentially, and I've got a double-headed arrow extending between the cash register and that new box. And I have another double-headed arrow extending between the intermediary -- intermediary transaction computer box and the game provider system; do you see that?

A. I do.

Q. And that's what we discussed before, right?

A. Correct.

Q. And you said this was wrong?

A. ***Because there's a store back office in the diagram.***

EX2051 at 122:18-123:13 (emphasis added); *see also id.* at 120:14-121:16.

Mr. Hutton gave contradictory reasons why EX2050 was incorrect. First, he stated that EX2050 is incorrect because the store back office needed to be “erased.” *Id.* at 120:14-121:4; *see also id.* at 122:12-123:13. But, earlier, he testified to “put -- the new box in-between the store back office and the game provider,” and he confirmed that activation requests flow from the cash register to the store back office and, further, to the intermediate transaction computer and the game provider. *Id.* at 104:14-106:4. Elsewhere, Mr. Hutton testified that the term “Point of Sale could be interpreted as being the cash register, plus the store back office, or just the cash register,” and so “both of those embodiments that we drew are consistent with what I wrote there, in my opinion.” *Id.* 123:15-124:1. His declaration, however, does not use the term “Point of Sale” to describe any modification of Szrek. EX1003 ¶ 180.

Thus, in a single deposition, Mr. Hutton testified that EX2050 *does not* represent his declaration’s modification of Szrek, and, yet, somehow it *does*.

III. ARGUMENT

Requests for Director review are directed to “decisions presenting (a) an abuse of discretion, ... [or] (c) erroneous findings of material fact.”³ This FWD presents both.

³ *See* <https://www.uspto.gov/patents/ptab/decisions/director-review-process>.

A. The Board Relies on Expert Testimony that Regularly Contradicts Itself on Basic Issues Involving Motivation.

The Board abused its discretion by improperly crediting expert testimony that has extensive contradictions. The Board found that Mr. Hutton “lacks credibility on only one issue” (FWD at 32 n.16), but the record shows that his testimony is inconsistent on multiple, material points. Most notably, Mr. Hutton gave conflicting testimony about how to modify Szrek. On several occasions, Mr. Hutton testified that EX2050 *does not* represent the modification described in his declaration. EX2051 at 102:24-104:12, 119:18-121:4, 121:9-10, 122:12-123:13. Yet, he reversed himself and claimed that it *does*. *Id.* at 123:23-124:1. These positions cannot be reconciled.

Mr. Hutton’s testimony regarding the role of the store back office is similarly irreconcilable. When rejecting the EX2050 configuration, Mr. Hutton testified that the store back office remains part of the modified Szrek system and it carries ticket activation requests and responses between the cash register and the intermediary transaction computer (*id.* at 104:14-106:11, 108:12-17), as shown by the *blue* arrows in EX2049 (*see* p. 2 *supra*). Later, however, Mr. Hutton asserted that the store back office must be “erased” and that communications could instead flow directly between the cash register and the intermediary transaction computer. *Id.* at 119:18-121:16, 120:23-121:4. Here, again, Mr. Hutton contradicts himself.

The Board attempts to downplay these contradictions, characterizing the testimony merely as “not as clear as it could have been.” FWD at 29 n.14. It interprets Mr. Hutton’s testimony at EX2051 at 119:18-121:16 as indicating that ticket activation request and activation response communications are “no longer between the store back office and the game provider; rather, the communication of that request and response is between the cash register and game provider.” *Id.* But Mr. Hutton contradicted this testimony just as he did his other testimony. Mr. Hutton testified that communications from the cash register are sent first *to the store back office* and further to the intermediary transaction computer and game provider over the *blue* arrows added to EX2049 (p. 2 above). EX2051 at 104:14-106:4 (quoted above (p. 5)), 108:12-109:7. A simple comparison between these two portions of testimony shows Mr. Hutton lacks credibility, not clarity. Again, the Board abused its discretion when it credited one contradiction over the other. *See* FWD at 32 n. 16.

Likewise, the Board’s finding that Mr. Hutton confirmed “that EX2050 reflects one arrangement [of] what he intended to convey in his Declaration” (FWD at 32 n. 16 (citing EX2051 at 123:23-124:1)) is error. Here, Mr. Hutton testified that EX2050 is consistent with his declaration because “a person of ordinary skill would understand that I was talking about between the Point of Sale and the lottery transaction system.” EX2051 at 123:15-124:1. But, as the Board finds, Mr. Hutton’s “Point of Sale” theory lacks support in his declaration. FWD at 32 (“[W]e do not

find Mr. Hutton’s deposition testimony credible that he intended to equate his use of ‘Szrek’s cash register’ to a point of sale that would include a store back office ... [nor] that one of ordinary skill in the art would have understood his Declaration in that regard.”). Mr. Hutton repeatedly rejected EX2050, and the Board should not have credited his testimony at EX2051, 123:23-124:1.

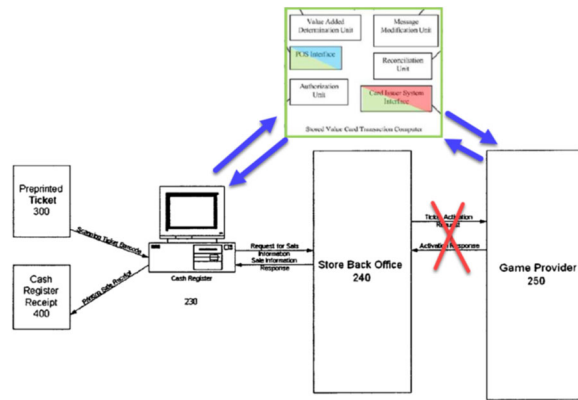
B. The Lone Instance of Mr. Hutton’s Testimony that the Board Found Not Credible Refers to EX2050, not EX2049.

The Board misinterpreted Mr. Hutton’s testimony at EX2051, 123:15-21. *See* FWD at 31-32 (“Mr. Hutton’s explanation as to how his Declaration supports [the EX2049] combination is not credible.”). The cited testimony does not relate to *EX2049*, as the Board suggests, it discusses *EX2050*. The cited exchange occurred during re-cross, after Patent Owner’s counsel redrew the EX2050 configuration that Mr. Hutton previously rejected. *See* EX2051 at 122:12-123:10 (“I’ll do this again, I guess – let’s do it again.”), 129:11-17 (the recreated drawing becomes EX2050). Once the EX2050 configuration was recreated, Mr. Hutton testified it still was wrong because EX2050 has “a store back office in the diagram” (*id.* at 123:11-13) and that, in EX1003 ¶ 180, “a person of ordinary skill in the art would understand that I was talking about between the Point of Sale and the lottery transaction system” (*id.* at 123:15-21). The Board correctly found Mr. Hutton’s cited testimony is not credible, but it incorrectly ascribed the testimony to EX2049. The rejected testimony relates to EX2050, the modification that the Board adopted. *Id.* at 123:8-10 (“Q. [T]hat’s

what we discussed before, right? A. Correct.”); FWD at 32 (limiting consideration to the combination shown in EX2050). This error underscores the need for Director review in this IPR.

C. Petitioner Recognized the Problems with Mr. Hutton’s Testimony and Presented a New Mockup of the Modification at the Hearing.

Perhaps sensing the problems with Mr. Hutton’s testimony, at the hearing, Petitioner presented a *third* mockup of Szrek as allegedly illustrating Petitioner’s proposed modification, one that Mr. Hutton never addressed anywhere and that never appeared in briefing:



Paper 35 at 9:13-12:13 (discussing Paper 34, slides 49 & 50), 10:21-22 (Slide 49 “is something we prepared for purposes of this hearing.”), 11:26-12:1 (“These figures on Slide 50 were not part of our papers”). This configuration is akin to the EX2050 configuration, which Mr. Hutton repeatedly rejected. Petitioner represented that, in this modification, cash registers “send transaction requests to a lottery administration system via a transaction processor, *not via the back office*, via the transaction processor.” *Id.* at 11:14-24 (emphasis added); *see also id.* at 9:24-10:1 (“In our

combination, we maintain that back office, except -- *and this is critical, the back office no longer communicates with the game provider* for activation of tickets; instead, we use Llach’s third-party transaction.”) (emphasis added). And Petitioner argued that Mr. Hutton “consistently” testified that the cash register is not using the back office. *Id.* at 16:6-7; *see also id.* 12:16-17 (“Mr. Hutton testified that the cash register is *not using the store back office* to do these lottery transactions.”). But, as explained, Mr. Hutton testified that in his modification, Szrek’s transaction requests flow through the store back office and, further, through the transaction processor via the *blue* arrows on EX2049 (*see p. 2 supra*). EX2051 at 104:14-106:4, 108:5-109:7. Thus, Petitioner was wrong. Mr. Hutton did not testify “consistently” to this critical issue.

D. Mr. Hutton’s Inconsistent Testimony is Pervasive.

Mr. Hutton’s testimony was inconsistent on multiple fronts, a fact the Board implicitly acknowledged by declining to rule on Grounds 1 and 2 of the Petition. The Board explained that “the meaning of the phrase ‘random draw lottery ticket’ is disputed in the context of the parties’ arguments regarding Irwin (Grounds 1 and 2).” FWD at 17. In actuality, this dispute arises from two competing definitions that Mr. Hutton provided, a first one that excluded Irwin’s passive games and a revised definition that contradicts the first but specifically includes the Irwin passive games.

In his opening declaration, Mr. Hutton explained that random draw lotteries work by comparing the numbers on a player's lottery ticket to "numbers randomly selected during [a] draw event" to determine if there is a winning ticket. EX1003 ¶ 64. Mr. Hutton's description is consistent with Patent Owner's expert's declaration, who described PowerBall and MegaMillions as examples of random draw lotteries. EX2052 ¶¶ 126-127.

At his deposition, Mr. Hutton described a "passive game" differently than a random draw lottery. He testified that a passive game is like a "raffle"; tickets are sold with serial numbers, and "a drawing is held to determine which of those serial numbers is the winner [T]he numbers are all on the tickets to start with and ... you basically buy a ticket that has a serial number on it and if your serial number is picked, you win, so that's a passive game." *See* EX2051 at 70:1-22. Patent Owner's expert agreed that passive games work this way. *See* EX2052 ¶¶ 123-130. Thus, both experts agree that passive games do not involved numbers randomly selected during a draw, as random draw lotteries do.

When Patent Owner identified these differences (Paper 35 (POR) at 39-47), Mr. Hutton changed his opinion. In a reply declaration, he opined that random draw lotteries include the games that Mr. Hutton discussed in his opening declaration, where a "draw involves randomly selecting the winning numbers from the set of all possible numbers" (EX1036 ¶ 6), and they also include passive games where "a later

draw randomly picks the numbered tickets” (*id.* ¶ 7). These shifting definitions further demonstrate that his opinions lack credibility.

E. The Director Should Review this IPR, Exclude Mr. Hutton’s Testimony, and Reverse the FWD’s Invalidity Findings.

The Director should reverse the FWD because the Board abused its discretion in crediting Mr. Hutton’s testimony and it made materially erroneous findings of fact that there is motivation to combine Szrek and Llach. Again, the Board’s acceptance of Mr. Hutton’s contradicted testimony (§ III.A *supra*) is an abuse of discretion. This IPR stands in stark contrast to the Office’s treatment of similarly-flawed expert testimony in other post grant reviews. *See Robert Bosch LLC v. Westport Fuel Sys.*, IPR2023-0022, Paper 37 at 18 (PTAB Feb. 3, 2025) (“[T]he testimony of [Petitioner’s] expert ignores Klügl’s express teachings and is fraught with contradictions that undermine the weight of that testimony.”); *Xilinx, Inc. v. Analog Devices, Inc.*, IPR2020-01564, Paper 34 at 14 (PTAB Mar. 11, 2022) (rejecting expert testimony due to the expert’s inconsistent positions); *C.R. Bard, Inc. v. Medline Indus., Inc.*, IPR2019-00208, Paper 57 at 22 (PTAB June 3, 2020) (rejecting expert testimony due to inconsistencies developed during cross examination).

And the Board made an erroneous finding of fact that Petitioner had shown motivation to combine Szrek and Llach. Had the Board rejected Mr. Hutton’s testimony, as his contradictions mandate, it should have concluded that Petitioner failed to meet its burden to prove unpatentability. *See Robert Bosch*, IPR2023-0022,

Paper 37 at 22 (Petitioner failed to prove unpatentability). Moreover, Patent Owner's expert, Jeffrey Miller, testified that there is no motivation to modify Szrek with the Llach transaction computer. EX2052 ¶ 162. This is because Szrek's system already is capable of activating products from a central location: the store back office. *Id.* ¶¶ 170-171. Dr. Miller's testimony is thoroughly corroborated by the evidence of record, most importantly, Szrek's disclosure that the system, without any modification, already activates tickets for a variety of products, including draw lotteries (EX1005 col. 3:29-45), instant lottery tickets (*id.* col. 7:9-11) and phone cards (*id.* col. 2:36-56). Dr. Miller debunked Mr. Hutton's reasons for adding a transaction computer to the Szrek system, working point by point, because adding the transaction computer increases complexity without adding to Szrek's capabilities. EX2052 ¶¶ 158-172. Dr. Miller's testimony is unimpeached. And the Office credited his testimony in IPR2023-01235. *See Interactive Communications Int'l, Inc. Blackhawk Network Inc.*, IPR2023-01235, Paper 34 at 52 (PTAB Feb. 6, 2025) (determining all claims not to be unpatentable).

IV. CONCLUSION

For the foregoing reasons, Patent Owner requests Director review and reversal of the FWD's findings that the claims of the '451 Patent are invalid on Grounds 3 & 4.

Respectfully submitted,

Date: August 13, 2025

/Robert L. Hails/

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CERTIFICATION

The undersigned certifies that the foregoing Patent Owner's Request for Director Review, exclusive of the Table of Contents, Table of Authorities, and Mandatory Notices, is less than 15 pages.

Date: August 13, 2025

By: /Robert L. Hails/
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CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing Patent Owner's Sur-Reply was served electronically via email on August 13, 2025, on the following:

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Date: August 13, 2025

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