

UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE PATENT TRIAL AND APPEAL BOARD

USAA Federal Savings Bank,
Petitioner,

v.

PACid Technologies, LLC,
Patent Owner.

Case IPR2025-00752
U.S. Patent No. 10,044,689

**PATENT OWNER PACID TECHNOLOGIES, LLC'S DISCRETIONARY
DENIAL BRIEF**

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EXHIBIT LIST
Previously Filed (Petitioner)

USAA-1001	U.S. Patent No. 10,044,689 to Fielder (“the ’689 Patent”)
USAA-1002	Excerpts from the Prosecution History of the ’689 Patent (“the Prosecution History”)
USAA-1003	Declaration and Curriculum Vitae of Dr. Seth James Nielson
USAA-1004	U.S. Patent App. Pub. No. 2003/0140235 to Immega et al. (“Immega”)
USAA-1005	U.S. Patent No. 6,002,770 to Tomko et al. (“Tomko”)
USAA-1006	U.S. Patent App. Pub. No. 2007/0061567 to Day et al. (“Day”)
USAA-1007	[RESERVED]
USAA-1008	U.S. Patent No. 5,748,744 to Levy et al. (“Levy”)
USAA-1009	[RESERVED]
USAA-1010	U.S. Patent No. 8,108,318 to Mardikar (“Mardikar-318”)
USAA-1011	U.S. Patent App. Pub. No. 2009/0307140 to Mardikar (“Mardikar-140”)
USAA-1012	U.S. Patent App. Pub. No. 2009/0305673 to Mardikar (“Mardikar-673”)
USAA-1013	U.S. Patent No. 8,234,697 to Chhabra (“Chhabra”)
USAA-1014	U.S. Patent App. Pub. No. 2004/0111625 to Duffy et. al. (“Duffy”)
USAA-1015	U.S. Patent App. Pub. No. 2008/0098225 to Baysinger (“Baysinger”)

USAA-1016	John Viega, Matt Messier, and Pravir Chandra, <i>Network Security with OpenSSL: Cryptography for Secure Communications</i> (1st ed. 2002)(“Viega”)
USAA-1017	Niels Ferguson and Bruce Schneier, <i>Practical Cryptography</i> (1st ed. 2003) (“Ferguson”)
USAA-1018	RFC 5246 - The Transport Layer Security (TLS) Protocol Version 1.2 (August 2008), available at: RFC 5246 - The Transport Layer Security (TLS) Protocol Version 1.2
USAA-1019	ITU-T Recommendation X.509 (August 2005)
USAA-1020	Complaint, <i>PACid Technologies, LLC v. USAA Federal Savings Bank</i> , Case No. 1:24-cv-321 (W.D. Tex. Mar. 27, 2024)
USAA-1021	[RESERVED]
USAA-1022	Combined Civil and Criminal Federal Court Management Statistics (Dec. 31, 2024) United States Courts (uscourts.gov), available at: https://www.uscourts.gov/sites/default/files/2025-02/fcms_na_distprofile1231.2024.pdf
USAA-1023	(Excerpts) Gordon Padwick, “Special Edition Using Microsoft Outlook 2000,” Que, First printing May 1999, Library of Congress Catalog Card Number 98-87795 (“Padwick”)
USAA-1024	[RESERVED]
USAA-1025	[RESERVED]
USAA-1026	[RESERVED]
USAA-1027	Declaration of June Ann Munford (Viega, Ferguson, Padwick)
USAA-1028	U.S. Patent App. Pub. No. 2003/0005336 to Poo, et al. (“Poo”)
USAA-1029	U.S. Patent App. Pub. No. 2007/0136604 to Kuhlman, et al (“Kuhlman”)

USAA-1030	U.S. Patent App. Pub. No. 2005/0081040 to Johnson, et al. (“Johnson”)
USAA-1031	(Excerpts) Vir V. Phoha, “Internet Security Dictionary,” Springer, 2002, ISBN 0-387-95261-6 (“Phoha”)
USAA-1032	U.S. Patent App. Pub. No. 2008/122796 to Jobs, et al. (“Jobs”)
USAA-1033	U.S. Patent App. Pub. No. 2002/0099952 to Lambert, et al. (“Lambert”)
USAA-1034	U.S. Patent App. Pub. No. 2006/0258368 to Granito, et al. (“Granito”)
USAA-1035	U.S. Patent App. Pub. No. 2005/0246469 to Chu (“Chu”)
USAA-1036	Knaggs, P. and Welsh, S., 2004. ARM: Assembly Language Programming. Bournemouth University, School of Design, Engineering, and Computing (“Knaggs”)
USAA-1037	U.S. Patent App. Pub. No. 2002/0010819 to Dye (“Dye”)
USAA-1038	Stipulation

Currently Filed (Patent Owner)

Ex.	Description
2001	Federal District Caseload Statistics, Table C-5 (March 2024)
2002	Summons in <i>PACid Technologies, LLC v. USAA Federal Savings Bank</i> , 1:24-cv-321-DAE

I. INTRODUCTION

Patent Owner PACid Technologies, LLC (“Patent Owner” or “PACid”) respectfully submits this Patent Owner Discretionary Denial Brief. It is being timely filed on or before May 27, 2025, in accordance with the March 26, 2025 Memorandum from Acting Director. Patent Owner respectfully requests that the Board deny institution of a trial with respect to all claims of United States Patent No. 10,044,689 (“‘689 Patent”). Here, the *Fintiv* factors favor denial of institution under 35 U.S.C. § 314(a).

A. STATEMENT OF RELIEF REQUESTED

Patent Owner respectfully requests that the Board deny institution of a trial with respect to all claims of the ‘689 Patent.

B. OVERVIEW OF THE ‘689 PATENT

The ‘689 Patent is directed to securing digital communications over a network. The ‘689 Patent discloses a novel “security application” on a computing device, such as a mobile phone, that provides technical advancements in the fields of user authentication and security of communications among computing devices. Exhibit 1001 (‘689 Patent) at Abstract. Traditional protection schemes at the time of the invention attempted to prevent unauthorized users from accessing confidential information by requiring a user to provide authentication credentials, such as a username and password, at a predefined entry point, to access confidential

information. *Id.* at 1:30-35. These schemes fail to account for vulnerabilities associated with passing authentication credentials across a network. *Id.* at 1:35-38. Using knowledge of a user's network connections, hardware, software, and system configuration, nefarious individuals may create other entry points into a network and gain unauthorized access to confidential information. *Id.* at 1:38-42.

The PACid claims are directed to a solution to such problems by disclosing specific improvements in the functionality of computers and networks. The claims disclose an application on a computing device (e.g., a mobile phone) that generates a secret after receipt of a unique user input. The device stores that secret with an identifier so that the secret is retrievable only when the user input is later applied. When a communication that includes the identifier is received, the user is prompted to apply the unique user input, the secret is retrieved, and the secret is used to encode a responsive communication. *Id.* at 27:44-60.

C. LEVEL OF ORDINARY SKILL IN THE ART

“The person of ordinary skill in the art is a hypothetical person who is presumed to have known the relevant art at the time of the invention.” Manual of Patent Examining Procedure (“MPEP”) 2141.II.C. Factors that may be considered in determining the level of ordinary skill in the art may include: (1) type of problems encountered in the art; (2) prior art solutions to those problems; (3) rapidity with which innovations are made; (4) sophistication of the technology; and (5)

educational level of active workers in the field. *In re GPAC*, 57 F.3d 1573, 1579 (Fed. Cir. 1995).

Petitioner asserts that “[a] person of ordinary skill in the art relating to the subject matter of the ‘689 Patent (“POSITA”) would have had a working knowledge of cryptography and related security techniques.” Paper 2 (Petition) at 4. Petitioner further alleges, “the person would have had a bachelor’s degree in an academic discipline emphasizing the design of computer or software technologies, in combination with training or at least one to two years of related work experience with securing and processing of data or information, including but not limited to cryptography” or “[a]lternatively, the person could have had a Master of Science degree in a relevant academic discipline with less than a year of related work experience in the same discipline.” *Id.* Patent Owner does not take issue with Petitioner’s proposed definition of a person of ordinary skill in the art at this time but reserves the right to challenge Petitioner’s definition should it become necessary if a trial is instituted.

D. CLAIM CONSTRUCTION

In an *inter partes* review (“IPR”) filed on or after November 13, 2018, the Board construes claim terms based on their ordinary and customary meaning in accordance with *Phillips v. AWH Corporation*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc). The specification is the “best source for understanding a technical term,” to

be supplemented, “as needed, by the prosecution history.” *Id.* at 1315.

Patent Owner does not believe any terms need to be construed at this time since this Discretionary Denial Brief is predicated on procedural considerations but reserves the right to present claim constructions for any and all terms of the ‘689 Patent should trial be instituted.

E. SUMMARY OF PATENT OWNER’S ARGUMENTS

Due to the proximity of the institution decision, and ultimately any final written decision, to the likely disposition of the parallel litigation, investment in the parallel litigation, overlap of validity issues in the parallel litigation and unlikelihood of a stay pending IPR in the litigation, the Board should exercise its discretion under the *Fintiv* factors to deny institution.

Patent Owner does not attempt to fully address the myriad of other deficiencies of the underdeveloped grounds asserted in the Petition. *See Travelocity.com L.P. et al. v. Cronos Technologies, LLC*, CBM 2014-00082, Paper 12 at 10 (PTAB Oct. 16, 2014) (“nothing may be gleaned from the Patent Owner’s challenge or failure to challenge the grounds of unpatentability for any particular reason”). However, the deficiencies addressed herein are dispositive and preclude trial on any asserted ground.

II. THE PTAB SHOULD EXERCISE ITS DISCRETION TO DENY INSTITUTION

The Board regularly exercises its discretion to deny institution under 35

U.S.C. § 314(a) especially when related litigation has advanced to the point that an IPR proceeding becomes an inefficient use of the Board's and parties' resources. For example, the Board has denied institution when a district court litigation involving the same prior art and arguments was nearing its final stages and trial was set to take place months before any final written decision would issue in an IPR proceeding on the same patent. *NHK Spring Co., Ltd. V. Intri-Plex Techs. Inc.*, IPR2018-00752, Paper 8 at 20 (PTAB Sept. 12, 2018) (precedential). The Board reasoned that “[a] trial before us on the same asserted prior art will not conclude until” after the district court trial and “[i]nstitution of an *inter partes* review under these circumstances would not be consistent with ‘an objective of the AIA...to provide an effective and efficient alternative to district court litigation.’” *Id.* at 20. As discussed herein, the same reasoning applies in this proceeding.

In *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential), the Board identified factors to be considered in determining whether to discretionarily deny institution of an IPR. These factors include: (1) whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted; (2) proximity of the court's trial date to the Board's projected statutory deadline for a final written decision; (3) investment in the parallel proceeding by the court and the parties; (4) overlap between issues raised in the petition and in the parallel proceeding; (5) whether the petitioner and the defendant in the parallel

proceeding are the same party; and (6) other circumstances that impact the Board's exercise of discretion, including the merits. *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) at 6.

A. THE LITIGATION INVOLVING THE '689 PATENT IS UNLIKELY TO BE STAYED

Petitioner filed this IPR and is also party to the pending Western District of Texas litigation (*PACid Technologies, LLC v. USAA Federal Savings Bank*, 1:24-cv-321-DAE). To date, neither party to the pending Western District of Texas litigation has sought a stay nor indicated they would seek a stay pending the results of this IPR.

According to the Federal District Caseload Statistics, the median time to disposition in the Western District of Texas is 7.8 months, and the median time to trial in the Western District of Texas is 34.4 months. Exhibit 2001 (Federal District Caseload Statistics, Table C-5 (December 2024)) at 2. The pending district court litigation was filed on March 27, 2024, meaning there is a reasonable likelihood of disposition of the case this calendar year according to the median statistics. While the median time to trial could potentially be later according to the statistics, it is worth noting how few cases reach that stage. Only 38 of 3,427 cases reached trial (around 1.1 %) in the Western District of Texas during the time period considered in the Federal District Caseload Statistics. *Id.* at 2. These factors create an extremely high degree of likelihood that the district court litigation will be resolved far in

advance of a final written decision in this IPR. This factor weighs in favor of denial of institution.

B. THE PROGRESSION OF THE LITIGATION WEIGHS HEAVILY IN FAVOR OF DENIAL

Petitioner was not diligent in filing this IPR. PACid served the complaint in the Western District of Texas case (*PACid Technologies, LLC v. USAA Federal Savings Bank*, 1:24-cv-321-DAE) on April 5, 2024. Exhibit 2002 (Summons) at 1. Petitioner waited almost an entire calendar year from service to file this IPR. As a result of this delay, this litigation has progressed considerably during the almost fourteen (14) months since the filing of the complaint. A motion to dismiss has been fully briefed and decided related to 35 U.S.C. § 101 issues; the complaint has been answered and counterclaims have been asserted; and the parties are negotiating a scheduling order. Given the 7.8 month median time to disposition in the Western District of Texas, the district court litigation is likely to conclude prior to a final written decision in this IPR. Consequently, this factor also weighs heavily in favor of denial of institution because institution would be inconsistent with “an objective of the AIA...to provide an effective and efficient alternative to district court litigation.” *NHK*, Paper 8 at 20; *see also ZTE (USA) Inc. v. Fractus, S.A.*, IPR2018-01451, Paper 12 at 20 (PTAB Feb. 19, 2019) (institution denied where the district court proceeding “appeare[d] likely to conclude before the completion of an *inter partes* review of the contested [] claims.”).

**C. THE DISTRICT COURT AND THE PARTIES HAVE
INVESTED AND WILL CONTINUE TO INVEST A
SIGNIFICANT AMOUNT OF RESOURCES**

Petitioner argues that the district court case is in its infancy, stating that “[t]he parties have yet to file infringement contentions, invalidity contentions or claim construction briefs.” Paper 2 (Petition) at 90. However, the PTAB must consider not just how much work has been performed prior to the filing of a Petition, but also how much work will be performed prior to an institution decision and ultimately a final written decision if the IPR is instituted. The parties to the litigation involving the ‘689 Patent have performed and will continue to perform a considerable amount of work in preparation for trial. The parties have already expended significant resources in preparation for trial as discussed in Section II.B *supra*.

Furthermore, before this IPR proceeding could be resolved in a final written decision, many additional impactful deadlines will be reached in district court. Based on the version of the scheduling order that Patent Owner intends to submit for entry, the following will likely occur prior to a final written decision in this IPR: service of infringement and invalidity contentions; filing of claim construction briefing; completion of fact and expert discovery; and filing of dispositive motions. Because institution of the IPR would be an inefficient use of Board and party resources, this factor also weighs in favor of denial of institution.

D. THE ISSUES RAISED IN THE PETITION WILL BE RESOLVED BY THE DISTRICT COURT LITIGATION

As is customary in patent litigation, Petitioner has also challenged the validity of the '689 Patent in the parallel district court proceeding—asserting an affirmative defense of invalidity and counterclaiming for a declaratory judgment of invalidity. Consequently, there will likely be overlap between the prior art that could have been raised in this proceeding and the prior art listed in the defendant's invalidity contentions in the district court.

Petitioner has offered a *Sotera* stipulation in conjunction with this IPR. Exhibit 1038 (Stipulation) at 1. However, this still does not cure the issues related to overlapping invalidity challenges in IPR and district court. Determining what constitutes the same grounds used in the Petition or any grounds that could have been raised is a difficult question and subject to evolving precedent in the Federal Circuit. Petitioner's *Sotera* stipulation does not prevent Petitioner from applying system art, not eligible for IPR purposes, to one trivial limitation and then asserting prior art that could have been raised in this IPR to the remaining limitations of the claims. *Id.* This would create the potential for duplicative efforts that the Board attempts to avoid through discretionary denial. This factor also weighs heavily in favor of denial of institution.

E. THE PETITIONER AND DEFENDANT IN THE PARALLEL DISTRICT COURT PROCEEDING ARE THE SAME

Patent Owner is the plaintiff, and Petitioner is the defendant in the parallel litigation in the Western District of Texas (*PACid Technologies, LLC v. USAA Federal Savings Bank*, 1:24-cv-321-DAE). “[B]ecause the petitioner and the defendant in the parallel proceeding are the same party, this factor weighs in favor of discretionary denial.” *Samsung Elecs. Co. v. Clear Imaging Research, LLC*, IPR2020-01401, Paper 12 at 21-22 (P.T.A.B. Feb. 17, 2021) (quoting *Fintiv*, IPR2020-00019, Paper 15 at 15). This factor also weighs in favor of denying institution.

F. THE MERITS OF THE PETITION DO NOT OUTWEIGH THE OTHER *FINTIV* FACTORS

Patent Owner respectfully submits that the Petition does not present a compelling case on the merits. While Patent Owner reserves all rights to fully address the grounds of unpatentability should trial be instituted, the current record does not support a finding that the Petition’s merits outweigh the significant factors favoring discretionary denial under § 314(a). In such circumstances, the Board has found that it “need not decide whether the merits of Petitioner’s asserted grounds are particularly strong because it would not impact [the] ultimate determination under Section 314(a)” and “the merits do not outweigh the other *Fintiv* factors.” *NXP USA, Inc. v. Impinj, Inc.*, PGR2022-00552, Paper 18 at 12-13 (P.T.A.B. May 2, 2022) (finding that where factor 1 was neutral and factors 2-5 favored or slightly favored denial, factor 6 was neutral because it “would not impact [the] ultimate

determination”); *Samsung Electronics Co., Ltd. v. Clear Imaging Research, LLC*, IPR2020-01401, Paper 12 at 23-25 (P.T.A.B. Feb. 17, 2021) (finding that where factors 1 and 4 slightly favored denial, factors 2 and 3 strongly favored denial, and factor 5 weighed in favor of denial, those factors outweighed any merits of the case considered in factor 6); *Apcon, Inc. v. Gigamon Inc.*, IPR2020-01579, Paper 9 at 26 (P.T.A.B. Mar. 16, 2021) (finding that the merits of the petitioner’s grounds do not outweigh the other factors in light of the strength of factor 2); *see also Fintiv*, IPR2020-00019, Paper 11 at 15 (“if the merits of the grounds raised in the petition are a close[] call, then that fact has favored denying institution when other factors favoring denial are present”). In view of the Board’s analysis as reaffirmed in the USPTO’s March 2025 guidance, the merits do not tip the balance in favor of institution.

III. CONCLUSION

Patent Owner has shown that the above-captioned Petition should not be instituted pursuant to the *Fintiv* discretionary denial factors.

Date: May 27, 2025

Respectfully submitted,

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CERTIFICATE OF WORD COUNT UNDER 37 C.F.R. § 42.24(b)(1)

I, the undersigned, do hereby certify that the foregoing Patent Owner Discretionary Denial Brief, including footnotes, contains 3,378 words, as measured by the Word Count function of Word 2007. This is less than the limit of 14,000 words as specified by 37 C.F.R. § 42.24(b)(1).

/s/ Gregory S. Donahue
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CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of May 2025, a true and correct copy of the foregoing PATENT OWNER PACID TECHNOLOGIES, LLC'S DISCRETIONARY DENIAL BRIEF was served by electronic mail upon the following counsel of record for USAA Federal Savings Bank.

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