

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

MICROSOFT, CORP.,
Petitioner,

v.

PROXENSE, LLC,
Patent Owner.

IPR2024-00846
Patent 8,886,954 B1

Record of Oral Hearing
Held: August 18, 2025

Before: THU A. DANG, KEVIN F. TURNER, and
DAVID C. MCKONE, *Administrative Patent Judges*.

APPEARANCES:

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The above-entitled matter came on for hearing on August 18, 2025,
commencing at 1:00 p.m., via video teleconference.

P R O C E E D I N G S

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JUDGE MCKONE: Good afternoon and welcome. We are here for a final hearing in inter partes review, IPR2024-00846, captioned *Microsoft Corp. v. Proxense, LLC*. I'll introduce the panel, I'm Judge McKone, with me are Judges Dang and Turner. Let's get the parties' appearances. Who do we have appearing on behalf of Petitioner?

MR. DEVOTO: Good afternoon, Your Honors. My name is Roberto Devoto of Fish & Richardson. I'll be representing Microsoft at this hearing. Also present are my colleagues Karl Renner and Usman Khan, who will be present as listeners at this hearing.

JUDGE MCKONE: Thank you. Who do we have appearing on behalf of Patent Owner?

MR. ZAK: Good afternoon. This is James Zak with Hecht Partners. And with me today is David Hecht.

JUDGE MCKONE: And Mr. Zak, you'll be doing the speaking?

MR. ZAK: Yes. Absent some snafu in communication lines.

JUDGE MCKONE: Okay. Thank you. We set forth a procedure for today's hearing in our oral argument order. According to the order, each party will have 60 minutes in total time to present its arguments. Petitioner has the burden of proof and will go first. Patent Owner will then present opposition arguments. Then to the extent Petitioner has reserved time, Petitioner will present arguments in rebuttal. Thereafter, to the extent Patent Owner has reserved surrebuttal time, Patent Owner may present a short

1 surrebuttal.

2 As we noted in the hearing order, although we are not all appearing
3 for -- although we are all appearing from different locations, members of the
4 public have the option to attend either in one of the physical hearing rooms
5 or remotely via a public line. There is no one in the Detroit hearing room
6 right now observing. But my understanding is there is a public line open for
7 this hearing.

8 In the oral hearing order, we requested that if there were any
9 concerns about the disclosure of confidential information at this hearing, you
10 were to contact the Board. To my knowledge, no party indicated that they
11 intend to present confidential information. Petitioner, can you confirm that
12 you do not intend to present confidential information?

13 MR. DEVOTO: Yes. We can confirm that there will be no
14 presentation of confidential information during this hearing.

15 JUDGE MCKONE: And Patent Owner, can you confirm the
16 same, please?

17 MR. ZAK: I don't believe there'll be any confidential information,
18 at least I don't think I've put anything that confidential on my slide deck.

19 JUDGE MCKONE: Okay. Thank you. For clarity in the
20 transcript and since all of the judges and counsel are appearing in different
21 locations, when you refer to an exhibit on the screen, please identify the
22 exhibit number and the page number. Even if you present the exhibits on
23 your screen, I will not be able to hear - to see them, so I would appreciate it
24 if you tell me what you're putting on the screen, including the slide number.

25 Counsel should unmute only when speaking. If at any time during

1 the hearing you encounter technical or other difficulties, please let the panel
2 know if you can. Also, there's technical support listening in, and they will
3 try to keep their eyes out for issues as well.

4 Patent Owner, do you have any questions at this time?

5 MR. ZAK: No, Your Honor.

6 JUDGE MCKONE: Petitioner, do you have any questions at this
7 time?

8 MR. DEVOTO: No. Not at this time, Your Honors.

9 JUDGE MCKONE: Okay. Petitioner, would you like to reserve
10 any time for rebuttal?

11 MR. DEVOTO: Yes. I would like to reserve 20 minutes for
12 rebuttal.

13 JUDGE MCKONE: Okay. You'll be able to see the timer behind
14 me on the screen. Can you confirm that you can see it?

15 MR. DEVOTO: Yes. I can see it.

16 JUDGE MCKONE: And that'll be our timer. And let me know
17 whenever you're ready to start. You're free to begin.

18 MR. DEVOTO: Wonderful. I'm ready to start now, Your Honor.
19 Please turn to Slide 2, Your Honors. This slide shows various topics related
20 to this proceeding. Due to time constraints, I'm going to only present a
21 subset of these topics. But of course, I stand ready to answer any questions
22 you may have on any of the topics or anything else related to this
23 proceeding.

24 I'm going to begin by giving a brief overview of the grounds that
25 we advanced in our petition against the '954 Patent, followed by an

1 additional brief overview of the '954 Patent. I will then turn to the main
2 dispute between the parties, which is a claim construction dispute related to
3 the term 'third party that operates a trusted authority.'

4 While Your Honors have already construed this term in your final
5 written decision in the related *Apple* IPR against the '954 Patent, and that's
6 IPR2024-00233, we wish to further explain why your rejection of Proxense's
7 narrow construction of this term is not only proper in light of the
8 specification but is also supported by the very goal of the '954 Patent to
9 reduce the occurrence of fraudulent transactions. I will then provide a brief
10 overview of the Burger reference and explain how Burger's teachings satisfy
11 the third-party trusted authority feature and the access message feature
12 recited in the challenged claims.

13 Please turn to Slide 5. This slide shows the grounds that we
14 advanced in our petition. As I already noted, we relied on Burger as our
15 primary reference, either alone or in combination with one of Robinson and
16 Orsini as a secondary reference.

17 Please turn to Slide 8. I'd like to now provide a brief overview of
18 the '954 Patent. The '954 Patent is focused on preventing fraudulent
19 transactions that can arise through identity theft. For example, as described
20 in the background of the '954 Patent at column 1, lines 26 to 35, a thief may
21 try to engage in a fraudulent transaction with a bank by stealing the identity
22 of a legitimate bank account holder when interacting with an ATM machine
23 in an attempt to withdraw funds from the legitimate holder's bank account.

24 The defrauded parties to this transaction are the actual owner of the
25 bank account whose identity was stolen and the bank who improperly gave

1 money to the thief. To decrease the occurrence of such fraudulent
2 transactions, the '954 Patent discloses a technique that makes it much harder
3 for one person to steal the identity of another person. These techniques
4 includes prior to allowing a transaction to proceed between two parties using
5 a device called a biometric key to bio-authenticate a user.

6 And if the bio-authentication is successful, requesting a third party
7 to authenticate the biometric key to ensure that it is valid before allowing the
8 user to access an application or resource, such as an ATM machine, that
9 facilitates the transaction between the two parties. By taking the extra
10 precaution of requiring both a successful user bio-authentication and a
11 successful device authentication before allowing access to the application or
12 resource that facilitates the transaction, the likelihood of a fraudulent
13 transaction occurring is substantially diminished.

14 Please turn to Slide 9. This slide shows Independent Claim 1 of
15 the '954 Patent, which is a representative claim. I've given Your Honors
16 familiarity with this claim. I will not walk through it in detail. That being
17 said, I do want to make one important observation about the claim, and that
18 is that it tracks the goal of the '954 Patent to reduce the occurrence of
19 fraudulent transactions by reciting three distinct security mechanisms
20 directed to reducing identity theft.

21 The first security mechanism is found in the persistently storing
22 step, which speaks to the tamper-proof structure of the recited integrated
23 device that may reduce the likelihood of identity theft by ensuring that the
24 later authentications that rely on the data stored in the integrated device are
25 not compromised. The biometric key of the '954 Patent is an

1 implementation example of this integrated device.

2 The second security mechanism found -- is found in the
3 combination of the step of receiving scan data from a biometrics scan and
4 the step of comparing the scan data to the biometric data stored in the
5 integrated device. These steps correspond to a user bio-authentication
6 operation that may reduce the likelihood of identity theft by making it harder
7 for a thief to pose, for example, as the legitimate owner of the biometric key.

8 And finally, the third security mechanism is reflected in the last
9 two steps, where in response to a successful user bio-authentication, one or
10 more codes and other data values stored in the integrated device are
11 authenticated by wirelessly sending them to a third party that operates a
12 trusted authority and then receiving a message at an application indicating
13 that the third-party trusted authority successfully authenticated the one or
14 more codes and other data values, and access to the application or resource
15 that facilitates the transaction is allowed.

16 Now, these last two steps offer additional security when the
17 biometric scan has somehow been compromised. Because the thief will still
18 not be able to steal the identity of the owner of the integrated device to
19 engage in a fraudulent transaction with a second party through use of the
20 application, when, for example, the owner of the integrated device has
21 reported the device as stolen to the third party, which then results in a failed
22 authentication of the stolen integrated device.

23 In sum, Your Honors, the claims reflect the use of three different
24 security mechanisms to reduce the occurrence of fraudulent transactions
25 between two parties resulting from identity theft. As explained in our

1 petition, however, all three of these security mechanisms were known, as
2 shown by the Burger reference, which shares the same goal as the '954
3 Patent to reduce the occurrence of fraudulent transactions arising from
4 identity theft.

5 Now, Your Honors, in an attempt to distinguish Burger's teachings,
6 the Patent Owner has advanced a construction of the third-party trusted
7 authority term that is unjustifiably narrow and not commensurate with the
8 proper scope of the term in light of the '954 Patent specification and its goal
9 to reduce the occurrence of fraudulent transactions.

10 Please turn to Slide 10. Now, as a preliminary matter and as
11 shown on this slide, the '954 Patent recites a third party that operates a
12 trusted authority, not a third-party trusted authority. However, because the
13 Patent Owner uses these terms interchangeably, we will do so as well to
14 avoid confusion.

15 Please turn to Slide 11. As shown on this slide, Your Honors
16 preliminarily construed the third-party trusted authority term based on its
17 ordinary meaning to mean, quote, "a trusted authority that is an entity
18 separate from the parties to a transaction," end quote. In the final written
19 decision in the related *Apple* IPR, Your Honors arrived at the same
20 construction as your final construction of this term.

21 Please turn to Slide 12. Proxense itself advanced the same
22 construction in the related *Samsung* proceeding but then advanced a further
23 narrowing of this construction in the Patent Owner response in this
24 proceeding. Specifically, as shown in this slide, Proxense disputes the
25 implicit constructions of the transaction and principal parties in the third-

1 party trusted authority construction.

2 Please turn to Slide 13. Now, as noted in their POR, Proxense
3 asserts that the transaction referenced in the Board's construction must be
4 limited to allowing a user access to an application and the principal parties to
5 the transaction must be limited to the user that is allowed access and the
6 application being accessed.

7 Please turn to Slide 15. Proxense argues that this narrow
8 construction of third-party trusted authority is required because of the
9 explicit language of the claim, which according to Proxense, requires
10 limiting the transaction to be between the user and the application being
11 accessed.

12 Please turn to Slide 16. Now, in our Petitioner reply, we pointed
13 out that the claims do not expressly recite the word “transaction” nor do they
14 identify the parties to the transaction. Moreover, the plain language of the
15 claims does not limit the transaction to allowing user access to an
16 application nor require that one of the parties to the transaction be the
17 application that is accessed.

18 Please turn to Slide 18. Now, Your Honors expressly rejected
19 Patent Owner's arguments in the final written decision in the related *Apple*
20 IPR against the '954 Patent. And you were correct to do so, as Patent
21 Owner's narrowing -- it is inconsistent with the breadth of the third-party
22 trusted authority term as it would have been understood in light of the
23 specification.

24 Now, for the reasons I noted earlier, the '954 Patent and its claims
25 are focused on reducing the occurrence of fraudulent transactions arising

1 from identity theft. As such, a person of ordinary skill in the art considering
2 the claims of the '954 Patent in light of the specification would have been
3 readily led to conclude that the transaction implicated by the term “third
4 party” either is or at least encompasses a transaction between two parties
5 that is susceptible to fraud as a result of identity theft.

6 In doing so, the recited third party would stand apart from the
7 principal parties to this potentially fraudulent transaction while having to
8 reduce the likelihood of fraud arising from identity theft by authenticating
9 one or more of the codes and other data values stored in the integrated
10 device. Now, such transactions susceptible to this type of fraud are between
11 individuals or between individuals and companies, not between a user and a
12 piece of software or hardware, as the Patent Owner argues.

13 After all, a piece of hardware or software does not sue a thief for
14 fraud, rather, it is a person or a company that sues a thief for fraud. And this
15 is supported by the most relevant portion of the specification that speaks to
16 the meaning of the term party, which is the portion at column 7, lines 27 to
17 36 of the '954 Patent shown on this slide, which discloses, as an example of,
18 a party -- and specifically, a third party -- as being a company that has
19 employees. Consistent with this, a party would be understood to encompass
20 a human being or a collection of human beings, such as a company.

21 Please turn to Slide 19. Turning now to the meaning of the term
22 transaction. This term is used in the specification at column 1, lines 29 to
23 31, where the specification provides as background, an example of one
24 particular type of transaction, a bank transaction that is susceptible to fraud
25 through identity theft. As such, the only time the word “transaction” is used

1 in the specification is to refer to the -- to a transaction between a user of an
2 ATM machine and a bank, where the user is using the ATM machine as a
3 resource to allow him or her to transact with the bank.

4 This again shows that the '954 Patent is heavily focused on
5 transactions between persons and other persons or between persons and
6 companies that are susceptible to fraud, as opposed to transactions between
7 pieces of hardware or software or between a person and a piece of hardware
8 or software.

9 Please turn to Slide 20. Now, Your Honors, in these transactions,
10 the application is a resource, such as an ATM machine that facilitates the
11 transaction between the two transacting parties. This is supported by the
12 very broad description of application in the specification, which as shown in
13 this slide, broadly describes it as a resource and provides various examples
14 of applications.

15 These examples reveal that an application encompasses a resource
16 and specifically a resource that is used to facilitate transactions between two
17 parties. By restricting access to this application using the three security
18 mechanisms I mentioned earlier that are captured in the claims, including the
19 authentication of the integrated device by the recited third party, it is much
20 harder for thieves to engage in fraudulent transactions with second parties by
21 stealing the identity of first parties.

22 Now, let's look at two examples of this -- of applications that make
23 this clear. The '954 Patent describes that an application can be an ATM
24 machine. An ATM machine is a resource that facilitates bank transactions
25 between a first party that is the user of the ATM machine and the second

1 party that is the bank. By restricting access to the ATM machine using the
2 three security mechanisms I mentioned earlier, it is much harder for a thief
3 to use the ATM machine to engage in a fraudulent transaction with the bank
4 by stealing the identity of a legitimate owner of a bank account.

5 The '954 Patent also describes an application can be a casino
6 machine. A casino machine is a resource that facilitates gambling
7 transactions between a first party that is the user of the casino machine and a
8 second party that is the casino. By restricting access to the casino machine
9 using the three security mechanisms I mentioned earlier, it is much harder
10 for an underage person to use the casino machine to engage in a fraudulent
11 gambling transaction with this casino by stealing the identity of an older
12 person.

13 These examples and the focus of the '954 Patent on decreasing the
14 occurrence of fraudulent transactions arising from identity theft reveal the
15 following: first, that the third party recited in the claims is or encompasses a
16 third party relative to two parties seeking to engage in a transaction that is
17 susceptible to fraud as a result of identity theft; second, that the application
18 recited in the claims is or encompasses a resource that is used to facilitate
19 the transaction rather than itself being a party to the transaction; and third,
20 that the security mechanisms captured in the claims, including the third
21 party's authentication of the one or more codes and other data values, is to
22 restrict access to this application to only those users who have been
23 successfully bio-authenticated using the integrated device, which has itself
24 been authenticated by the third party's authentication of one or more of the
25 codes and other data values stored in the integrated device.

1 And this prevents the application from being improperly used by a
2 thief to engage in fraudulent transactions with second parties such as a bank
3 or a casino. Unless Your Honors have any questions, I would like to now
4 turn to the Burger reference.

5 Hearing none. Please turn to Slide 24. Burger discloses an
6 electronic wallet called a Pocket Vault that is used as a more secure
7 replacement for a physical wallet. Like the '954 Patent, Burger is concerned
8 with reducing the occurrence of fraudulent transactions that result from
9 identity theft. Burger's focus is specifically on identity theft that arises from
10 someone stealing your wallet, and hence, getting access to sensitive
11 information in your wallet that can be used to engage in fraudulent
12 transactions. Burger reduces the occurrence of such fraudulent transactions
13 in largely the same way as disclosed in the '954 Patent.

14 And that is by only allowing a holder of a Pocket Vault to access
15 resources on the Pocket Vault who engage in transactions with second
16 parties if the holder has been successfully bio-authenticated using the Pocket
17 Vault prior to the Pocket Vault itself then being subsequently authenticated
18 by a trusted third party. That is in Burger, the holder of the Pocket Vault
19 may attempt to use the resources on the Pocket Vault to transact with a
20 second party, just like the holder of a physical wallet may attempt to use the
21 physical contents of the physical wallet to transact with a second party.

22 Burger, however, offers additional security relative to a physical
23 wallet by performing the same user bio-authentication and device
24 authentication described in the '954 Patent, where Burger's network server
25 114 access the '954 Patent's third-party trusted authority that authenticates

1 Burger's Pocket Vault by comparing its chip ID to a list of valid chip IDs.

2 Now, to illustrate the satisfaction of the challenge claims, Your
3 Honors, based on Burger, including the recited third-party trusted authority
4 features, our petition described at pages 17 to 22 and 34 to 36 a retail use
5 case where a Pocket Vault holder uses the Pocket Vault to make a purchase
6 at a grocery store or a retail store.

7 The petition further described at pages 35 to 36 and 52 to 53 three
8 additional use cases involving three other types of transactions between the
9 holder and the Pocket Vault and second parties, where the holder accesses
10 resources on the Pocket Vault to facilitate transactions with other second
11 parties. Now, for illustrative purposes, Your Honors, let's look at the retail
12 use case and the building use case to understand how Burger satisfies the
13 recited third-party trusted authority feature.

14 Please turn to Slide 45. Now, in the retail use case, as shown on
15 this slide, the transaction is a purchase at a retail store. In this transaction,
16 the first party is the Pocket Vault holder, the second party is the retailer, and
17 the third-party trusted authority is the party operating the network server. In
18 this use case, the application, which is the resource that is allowed to be
19 accessed to facilitate the purchase at the retail store is the software on the
20 Pocket Vault that provides credit card information that can be used to make
21 the purchase.

22 By requiring the same dual user and device authentication
23 operations as described and claimed in the '954 Patent, Burger reduces the
24 risk of identity of theft occurring in this transaction, where a thief may
25 attempt to steal the identity of the legitimate holder of the Pocket Vault and

1 then attempt to access the credit card information on the Pocket Vault to
2 engage in a fraudulent transaction with the retailer by charging the purchase
3 to the legitimate holder's credit card.

4 Please turn to Slide 50. In the building use case, as shown on this
5 slide, the transaction is obtaining --

6 JUDGE MCKONE: Excuse me.

7 MR. DEVOTO: Yes?

8 JUDGE MCKONE: Before you move to that, in the first use case,
9 the retail use case, as you call it, is a technical matter -- is the network server
10 what is authorizing the credit card? In other words, making a determination,
11 do you have the correct amount of credit and are we going to give
12 effectively a thumbs up to debit the amount of money from the credit -- from
13 the bank's account?

14 MR. DEVOTO: Yeah, absolutely not. That is not what it's doing.
15 What it is doing is making a decision that the Pocket Vault ID is a valid I'd.
16 And thus, there's an authorized use of the Pocket Vault occurring. And that
17 allows the user to then access the credit card information that's stored on the
18 Pocket Vault, which is sensitive information. And then with that credit card
19 information in hand, that can be given -- displayed, say, on the screen of the
20 Pocket Vault -- and shown to the retailer and saying, hey, I want to buy this,
21 say, a Gatorade bottle. Please charge it to this credit card. Here it is, here's
22 the credit card information, please charge it. And whether or not that credit
23 card has sufficient balance or not, well, that's up to the normal paths that
24 occur for credit card approval transactions. So the answer to that is no.

25 JUDGE MCKONE: Well --

1 MR. DEVOTO: Yeah.

2 JUDGE MCKONE: Well, I'm looking at Figure 24 of Burger,
3 there's the box 2402 that tests --

4 MR. DEVOTO: And this --

5 JUDGE MCKONE: I understand it being performed by the box
6 114, the -- what you say is the third-party trusted authority. And box 2402
7 says that that entity is determining whether the requested transaction is
8 within acceptable account parameters. That kind of looks like authorizing a
9 credit card. Why is that not correct?

10 MR. DEVOTO: Well, acceptable account parameters could be
11 that it's acceptable with -- it's being used by a correct person, right? So part
12 of what could be communicated as the user of the Pocket Vault, is it used by
13 the same person or is there a limit on how often the credit card can itself be
14 used or presented? It doesn't have to be limited to an actual verification of
15 the credit card and whether there's sufficient balance there. It could, but it
16 doesn't have to be. So we would --

17 JUDGE MCKONE: So Burger doesn't set -- Burger doesn't
18 provide any more specificity. It could be that the third-party trusted
19 authority here is authorizing the transaction?

20 MR. DEVOTO: So if that were the case, Your Honor, then there'd
21 be no reason to really display at all the credit card information on the display
22 of the Pocket Vault, right? Because there's certainly an example where it is
23 the display of the Pocket -- of the credit card information on the Pocket
24 Vault that is then causes a manual keying in of the credit card that then -- by
25 the merchant that then sends a request as in a conventional way to the credit

1 card issued to verify that the transaction will be approved or not.

2 So what I would say is that while it, in some situations, though I
3 don't think they're directly stated in Burger perhaps, but there is definitely
4 situations where you are simply displaying the credit card information, just
5 like you would display it by just handing your wallet over, you know, to the
6 person at the cash register, right? And then that person will take all that
7 information and manually key it in, which will then result in an entirely
8 independent request to the credit card issuer for approval or, you know,
9 rejection of the purchase using the credit card; does that help?

10 JUDGE MCKONE: It didn't answer the question that I was getting
11 at. Burger doesn't say what acceptable account parameter means, correct?
12 We don't have anything more specific?

13 MR. DEVOTO: I don't think it gives us that level of detail, but I'd
14 have to look at it again. So my apologies. I don't think it does.

15 JUDGE MCKONE: And I don't remember seeing any expert
16 testimony in that point; is that correct? So we're --

17 MR. DEVOTO: Yeah, that's correct.

18 JUDGE MCKONE: It was kind of on its own here.

19 MR. DEVOTO: Yeah. And let's be clear, what we had is a
20 scenario where -- when we pointed to the scenario where you would have a
21 user of the Pocket Vault try to access the Pocket Vault for the sole purpose
22 of either displaying the credit card information on the screen so that a
23 merchant at a register can type it in and go through the typical process to get
24 it approved or we had it being used as a proxy token, so we download that
25 information onto a proxy token that looks like a credit card, like, a normal

1 credit card and hand that to the merchants.

2 Okay. Yeah. And if you look at the actual -- the description about
3 what acceptable account parameters, those are just simply an example, could
4 be that they're set by the media issuer. So if it's within acceptable
5 parameters that were set by the media issuer, that does not mean that you're
6 actually -- and certainly isn't limited, given that it's just an example, to
7 scenarios where the - that that operation done at the network server is itself
8 a credit card verification operation. Rather, it is certainly a correct use case
9 and a described use case, where the whole point of this Pocket Vault is to act
10 as a proxy to a physical wallet.

11 And when you have a physical wallet, you show your credit card to
12 a merchant. And there's certain scenarios where you show your credit card
13 to the merchant. And the merchant writes down your credit card information
14 and then processes it using their normal way of processing credit cards. And
15 similarly, which can be on the display or alternatively, it can be downloaded
16 into the token, which they can then be handed in as a credit card to the
17 merchant, just like you'd hand in any of your credit cards to the merchant,
18 which will allow them to read the number either on the magnetic strip or if
19 that fails, on the print out on the front of the credit card; does that help?

20 JUDGE MCKONE: I think I understand your position. Yes, thank
21 you.

22 MR. DEVOTO: Okay. Thank you. So I'd like to turn to the
23 building use case. So as shown in this slide, the transaction is obtaining
24 authorization to enter a secure building or facility, you know. Your Honors,
25 I want to -- I would like to return to that statement that you made right there

1 because I want to make one more observation about it.

2 Even if -- let's just, for the sake of argument, even if the network
3 server we're processing and saying, yes, this is a proper use of the credit
4 card, even if it did that and say, yes, you can use it, that does not make the
5 network server or the operator of the network server the transacting party. It
6 just makes it as a party that's really helping out the transacting party by
7 doing a little more to facilitate the transaction, by assuming a little more
8 responsibility to facilitate the transaction.

9 In the end, it remains a third party that -- and whose role is simply
10 to facilitate transactions between that -- you know, the user of the Pocket
11 Vault and a credit card company. And if it even assumes some degree of
12 responsibility of -- says, hey, you know what, to facilitate this transaction
13 even more than verifying that this guy's not doing identity theft, I'm going to
14 help you out a little more, I'm going to also -- you know, I'm going to store
15 maybe some more stuff. I'll do a little bit of your processing as well. That
16 does not make it a principal party, that makes it an intermediary that's
17 facilitating the transaction between the principal parties.

18 Because after all, in the end, like I said, if the transaction proves to
19 be fraudulent, the person that sues is the credit card company to the human
20 being as a thief. In fact, they might even sue the network server for not
21 doing their job properly -- the operator for the network server for not doing
22 their job properly. The transaction remains, though, between the user of the
23 Pocket Vault and the credit card company.

24 And frankly, in this particular use case example, it can also mean
25 -- because that actually relates to one of the other example use case we gave.

1 It also can be simply the merchant who is purchasing, right? The merchant
2 is the entity who is allowing the purchase by the holder of the Pocket Vault,
3 and all of this credit card stuff is just facilitating that purchase in this
4 example.

5 And the network server, whether it is the credit card issuer or does
6 some parts of it or not, remains a third party to the principal transaction,
7 which is the transaction between the holder of the Pocket Vault seeking to
8 purchase the product and the merchant selling the product to them. Does
9 that help clarify our position?

10 JUDGE MCKONE: Yes, thank you.

11 MR. DEVOTO: Thank you, Your Honor. So if we could turn to
12 Slide 50, I'd like to talk briefly about the building use case, which is shown
13 on this slide. The transaction is obtaining authorization to enter a secure
14 building or facility, such as a hotel room. In this transaction, the first party
15 is the Pocket Vault holder, the second party is the hotel that issued the hotel
16 card key, and the third-party trusted authority is the party operating the
17 network server.

18 Now, in this use case, the application which is the resource that is
19 allowed to be accessed to facilitate the entry into the hotel room is the digital
20 room key that is downloaded or otherwise stored in the Pocket Vault and
21 used to enter the hotel room and thereby complete the transaction. By
22 requiring the same dual user and device authentication operations, as
23 described and claimed in the '954 Patent, Burger reduces the risk of identity
24 theft occurring in this transaction, where a thief may attempt to steal the
25 identity of the legitimate holder of the Pocket Vault and then attempt to

1 access the hotel key information on the Pocket Vault to engage in a
2 fraudulent transaction with the hotel by improperly staying in a hotel room
3 that belongs to the legitimate holder of the Pocket Vault.

4 Unless Your Honors have any questions, I'd like to now turn to the
5 Burger referencing to show how it satisfies the access message feature in
6 these two use cases.

7 Hearing none. If you could please turn to Slide 58. Now, Your
8 Honors, before turning to the use case, Burger's teaching in paragraph 0116,
9 which is shown in this slide, is worth noting because it speaks to the
10 importance of Burger's network server in controlling access to the
11 applications or resources stored in the Pocket Vault.

12 As described in this paragraph and shown in the highlighted text,
13 Burger expressly contemplates scenarios where a Pocket Vault may be lost
14 or stolen, and the biometric authentication may be somehow breached by an
15 illegitimate user attempting to access sensitive resources on the Pocket Vault
16 to perform transactions with second parties.

17 To enhance security under these circumstances, Burger discloses
18 the importance of the additional device authentication step performed by the
19 network server 114 of the Pocket Vault. Specifically, after a legitimate
20 owner of the Pocket Vault, for example, reports the Pocket Vault as stolen or
21 lost, the network server 114 voids the chip ID of the Pocket Vault and in
22 doing so, prevents the Pocket Vault from being used by the thief or anyone
23 who finds the Pocket Vault because it will fail to be successfully
24 authenticated by the network server.

25 In this way, the Pocket Vault offers additional security as

1 compared to a physical wallet, wherein contrast a thief or person who finds
2 the physical wallet is able to freely access the sensitive resources in the
3 wallet to commit fraudulent transactions with second parties.

4 Please turn to Slide 61. Now, consistent with Burger's teachings,
5 therefore, Burger's message from Burger's network server 114 that indicates
6 that the Pocket Vault has been successfully authenticated is an access
7 message and that it allows access to an application or resource stored in the
8 Pocket Vault used to facilitate a transaction between the holder of the Pocket
9 Vault and a second party.

10 In the retail use case, the access message is the message provided
11 by the network server 114 that indicates a successful authentication of the
12 Pocket Vault and, as a result, enables access to the software on the Pocket
13 Vault for providing credit card information.

14 In the building use case, the access message is the message
15 provided by the network server 114 that indicates a successful authentication
16 of the Pocket Vault and, as a result, enables access to the downloaded or
17 stored data or software on the Pocket Vault corresponding to the room key
18 that is used to enter the room, the hotel room.

19 Now, Your Honors, unless you have any questions, I do want to
20 -- I'm ready to rest our case in chief. However, I did want to touch upon -- I
21 would like to touch upon, with your permission, Your Honors, the objections
22 we advanced to Patent Owner's demonstratives.

23 JUDGE MCKONE: I think we've read your objections, my
24 understanding, you object that some of these demonstratives talk about a
25 reexam of a different matter that was not been briefed in this case and that's

1 your objection. Is that essentially it?

2 MR. DEVOTO: At a high level, yes. I mean, the, you know, the
3 --

4 JUDGE MCKONE: Okay. And at this point, I mean, do we have
5 a basis to go into a lower level? Have you met and conferred with Patent
6 Owner to figure out how they want to use this information? Otherwise, I'm
7 going to get into that in a moment, I think.

8 MR. DEVOTO: Okay. Feel free. I mean, our concern was simply
9 that if you look at the slides, they suggest that they're going to be building
10 new arguments based on -- that have not been placed into the record. And
11 our concern is simply that to the extent these new arguments are allowed to
12 proceed, that our client's due process rights will be violated. But I think we
13 trust Your Honors, so we defer to you of course as to how to handle the
14 situation, as always.

15 JUDGE MCKONE: And you'll have about 24 minutes to respond
16 in rebuttal, regardless. And we're aware of your objections.

17 MR. DEVOTO: Thank you very much, Your Honors. And with
18 that, I rest our case for now.

19 JUDGE MCKONE: Okay. You'll have 24 minutes in your
20 rebuttal argument.

21 Patent Owner, are you ready to present?

22 MR. ZAK: Yes, Your Honor. Let me just share my screen really
23 quick.

24 JUDGE MCKONE: Okay. And keep in mind, I will not be able to
25 see your screen, just the way our technology is set up. So just make sure

1 you tell me what you're looking at, including any --

2 MR. ZAK: Oh, I most certainly will. And I will also make sure I
3 -- that should be in full screen now, I hope. And I'll make sure to cite any
4 exhibits that are -- give the exhibit cites that are in the demonstratives.

5 JUDGE MCKONE: Okay. Are you ready to go?

6 MR. ZAK: Yes, we are. And before I start with the comments I
7 have prepared, I just want to reiterate something that we said in our surreply.
8 We acknowledge that the Board has construed the claims. And without
9 waiving any rights to appeal, as we said on our surreply, we don't think it's
10 proper for the Board to revisit that here. That would be asking the Board to
11 conduct a rehearing or to do other matters in the case that's not here.

12 The claims have been construed. We accept that construction. We
13 don't think there's any need for the Board to reengage in claim construction
14 at this point. And again, that is said about waiving any rights to appeal, it's
15 just a matter of procedure. This is not the procedure to rehash or ask you to
16 reverse the claim construction in another proceeding.

17 But having said that, I can get on with what we have prepared
18 today, and that is an API paradox that's gripped this IPR. Microsoft itself
19 warned of this coming paradox and its motion to stay, Paper 16. At that
20 time, the paradox was foreshadowed but not upon us. Today, however, with
21 the Office Action issued July 29th and the ex parte reexamination of the --

22 JUDGE MCKONE: Well, let me ask you about this, this is an
23 Office Action in the reexamination of a different patent on a different record.
24 And it's not final. How is this relevant to -- and it hasn't been briefed here,
25 as the Petitioner objects. How is this relevant to what we're discussing

1 today? What are you going to argue as the relevance here?

2 MR. ZAK: Well, what we're going to argue as the relevance is that
3 the examiner has done a few things. One, she adopted specifically the
4 rationale from the institution decision of this proceeding. We said that
5 explicitly. She's adopted the rationale.

6 JUDGE MCKONE: Is this going towards claim construction, for
7 example? Are you going to argue that our claim construction should be
8 different because of something that happened in the reexam?

9 MR. ZAK: No. From my understanding of the reexam, she has
10 -- and by she, I say the examiner, I'm sorry. The examiner in the CRU have
11 adopted the Board's claim construction. I didn't see them make any
12 inconsistent claim construction with the Board.

13 JUDGE MCKONE: Okay. Then are you going to be arguing
14 -- are you going to want to argue that the examiner made findings that are
15 inconsistent as far as Burger's disclosure that are inconsistent with
16 something that we've said?

17 MR. ZAK: What she -- with regards to what Burger discloses, I
18 believe she is -- the CRU hasn't made any inconsistencies. But what they
19 have decided -- what they have done is they have considered the grounds
20 asserted in the petition, 103. They've considered the testimony of Dr.
21 Traynor. They considered the modifications proposed by Dr. Traynor in
22 support of the grounds of invalidity -- the obviousness grounds of invalidity
23 asserted in the petition.

24 And instead of asserting a 103 rejection, they rejected all of that
25 and said no, it's 102.

1 JUDGE MCKONE: I'm sorry, they rejected a 103 rejection, they
2 said there is no basis for a 103 rejection or they -- or the examiner simply
3 made a 102 rejection?

4 MR. ZAK: The examiner --

5 JUDGE MCKONE: Did the examiner foreclose a 103 rejection?

6 MR. ZAK: I would say yes, under standard MPEP procedure, the
7 idea that office actions are supposed to be complete and thorough, as stated
8 in the MPEP. The examiner considered all the evidence and asserted a 102
9 rejection, thereby foreclosing a 103 rejection, thereby rejecting it.

10 JUDGE MCKONE: The examiner didn't foreclose a 103 rejection.
11 This is a non-final action. In any case, this is not relevant to what we're
12 discussing here. I'll permit you to argue the arguments that you made in
13 your briefs in this case. But as far as the reexam is concerned, if that's all
14 you have to argue, then no we're not going to allow the argument of the
15 reexam in this hearing. So if you have arguments related to -- arguments
16 that you presented in your brief, this is your opportunity to present them.

17 MR. ZAK: Well, then, Your Honor, if you're not going to allow us
18 (TECHNICAL DIFFICULTIES - INDISCERNIBLE) concerns, we'll rest
19 our case in Court with the rest of our time. Thank you.

20 JUDGE MCKONE: Okay. Thank you very much. Petitioner --

21 MR. DEVOTO: Thank you so much, Your Honors.

22 JUDGE MCKONE: All right. Thank you. I'll give the other panel
23 members an opportunity to ask any question that they might have now. And
24 if not, we'll adjourn the hearing.

25 All right. Hearing none. We will adjourn this hearing.

1 (Whereupon, the above-entitled matter went off the record at 1:46
2 p.m.)

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