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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

VISA INC.,
Petitioner,

v.

CORTEX MCP, INC.,
Patent Owner.

Case No. IPR2024-00490
U.S. Patent No. 11,329,973

PATENT OWNER'S REQUEST FOR DIRECTOR REVIEW OF FINAL WRITTEN DECISION

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I. INTRODUCTION

Patent Owner Cortex respectfully requests Director Review because the Final Written Decision violates Board rules, the AIA, and the APA by canceling 14 patent claims based on a new unpatentability theory never raised in the Petition nor advanced by either party during the trial.

The Examiner allowed the claims in part because the issuing agency verification claim limitation was absent from the prior art, and the Petition presented no prior art disclosing it. Yet, in an out-of-the-blue decision, the panel jettisoned the Petition's theory and found this key limitation disclosed by Oborne. The panel's frolic and detour is nonsensical because it is predicated on a finding that Oborne's ¶ 47 taught ***post-funded*** tokens, when that same paragraph expressly taught only "***pre-funded***" tokens. There is a reason Visa never made this argument.

Director Review is therefore warranted to undo the Board's erroneous and unsupported decision.

II. BACKGROUND

Cortex invented a new concept called an "OVER file" to simplify and secure electronic payments using a virtual representation of a credential, such as a credit card or driver's license, and filed its provisional application in 2012. EX1004 at 2, [60]. Visa and its subsidiaries initially expressed interest in Cortex's invention, gleaning the details under an NDA over multiple meetings with Cortex in 2013

and 2016. EX1018 ¶¶ 10-11. But Visa soon dropped the pretense by deciding not to partner with Cortex and launched its own Visa Token Service instead. Paper 6 ("POPR") at 10-11.

Cortex's '973 Patent is a continuation in the U.S. Patent No. 9,251,531 ("'531 Patent") patent family. EX1004 at 1-2, [63]. The claims require a virtual representation of the credential be "verified by an issuing agency to be an official representation of the credential." EX1004 at 22:2-4, 23:23-25, 24:45-47 (independent claims 1, 8, 16). During prosecution of the parent '531 Patent, the Examiner found that issuing agency verification was not taught by the prior art of record and based allowance on that key limitation. EX1007 at 20.

After Cortex stood up to Visa and sued for patent infringement, Visa filed an IPR petition targeting the patent in 2024, ***eight years*** after the '531 Patent issued in 2016. Yet Visa's Petition presented no prior art disclosing the key limitation upon which the Examiner allowed the claims of the '531 Patent, Paper 2 ("Pet.") at 20-22, and Cortex pointed out that the Petition instead only supplied common sense to fill in the missing limitation, POPR at 27-28. The Board instituted, and during the trial Visa effectively abandoned its Oborne ground, pivoting to a broader claim construction to allege obviousness. Paper 17 ("Reply") at 2. The panel's Final Written Decision confirmed some claims but unexpectedly canceled Claims 1, 3-8, and 10-16 based on its own concocted theory that a two-step process for Oborne's

pre-funded tokens disclosed issuing agency verification. Paper 31 ("FWD") at 26-29 (claim 1), 45 (claim 16), 50 (claim 8), 71.

This request for Director Review followed.

III. LEGAL STANDARD

Director Review is appropriate when the Board abuses its discretion in the final written decision. Director Review Process § 2.B. "The Board abuses its discretion if its decision (1) is clearly unreasonable, arbitrary, or fanciful; (2) is based on an erroneous conclusion of law; (3) rests on clearly erroneous fact finding; or (4) involves a record that contains no evidence on which the Board could rationally base its decision." *Sierra Wireless v. Sisvel S.p.A.*, 130 F.4th 1019, 1024 (Fed. Cir. 2025) (citation omitted).

Board rules require petitions to "specify where each element of the claim is found in the prior art patents or printed publications relied upon." 37 C.F.R. § 42.104(b)(4); *see also* 35 U.S.C. § 312(a)(3). In rendering a final written decision, "the Board should limit itself to the teachings on which Petitioner relies." *Mastercard v. OV Loop*, IPR2023-01289, 2025 WL 1663718, at *1 (P.T.A.B. June 10, 2025) (granting Director Review).

IV. ARGUMENT

The Board's injection of a brand-new unpatentability theory to cancel claims improperly departed from the Petition and ignored both Board rules and the AIA.

Relying on a theory advanced by no party during the trial further prejudiced Cortex and violated the APA by depriving Cortex of its patent claims without reasonable notice or opportunity to respond. The Board further abused its discretion because its new theory is contradicted by the purported prior art disclosures it relies on. For any of these reasons, the Director should reverse the Board's Decision and confirm patentability of Claims 1, 3-8, and 10-16.

A. The Final Written Decision Injected An Entirely New Two-Step Theory Absent From The Petition And Never Advanced During The IPR

The Board found Claims 1, 3-8, and 10-16 obvious over Oborne's teachings based on a new theory absent from the Petition and not raised by either party during the IPR. All claims of the '973 Patent require issuing agency verification: "a virtual representation of the credential that has been verified by an issuing agency to be an official representation of the credential." EX1004 at 22:2-4, 23:23-25, 24:45-47 (independent claims 1, 8, 16). The Final Written Decision canceled the claims because a two-step process for Oborne's pre-funded tokens allegedly disclosed the limitation, FWD at 26-29, and this finding underpins the Board's unpatentability determination for Claims 1, 3-8, and 10-16, *see* FWD at 45, 50, 71 (Claim 1 analysis applied to independent Claims 8 and 16). But Visa never presented this theory in its Petition or at trial.

The Petition. Visa's Petition alleged that Oborne disclosed the claimed issuing agency verification because the issuer can operate Oborne's token server. Pet. at 21-22. It offered only a single sentence of analysis supporting its issuer theory:

> By generating the token and providing it to the user to represent the credential it has issued, the issuer would be verifying it to be an official representation of the credential.

Pet. at 22. Neither the Petition nor Visa's expert mentioned Oborne's pre-funded tokens or a two-step process of generating a token ***before*** verifying funding for the token. *See, e.g.*, Pet. at 20-22; EX1005 ¶ 211.

The Reply. After Cortex pointed out that Oborne did not disclose any verification step, Paper 12 at 11-12; *see also id.* at 13-17, and the Board refused to endorse the Petition's disclosure theory at institution, *see* Paper 7 at 25-26, Visa argued unpatentability based on a broader claim construction, Reply at 2.

Visa's Petition initially acknowledged that issuing agency verification required verification of a virtual representation of the credential. Pet. at 13. Yet on Reply, Visa argued that checking the virtual representation was no longer required but could be satisfied by merely "checking credential data against an issuing-agency database." Reply at 2. Under its new Reply construction, Visa asserted that "Oborne teaches this same type of check. For example, Oborne teaches checking credential data for pre-funded tokens." Reply at 4 (citing EX1011 ¶ 47; Pet. at 21). In other

words, Visa argued on Reply that checking any underlying credential data constituted verification of the virtual representation by the issuing agency ***without regard to when it was performed***. *See id*.

Visa's Reply never mentioned a two-step process of generating a token before verifying its funding. *See* Reply at 2-4.

<u>The FWD's New Two-Step Theory For Canceling Claims</u>. The Board's Final Written Decision is predicated on a new unpatentability theory that Oborne disclosed issuing agency verification. It found that Oborne disclosed a two-step process of verifying a virtual representation by an issuing agency, specifically: (1) "first generate a token" and (2) "[t]hen, the token may be pre-funded by obtaining assurance that the funds have been uniquely and exclusively allocated for the token from the source to which the token points." FWD at 28-29 (citation modified) (quoting EX1011 ¶ 47). The Board relied on its two-step verification finding to conclude that "Oborne discloses verifying that the ***token*** including the XML bank account information in its data structure (the virtual representation of the bank account information) is valid, not merely that bank account information, standing alone, is valid." FWD at 29 (emphasis in original).

As explained, the Petition's original theory that issuing agency verification was taught by the issuing agency operating the token server never mentioned

Oborne's pre-funded tokens or a two-step theory for funding them. Pet. at 20-22. The Petition provides no support for the Board's new two-step theory. *See id*.

Visa's improper introduction of a substitute theory for issuing agency verification on Reply also provides no basis for the Final Written Decision's two-step theory. Unlike the Board's unpatentability finding, Visa never argued that Oborne's pre-funded tokens are checked ***after*** the token is generated. Reply at 3-4. Instead, consistent with Oborne's disclosure, the only reasonable interpretation of Visa's Reply is that it referred to checking credential data ***before*** generating the token. *See* Reply at 4 ("For example, Oborne teaches checking credential data for ***pre***-funded tokens"; "Such tokens may be '***pre***-authorized'"). At best, Visa's Reply was silent as to Oborne's order of credential checking versus token generation, *see* Reply at 3-4, and it provided no expert testimony on Oborne with its Reply, *see* EX1048.

Visa and its expert never asserted that Oborne taught (1) "first generate a token" and (2) "[t]hen, the '***token*** may be pre-funded'…." FWD at 28-29 (emphasis in original).

B. 37 C.F.R. § 42.104 And 35 U.S.C. § 312 Require All Unpatentability Grounds Be Specified In The Petition

The Board violated its own rules and the AIA by finding that Oborne's pre-funded tokens disclosed issuing agency verification when the Petition never set forth this unpatentability theory. *Compare* FWD at 28-29, *with* Pet. at 20-22.

Petitions must "specify where each element of the claim is found in the prior art patents or printed publications relied upon." 37 C.F.R. § 42.104(b)(4); *see also* 35 U.S.C. § 312(a)(3) (Petitions must identify with particularity "the evidence that supports the grounds for the challenge to each claim."). Here, Visa's Petition did not rely on Oborne's pre-funded tokens or a two-step process of token generation followed by credential checking to allege disclosure of generating "a virtual representation of the credential that has been verified by an issuing agency," required by all claims. Pet. at 20-22. Instead, the Petition offered only a single sentence vaguely asserting that Oborne disclosed this limitation when an issuer operated the token server:

> By generating the token and providing it to the user to represent the credential it has issued, the issuer would be verifying it to be an official representation of the credential.

Pet. at 22. Because the Petition never identified Oborne's pre-funded tokens as satisfying the issuing agency verification limitation nor asserted any two-step theory

of token generation followed by credential checking, the Board's finding violated its rules and the AIA. 35 U.S.C. § 312(a)(3); 37 C.F.R. § 42.104(b).

Canceling patent claims based on a theory never advanced in the Petition warrants reversal.

C. The Board Violated The APA By Introducing Its Own Unpatentability Theory In The Final Written Decision

The Board's new theory also violated the Administrative Procedure Act ("APA"). Canceling claims in the Final Written Decision based on the panel's own initiative both prejudiced Cortex and deprived it of adequate notice and an opportunity to respond. 5 U.S.C. § 554(b); *In re Magnum Oil Tools Int'l*, 829 F.3d 1364, 1381 (Fed. Cir. 2016) (The Board's "authority is not so broad that it allows [it] to raise, address, and decide unpatentability theories never presented by the petitioner and not supported by record evidence.").

Cortex was not on notice of the Board's two-step theory for finding that Oborne disclosed issuing agency verification. Visa did not raise it in its original Petition or even in its new theory presented on Reply. Pet. at 20-22; Reply at 3-4; *supra* § IV.A-IV.B.

The Board's questions about Oborne's ¶ 47 at the hearing also provided no adequate notice. *See* Paper 30 ("Tr.") at 53:7-17. After Cortex clarified that the

Board's questioning was "articulating a new obviousness rationale," the Board quickly downplayed it:

20	MR. WILSON: Okay. So just to be clear, you're articulating a
21	new obviousness rationale --
22	JUDGE CASS: Well, I mean, I don't want to say whether it's
23	new or not new, but I'm just curious why that would not be obvious. I think

Tr. at 53:20-23. Certainly, asking questions about whether Oborne's ¶ 47 rendered the claims obvious, Tr. at 53:7-17 ("JUDGE CASS: … why wouldn't it be ***obvious*** to verify the information that's in there?"), provided no notice of the disclosure theory the Board deployed in its Final Written Decision, FWD at 27 ("We also find that Oborne ***discloses*** that the issuing agency verifies the token….").

Cortex correctly explained at the hearing that "Oborne will go and verify that there is actually a bank account there, maybe even that there are funds in it… ***before it generates a token***" and that Oborne "doesn't check that token data structure in paragraph 47." Tr. at 55:6-9, 56:10-21. Nevertheless, the Board found the opposite in its Final Written Decision, FWD at 27-29, without allowing either party the opportunity for briefing or submitting evidence or expert testimony on the issue.

Even if the Board's vague questions at the hearing provided adequate notice of its two-step disclosure theory, canceling claims under its new theory would still violate the APA because "[t]he oral argument presented no opportunity for [Cortex]

to supply evidence, whether expert or lay or documentary evidence" in response to the new theory. *Dell v. Acceleron*, 818 F.3d 1293, 1300-01 (Fed. Cir. 2016).

The Board's decision further may be reversed for violating the APA.

D. The Board's Finding That Oborne Discloses "Verified By An Issuing Agency" Is Contradicted By Oborne Itself

Even if the Director finds no abuse of discretion for violating the Board's rules, the AIA, or the APA, the Board's new two-step theory should be set aside for the additional reason that the record "contains no evidence on which the Board could rationally base its decision." *Sierra Wireless*, 130 F.4th at 1024 (citation omitted). The Board clearly abused its discretion by finding that Oborne disclosed issuing agency verification by purportedly ***post***-funding tokens, when in fact Oborne's ¶ 47 exclusively taught ***pre***-funding tokens. *Compare* FWD at 28-29, *with* EX1011 ¶ 47; *Amazon.com v. B.S.D. Crown*, IPR2025-00057, 2025 WL 2331293, at *1 (P.T.A.B. Aug. 12, 2025) (granting Director Review where the Board "misapprehended" patent teachings).

The Final Written Decision found that Oborne's ¶ 47 disclosed ***first*** creating a token in the form of the XML data structure shown in that paragraph and ***then*** verifying the information contained in the token with the database of the issuing agency. *See* FWD at 28-29. Put another way, the Board found that Oborne taught ***post***-funding tokens. *See id.* Yet the decision provides no support from Oborne for

its new theory. It cites only to Oborne's ¶ 47 for this proposition, without any explanation for how it arrived at its finding that the token data structure is first generated before its funding is checked. *Id*. Not only did Oborne not disclose any such scenario, but its disclosure of ***pre***-funding tokens also expressly contradicts the Board's finding, rendering it clearly erroneous. EX1011 ¶ 47.

Oborne's ¶ 47, relied upon by the Board, describes the token server receiving a token data form from a client to generate a token: "[t]he token server may obtain the form, and parse the form to extract data fields and values from the form to generate a token data record, e.g., 515." EX1011 ¶ 47. To "generate a token data record," Oborne's ¶ 47 elaborates:

> In some implementations, each token may be ***pre***-funded. For example, the source of the token (e.g., issuer, acquirer, independent token arbitrator) may ***first*** obtain assurance that funds have been uniquely and exclusively allocated for the token from the source to which the token points. Thus, in some implementations, the token may be ***pre***-funded and ***pre***-authorized for up to (or in the alternative, for exactly) a ***pre***defined amount of a purchase transaction.

EX1011 ¶ 47. The reference to ***first*** obtaining assurance that the funds have been allocated, and the ***pre***- references, refer to ***before*** generating the token data structure in Oborne's ¶ 47. *Id*. In other words, the same paragraph the Board relied on in fact contradicts its conclusion that the token data structure is post-funded. FWD at

28-29. The Board simply had no basis for its finding that the token is generated ***then*** funded. *Compare id.*, *with* EX1011 ¶ 47.

The Decision inaccurately states that Cortex's counsel admitted that Oborne's ¶ 47 disclosed verification of a token. FWD at 27 (citing Tr. 54:23-55:4). Instead, Cortex explained: (1) the steps Oborne discloses would occur "***before*** it generates a token" and (2) Oborne does not check the token data structure in ¶ 47. Tr. at 55:3-13, 56:10-21. The Decision's quotation of the hearing transcript with Cortex's explanation that Oborne's steps occur "***before*** it generates a token" shows the Board either misunderstood or misrepresented it. FWD at 27 (quoting Tr. at 55:4-9).

It is nonsensical that checking the XML bank account information would be a verification of the token both because (1) it was done ***before*** the token is generated and (2) it was not a check of the ***token*** itself. EX1011 ¶ 47; *see also* Tr. at 55:3-13, 56:10-21. Not only are Oborne's disclosures contradictory to what the Board found, but it is ***impossible*** for there to be a verification of something that does not yet exist. As a result, the record evidence only confirms that Oborne did not disclose verification of a token.

The sole basis for the Board's determination that Oborne disclosed issuing agency verification of a virtual credential is its finding that Oborne's "pre-funding" is actually ***post***-funding. FWD at 25-29. That finding is clearly erroneous, an abuse

of discretion, and should be reversed. Because that finding in the Oborne grounds represents the only basis on which Claims 1, 3-8, and 10-16 were found unpatentable, the claims should be confirmed over all grounds raised in the Petition. FWD at 45, 50, 71; *see, e.g.*, *Amazon.com*, 2025 WL 2331293, at *1 (granting Director Review where the Board's FWD "misapprehended" patent teachings).

V. CONCLUSION

For the foregoing reasons, Cortex respectfully requests that the Director grant review, set aside the Board's finding that Oborne disclosed issuing agency verification, and confirm patentability of Claims 1, 3-8, and 10-16 of the '973 Patent.

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CERTIFICATE OF SERVICE

The undersigned certifies that pursuant to 37 C.F.R. § 42.6(e), a true copy of the foregoing **PATENT OWNER'S REQUEST FOR DIRECTOR REVIEW OF FINAL WRITTEN DECISION** is being served electronically on August 20, 2025 to the following lead and backup counsel for Petitioner to the following email addresses:

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