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 IPR2025-00754
Patent 10,484,344

PETITIONER'S OPPOSITION TO PATENT OWNER'S DISCRETIONARY DENIAL BRIEF

TABLE OF CONTENTS

I. Introduction....1
II. The Petition Should Not be Discretionarily Denied....5
A. Discretionary Denial is Not Warranted Under §314(a)....5
1. Factor 1: Stay of Litigation Remains Possible....5
2. Factor 2: No Trial Date has been Set, and the Projected Trial Date is Well After the Final Written Decision Deadline....7
3. Factor 3: Limited Resources Would Have Been Expended by the Time of the Decision on Institution....9
4. Factor 4: No Overlap Between This IPR and the District Court Proceeding....12
5. Factor 5: The Same Parties are in the Co-Pending Litigation....15
6. Factor 6: The Petition Presents Compelling Merits....16
B. Relevant Considerations Do Not Favor Discretionary Denial....22
1. Settled Expectations Counsel in Favor of PTAB Review....22
2. National Security Considerations Support PTAB Review....25
III. Conclusion....25

EXHIBITS

USAA-1001	U.S. Patent No. 10,484,344 to Fielder ("the '344 Patent")
USAA-1002	Excerpts from the Prosecution History of the '344 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, Matter Messier, and Pravir Chandra, *Network Security with OpenSSL: Cryptography for Secure Communications* (1st ed. 2002)("Viega")
USAA-1017	Niels Ferguson and Bruce Schneier, *Practical Cryptography* (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, *PACid Technologies, LLC v. USAA Federal Savings Bank*, 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	Resnick, RFC 5322 - Internet Message Format (October 2008), downloaded from the Internet at: https://datatracker.ietf.org/doc/html/rfc5322 on March 7, 2005 ("Resnick")
USAA-1025	Myer, et al. RFC 680 - Message Transmission Protocol (April 1975), downloaded from the Internet at: https://datatracker.ietf.org/doc/html/rfc680 on March 7, 2005 ("Myer")

USAA-1026	Delerablée, et al., 2008, August. "Dynamic threshold public-key encryption." In *Annual International Cryptology Conference* (pp. 317-334). Berlin, Heidelberg: Springer Berlin Heidelberg.Myer, et al. ("Delerablée)
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	USAA'S May 12, 2025 Stipulation
USAA-1039	Interim Process for PTAB Workload Management

USAA-1040	FAQs for Interim Processes for PTAB Workload Management
USAA-1041	USAA 2024 Annual Report to Members, *available at* https://static.usaa.com/content/dam/digital/documents/pdf/brand/mkt-annual-report-to-members-2024.pdf
USAA-1042	US News Best Car Insurance Companies of May 2025, *available at* https://www.usnews.com/insurance/auto/best-car-insurance-companies
USAA-1043	US News Best Homeowners Insurance Companies, *available at* https://www.usnews.com/insurance/homeowners-insurance
USAA-1044	Written Statement of Joseph Matal, *Reforming the Patent Trial and Appeal Board—The PREVAIL Act and Proposals to Promote U.S. Innovation Leadership: Hearing Before the Senate Comm. on the Judiciary, Subcomm. on Intellectual Property*, 118th Cong. (Nov. 8, 2023), https://www.judiciary.senate.gov/download/2023-11-08-testimony-matal
USAA-1045	Joint Motion for Entry of Scheduling Order, *PACid Technologies, LLC v. USAA Federal Savings Bank*, Case No. 1:24-cv-321 (W.D. Tex. May 29, 2025)
USAA-1046	Order, *PACid Technologies, LLC v. USAA Federal Savings Bank*, Case No. 1:24-cv-321 (W.D. Tex. Jun. 5, 2025)
USAA-1047	USAA Rollings Out Biometric Logon to Accounts in Q1, *GlobalNewswire*, Jan. 13, 2015, https://www.globenewswire.com/news-release/2015/01/13/697160/10115456/en/USAA-Rolling-Out-Biometric-Logon-to-Accounts-in-Q1.html
USAA-1048	ING, USAA Join Up with FIDO Alliance, *Infosecurity Magazine*, Jul. 28, 2015, https://www.infosecurity-magazine.com/news/ing-usaa-join-up-with-fido-alliance/

USAA-1049	FIDO IPR Summary, October 11, 2017, https://fidoalliance.org/wp-content/uploads/FIDO-IPR-flowchart-v255.pdf
USAA-1050	FIDO IPR Summary for Proposed Standard Specifications issued after January 1, 2020, https://fidoalliance.org/wp-content/uploads/2019/12/FIDO-IPR-flowchart-v4-W3C.pdf
USAA-1051	FAQ, January 1, 2020, https://fidoalliance.org/wp-content/uploads/2020/01/New-Patent-Policy-FAQ.pdf

I. INTRODUCTION

For over 100 years, USAA has supported millions of our nation's service members and their families by providing high quality financial products at competitive pricing. In counterpart litigation, PACid is attempting to disrupt USAA's mission. PACid contends that USAA practice of a standard developed by the Fast Identity Online (FIDO) Alliance constitutes infringement of several PACid patents, including the '344 patent. But this standard technology was long ago notoriously promoted through a standards-setting process that lasted for years, and that sought (and continues to seek) contributions from those who are willing to use their technology to promote the development of this useful standard. Rather than participating in the development of this standard, or even noticing its technology (and patents) to those seeking to advance the standard and would-be adoptees of the standard, PACid inexplicably withheld the technology that it purports to cover with its patents. And only now, having remained on the sidelines, PACid emerges, resorting to litigation in asserting those patents against USAA (and presumably others), with allegations of infringement that are drawn from accused integration of the standard. This is contrary to settled expectations held by those accused, who would reasonably have expected that patent owners would promote the useful sciences through participation in standards setting bodies like the Fast Identity Online (FIDO) Alliance, rather than lying in wait to only later frustrate the

development and adoption of technology with litigation. To make matters worse, as demonstrated by this and other related USAA petitions, the asserted PACid patents are plainly invalid.

Instituted *inter partes* review (IPR) proceedings would provide the most efficient process for adjudicating validity and thus fully resolving the dispute between the parties. This efficiency is further demonstrated by the absence of scheduled District Court activities implicating validity. In the absence of a schedule, Patent Owner is left to speculate based upon schedules proposed by the parties to the District Court. Discretion Briefing (DB), 8 ("[b]ased on the version of the scheduling order that ***Patent Owner intends to submit*** for entry"[1]) (emphasis added). In actuality, the current District Court schedule does not offer any deadlines for "service of infringement and invalidity contentions." *Id*.

To promote efficiencies, USAA diligently prepared and filed its IPR petition, yielding a projected final written decision date that is over four months ahead of district court trial according to current median time to trial statistics for co-pending litigation at the District Court in the Western District of Texas. EX2001, 2 (noting a

[1] USAA notes that, since PACid filed its discretionary denial brief, the parties submitted their proposed schedules. USAA-1045. The Court scheduled a hearing on July 10, 2025, to resolve the dispute. USAA-1046.

median time to trial of 34.4 months, and thereby statistically indicating that the District Court trial would begin February 8, 2027). What's more, the '344 Patent's claims underwent little/no scrutiny during prosecution, emerging without a single prior art rejection, and with an allowance just seven months after filing. USAA-1002. The interests of efficiency and promoting a strong patent system are therefore best served by allowing this technically competent forum to assess the patentability of all claims of the '344 Patent.

And, to further promote efficiency and reduce potential for overlap between this IPR proceeding and the litigation, USAA has submitted a stipulation that is far more sweeping than a *Sotera* stipulation. Specifically, upon institution, the USAA stipulation would further estop USAA from relying on "combinations of the prior art references asserted as part of a ground in this proceeding . . . with unpublished system prior art or any other type of prior art." USAA-1038; *see Motorola Solutions, Inc. v. Stellar, LLC*, IPR2024-01205, IPR2024-01206, IPR2024-01207 & IPR2024-01208, Paper 19 (PTAB Mar. 28, 2025).

Indeed, validity of the '344 Patent is best heard by the technically trained judges of the PTAB. *See* USAA-1044, 3-4 (referencing a recent academic study that determined "PTAB judges' technical expertise has 'aided decision-making on the thorny scientific questions endemic to patent law'"). Patent Owner would have discretion applied, leaving this validity analysis to prolonged and expensive civil

litigation rather than compact and efficient consideration, despite this case being particularly well suited for consideration by judges having technical expertise to "aid decision-making on the thorny scientific questions" relating to the technology to which the Challenged Claims are directed: transmitting encoded electronic messages and user authentication. *See id.*, 4.

Moreover, the merits of the Petition are particularly strong and underpinned by Dr. Nielson's focused and heavily corroborated testimony. *See generally* USAA-1003 (supported by thirty corroborating patent and printed publications). PACid only asserts—without any substantive argument or support—that the Petition does not present compelling merits. DB, 10. This argument is expressly refuted by the teachings of the presented references, which confirm the invalidity of the Challenged Claims. *See* §II.A.6, *supra*.

The merits of the challenges raised within the Petition are supported by substantial evidence including Dr. Nielson's robustly corroborated testimony. That evidence compels the conclusion that the Challenged Claims are unpatentable, which is likely to resolve the dispute between the parties.

For all of these reasons and those further addressed below, USAA respectfully requests that the Director decline to exercise discretion to deny institution so that this case can proceed to a determination on the merits.

II. THE PETITION SHOULD NOT BE DISCRETIONARILY DENIED

PACid seeks to shield the '344 Patent from PTAB consideration of validity by requesting discretionary denial in this IPR proceeding. In particular, PACid contends that an assessment of the *Fintiv* factors counsels in favor of discretionary denial. USAA-1039; DB, 4-11. Contrary to PACid's contentions, and as explained below, a holistic evaluation of the *Fintiv* factors confirms that discretionary denial of the petition is not warranted.

A. Discretionary Denial is Not Warranted Under §314(a)

As explained below, discretionary denial is not warranted in this case because each of the *Fintiv* factors is either neutral or weighs against discretionary denial. *See Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 5-6 (PTAB Mar. 20, 2020) (precedential) ("*Fintiv I*").

1. Factor 1: Stay of Litigation Remains Possible

Fintiv Factor 1 looks to "whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted." This record is without objective evidence indicating whether a stay will be granted if requested upon IPR institution.

PACid's arguments to the contrary involve data concerning the median time-to-disposition or median time-to-trial in the Western District of Texas, which is plainly unrelated to the likelihood of a stay—the sole focus of *Fintiv* factor 1. The

critical inquiry under this factor is whether "evidence exists" that a stay will be "granted ***if a proceeding is instituted***." Indeed, none of PACid's statistics relate to likelihood of a stay at all. *See* DB, 6 (citing only median time-to-disposition, median time-to-trial, and the number of cases to reach trial in WDTX).

At best, PACid's citation of these irrelevant statistics wades into speculation on the likelihood of the District Court to grant a stay of the co-pending litigation, which has been consistently denied consideration by the PTAB. *See* DB, 6-7. Motions to stay invoke fact- and case-specific considerations, and it would be highly prejudicial to USAA for adverse inferences to be drawn from statistics relating to likelihood of trial and median statistics concerning time to trial or disposition.

For these very reasons, the PTAB has historically refused to "attempt to predict" how a District Court will rule on such stay motions. *See, e.g.*, *Hulu, LLC v. SITO Mobile R&D IP, LLC*, IPR2021-00298, Paper 11 at 10-11 (May 19, 2021) (because "neither party has produced evidence that a stay has been requested[,]" "[w]e decline to infer, based on actions taken in a different case with different facts, how the District Court would rule should a stay be requested by the parties in the parallel case here.") (partially quoting *Fintiv*); *Sand Revolution II, LLC v. Continental Intermodal Group-Trucking LLC*, IPR2019-01393, Paper 24 at 7 (June 16, 2020) (informative).

More, a stay of co-pending litigation has not yet been requested or denied by

the District Court. PACid does not allege otherwise. *See* DB, 6-7.

As such, this factor does not favor exercise of discretion to deny institution.

2. Factor 2: No Trial Date has been Set, and the Projected Trial Date is Well After the Final Written Decision Deadline

Fintiv Factor 2 looks to "proximity of the court's trial date to the Board's projected statutory deadline for a final written decision" as part of a holistic evaluation of fairness and efficiency. *See Fintiv I*, at 5-6; *see also Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 15 at 7-17 (PTAB May 13, 2020) (informative) ("*Fintiv II*") (explaining that, in evaluating the *Fintiv* factors, the Board "takes a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review"); *Illumina, Inc. v. Natera, Inc.*, IPR2019-01201, Paper 19 at 6 (PTAB Dec. 18, 2019) ("We have considered the positions of the parties and find that, on this record, considerations of efficiency, fairness, and the merits of the grounds in the Petition do not weigh in favor of denying the Petition."). This factor weighs strongly against discretionary denial.

As a starting point, no scheduling order has been issued in the co-pending litigation, so no trial date has been set. Indeed, while purporting to seek consideration of validity by the District Court rather than the PTAB, PACid has not even requested a trial date from the District Court. Rather, PACid has injected delays that kick the trial can down the litigation road. For instance, PACid asks the Court to set a

conference to discuss stalling the exchange of "pretrial materials" to an unspecified point ***after*** August 5, 2026. USAA-1045, 13-14 (Exh. A at 3-4).

Rather than relying on its own proposed indefinite district court timeline, PACid bases its arguments off the Federal District Caseload Statistics. But in doing so, PACid confirms a median time-to-trial in the Western District of Texas of 34.4 months. EX2001, 2; *see* DB, 6. Based on that statistic and the March 27, 2024, filing date of the complaint in the co-pending litigation, the projected trial date is February 8, 2027, almost ***four months after*** the projected final written decision deadline for this instant proceeding.

More, the actual trial date in this case is likely much further out than the 34.4 months indicated by the median time to trial statistics, as this case was paused in the district court for an entire year during the pendency of an *Alice*-type motion to dismiss. Along these lines, it bears repeating that the district court case has been pending since March 2023 without a schedule or trial date.

Under highly similar circumstances, the Director recently declined to exercise her discretion to deny institution where patent owner's request for denial was based on a parallel district court proceeding with no scheduled trial date and the earliest projected trial date (February 2027) likewise followed the projected final written decision date (July 2026). *Twitch Interactive, Inc. v. Razdog Holdings LLC*, IPR2025-00307, Paper 18 at 2-3 (May 16, 2025). Indeed, by the time the opposition

to discretionary denial brief was filed in *Twitch,* the parties had exchanged infringement, invalidity, and damages contentions, and served discovery on the opposing party in the district court proceeding. *Id*., Paper 13 at 4-5 (April 30, 2025). Whereas here, none of this has occurred.

And notably, as with factor 1, PACid's arguments are largely irrelevant to the factor's inquiry. Here, as PACid acknowledges, factor 2 concerns the "proximity of the court's trial date to the Board's projected statutory deadline for a final written decision." DB, 5. Yet PACid's arguments instead relate to alleged "progression of the litigation" rather than the trial dates. *Id.* PACid further attempts to distract from the proper analysis by highlighting the "median *time to disposition*" rather than the median *time-to-trial*. *Id.* PACid's reliance on the former—rather than the latter—statistic, however, wrongly assumes that the co-pending litigation will be resolved by something other than trial, or USAA's prevailing on a dispositive motion.

Thus, in the absence of an actual trial date, and with the median time-to-trial statistic's suggestion that trial will begin significantly after the projected final written decision, factor 2 weighs strongly against discretionary denial.

3. Factor 3: Limited Resources Would Have Been Expended by the Time of the Decision on Institution

Fintiv factor 3—which considers the "amount and type of work already completed in the parallel litigation by the court and the parties at the time of the

institution decision"—also disfavors application of discretion to deny institution.

As of the petition's filing, the parties had not yet filed infringement or invalidity contentions; claim construction had yet to commence; the court had not entered a scheduling order; and the parties had not yet begun discovery.

And, as of this paper's filing, the case has barely advanced: the parties *still* have not filed invalidity contentions; commenced claim construction; entered a scheduling order; or even begun discovery.

And, Patent Owner has offered no basis to believe that, as of the time that the Director will render her decision on PACid's request for discretionary denial, the case will have materially advanced. At most, under the parties proposed schedules, the parties will have exchanged preliminary infringement contentions, with invalidity contentions due around the time of the Director's decision on discretionary denial (after under PACid's proposal, and before under USAA's proposal). USAA-1045, 12, 18.

Moreover, PACid's assertions of the "significant resources" that the parties have already expended in preparation for trial (citing Section II.B of PACid's brief) are misleading and unsupported. *See* DB, 7-8. Indeed, the only work PACid cites as having been performed relates to USAA's motion to dismiss based on 35 U.S.C. § 101 issues (which, of course, cannot be raised in an *inter partes* review), USAA's filing of an answer and counterclaims, and the parties attempting (unsuccessfully) to

agree on a scheduling order—all of which are routine tasks during the infancy of a district court proceeding. *See* DB, 7.

PACid further cites, in attempted support of its position, "the version of the scheduling order that Patent Owner intends to submit for entry."[2] *See* DB, 8. PACid's reliance on its proposed schedule order is problematic for a number of reasons. First, it is incredible for a party to attempt to rely on a one-sided proposal not adopted by the Court. Second, and even more significantly, *Fintiv* factor 3 considers "the amount and type of work already completed in the parallel litigation by the court and the parties *at the time of the institution decision*." *Fintiv I*, Paper 11, 9 (emphasis added). In contrast, PACid relies on its proposed version of the scheduling order to consider what would "likely occur *prior to a final written decision* in this IPR." DB, 8 (emphasis added). This is improper.

To the extent that PACid relies upon its proposed version of the scheduling order, USAA notes that, based on USAA's proposed version of the scheduling order, at the time of the institution decision, the parties will have potentially exchanged initial invalidity and infringement contentions and exchanged some claim construction briefing. USAA-1045, 2-3. However, much work would remain in the co-pending litigation, including submission of a joint claim construction statement,

[2] *See* n.1.

Markman hearing, both fact and expert discovery, exchange of both opening and rebuttal expert reports, dispositive motions, and trial itself. *See, e.g., Samsung Display Co., Ltd. v. Pictiva Displays Int'l Ltd.*, IPR2024-01222, Paper 12 at 7 (PTAB Mar. 6, 2025) (weighing factor 3 in favor of institution where expert discovery had not begun, despite some investment, including a *Markman* hearing, depositions, and document production); *Samsung Electronics Co., Ltd. v. Secure Wi-Fi LLC*, IPR2024-01366, Paper 10 at 13-14 (PTAB Mar. 24, 2025) (finding factor 3 in favor of institution where the district court had not yet issued any substantive orders and the *Markman* hearing was scheduled for nearly two months after the institution decision); *Catalyst Orthoscience Inc. v. Shoulder Innovations, Inc.*, PGR2024-00042, Paper 17 at 14-15 (PTAB Dec. 19, 2024) (finding factor 3 to weigh against exercising discretionary denial where significant work remained in the litigation, including amended pleadings, *Markman* hearing, final infringement and invalidity contentions, and the completion of fact and expert discovery).

Thus, contrary to PACid's arguments, as a practical matter, the litigation will continue to be in its early stages by the time a Decision on Institution is entered in this matter, which further counsels against discretionary denial.

4. Factor 4: No Overlap Between This IPR and the District Court Proceeding

Fintiv factor 4—which considers overlap between issues raised in the petition

and in the parallel proceeding—strongly disfavors application of discretion to deny institution.

To eliminate any possible perception of overlap between the PTAB and District Court, USAA filed a stipulation (USAA-1038) stating that if the PTAB institutes review in this proceeding, USAA will not pursue in District Court litigation:

- the specific grounds asserted in IPR2025-00754, or any other ground that could have been reasonably raised in IPR2025-00754 (i.e., any ground that could have been raised under §§ 102 or 103 on the basis of prior art patents or printed publications) (*see Sotera Wireless, Inc. v. Masimo Corporation*, IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020)); and
- combinations of the prior art asserted as part of a ground in this proceeding with unpublished system prior art or any other type of prior art (*see Motorola Solutions, Inc. v. Stellar, LLC*, IPR2024-01205, IPR2024-01206, IPR2024-01207 & IPR2024-01208, Paper 19 (PTAB Mar. 28, 2025)).

As evidenced by the above, USAA's stipulation is far more sweeping than even a *Sotera* stipulation and goes further to allay the concerns raised in the Director's *Motorola* decision by precluding USAA's reliance on combinations of art

asserted in the proceeding with unpublished system art or any other type of prior art for that matter.

PACid's arguments regarding factor 4 are unsupported and fail to recognize the greater breadth of USAA's stipulation. PACid acknowledges USAA's stipulation as only a "*Sotera* stipulation," claiming that the stipulation does not "cure the issues related to overlapping invalidity challenges in IPR and district court." DB, 9.

Notably, PACid fails to cite a single case to favor this position, and further overlooks the Director's recent *Motorola* decision, which USAA's stipulation specifically cites in agreeing not to pursue "combinations of the prior art asserted as part of a ground in this proceeding with unpublished system prior art or any other type of prior art." *Motorola*, Paper 19 at 4. Indeed, PACid's claim that USAA's stipulation "does not prevent Petitioner from applying system art, not eligible for IPR purposes, to one trial limitation and then asserting prior art that could have been raised in this IPR to the remaining limitations of the claims" (DB, 9) illustrates PACid's failure to correctly recognize USAA's stipulation as something more than a *Sotera* stipulation. *See* USAA-1038, 1.

In summary, and in light of USAA's stipulation, institution serves "efficiency and integrity goals" by "not duplicating efforts" and "resolving materially different patentability issues." *Apple, Inc. v. SEVEN Networks, LLC*, IPR2020-00156, Paper

10, 19 (June 15, 2020); *Sand Revolution II, LLC v. Continental Intermodal Group-Trucking LLC*, IPR2019-01393, Paper 24, 12 (June 16, 2020); *Google LLC v. Flypsi, Inc.*, IPR2023-00360, Paper 9, 36-39 (August 2, 2023). Therefore, *Fintiv* factor 4 strongly disfavors application of discretion to deny institution.

5. **Factor 5: The Same Parties are in the Co-Pending Litigation**

Fintiv Factor 5—which considers whether the same parties are involved in the IPR and the co-pending litigation—is neutral for purposes of assessing whether discretionary denial is warranted.

Other than noting that the same parties are involved in the District Court litigation and this proceeding, PACid provides no analysis to support its argument that this factor weighs in favor of discretionary denial. DB, 10. Importantly—and contrary to PACid's suggestion—*Fintiv* did not say that this factor favors denial simply because the petitioner is also the defendant in a parallel proceeding. Rather, *Fintiv* simply noted that "if a petitioner is unrelated," the Board has weighed that "fact against exercising discretion." *Fintiv*, Paper 11, 13-14.

Moreover, this factor has been found neutral where the defendant in the district court litigation and the Petitioner are the same. *Nokia of America Corp. v. Soto*, IPR2023-00680, Paper 30 at 13 (PTAB Dec. 3, 2024) (in which the Director "agree[d] with the parties that Fintiv factor 5 is neutral."); *Shenzhen Root Technology Co., Ltd. v. Chiaro Technology Ltd.*, IPR2024-01296, Paper 9 at 19-20

(PTAB Feb. 25, 2025); *see also Cisco Sys., Inc. v. Ramot at Tel Aviv Univ. Ltd.*, IPR2020- 00122, Paper 15 at 10 (PTAB May 15, 2020) (APJ Crumbley, dissenting) ("My interpretation of the fifth Fintiv factor is that it only becomes relevant when the district court defendant and the petitioner before the Board are unrelated, in which case it weighs against denial of institution. In cases such as the one at hand, where the parties are the same, the factor is neutral. To hold otherwise—that the factor weighs in favor of denial if the parties are the same—would, in effect, tip the scales against a petitioner merely for being a defendant in the district court.").

Here, the similarity of parties in the PTAB and the litigation does not bear on discretionary denial; rather, interests of justice, efficiency, and fairness are best served by adjudicating the merits of USAA's PTAB challenge (as explained throughout this brief).

6. Factor 6: The Petition Presents Compelling Merits

As explained below, PACid's allegation that "the Petition does not present a compelling case on the merits" is without explanation or support, and thus also does not counsel in favor of discretionary denial.

Notably, PACid baldly alleges that the "current record does not support a finding that the Petition's merits outweigh the significant factors favoring discretionary denial" (DB, 10), but it does not point to a single substantive argument from USAA's Petition as allegedly being weak or lacking merit.

Indeed, PACid does not substantively discuss any prior art reference from the Petition or any shortcoming thereof, so one is left to wonder why or how the Petitioner allegedly fails to present a compelling case on the merits. Instead, PACid merely cites to cases where the Board found that merits did not outweigh the other *Fintiv* factors favoring discretionary denial. *See* DB, 10-11.

However, those cases are distinguishable from the present scenario because the Board in those cases substantively considered the reasoning for finding the merits lacking, or otherwise found the merits to be irrelevant in view of factors 1-5. *NXP USA, Inc. v. Impinj, Inc.*, PGR2022-00005, Paper 18 at 12 (PTAB May 2, 2022)[3] ("We need not decide whether the merits of Petitioner's asserted grounds are particularly strong because it would not impact our ultimate determination…"); *Samsung Electronics Co., Ltd. v. Clear Imaging Research, LLC*, IPR2020-01401, Paper 12 at 23 (PTAB Feb. 17, 2021) ("We have reviewed Petitioner's unpatentability arguments and supporting evidence in the Petition and Reply, and Patent Owner's arguments and supporting evidence in the Preliminary Response and Sur-reply."); *Apcon, Inc. v. Gigamon Inc.*, IPR2020-01579, Paper 9 at 25 (PTAB

[3] USAA notes that PACid's brief cites to *NXP USA, Inc. v. Impinj, Inc.*, PGR2022-00552, Paper 18 at 12-13 (PTAB May 2, 2022). DR, 10. This proceeding does not exist, however. USAA presumes that PACid intended to cite to PGR2022-00005.

Mar. 16, 2021) ("In light of the strength of Factors 2-5, the merits of Petitioner's grounds do not outweigh these other Factors.").

While the Board has acknowledged that a "full merits analysis" is not necessary as part of deciding whether to exercise discretion not to institute, the Board has also encouraged parties to "point out, as part of the factor-based analysis, particular 'strengths or weaknesses' to aid the Board in deciding whether the merits tip the balance one way or another"; PACid has offered no such guidance or analysis of the merits. *Samsung*, IPR2020-01401, Paper 12 at 23 (citing *Fintiv I*, Paper 11 at 15-16).

Moreover, contrary to PACid's unsupported assertion, the grounds offered in USAA's Petition are strong and present compelling merits. The Petition's unpatentability grounds are based on references and invalidity grounds that have never been presented or considered by the Office and that are particularly strong on the merits. While PACid alleges that the Petitioner does not present a compelling case on the merits, it offers no reasons in support of its assertion. On the contrary, the Petitioner offers strong invalidity grounds based on two separate primary references, Immega and Mardikar.

With respect to Ground 1, for example, Immega alone teaches or suggests nearly every feature of claim 1. Like the '344 Patent, Immega is directed to "secure

transmission of electronic messages by using biometric certification," including the use of email. USAA-1004, Abstract, [0006]; Pet., 5.

In particular, Immega teaches sender and receiver devices "cross-enroll[ing] biometric feature sets," which allows for "confirmation of identity of both parties at both ends of a message exchange" and "user-specific encryption of messages." USAA-1004, [0008]; Pet., 5. A "difference key," generated by subtracting a user's live-scan fingerprint feature sets from that user's modified enrolled fingerprint feature set, is used to encrypt messages and other data. USAA-1004, [0009]-[0011], Pet., 5.

The Petition's reliance on Day for Ground 1 primarily relates to "implementation details regarding the storage of [modified enrolled fingerprint feature sets] in a computing device." Pet., 12. In support of the combination, the Petition describes the multiple advantages afforded by leveraging Day's teachings, including simplifying "email communication by co-locating all information required for communicating with another individual (email address, biometric information, keys) in a single record, creating a 'transparent tool for managing individual' the communication keys needed 'to send and receive secure email.'" Pet., 16 (citing USAA-1003, ¶71; USAA-1006, [0134], [0170]). The Petitioner further explains that the "combination leverages an existing email component, Contacts, simplifying the

system design and administration." *Id.* (citing USAA-1003, ¶71; USAA-1006, [0170]).

The merits of the grounds based on Mardikar '318 and Chhabra, which demonstrate obviousness of the same claims based on materially different prior art disclosures, are nonetheless equally compelling.

In that regard, Patent Owner notably offers at page 2 of its discretionary denial brief the following summary of "[t]he PACid claims":

> 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.

Mardikar '318 and Chhabra expressly disclose each and every one of those features, and further render obvious their combination.

For instance, Mardikar '318 discloses methods for securing "financial transactions initiated from an electronic device" including authenticating a user through an included application based on the user's unique "biometric information." USAA-1010, Abstract, 1:15-17, 3:11-33, FIGS. 4, 5a, 5b, 6a. In that regard, Mardikar evaluates unique user biometric inputs both for purposes of generating and

storing secret biometric profiles and related information including identifiers, and for purposes of authorizing requested transactions on the basis of comparisons of newly received inputs against one or more previously stored secrets. *Id.*, 9:60-65, 10:42-13:36, FIGS. 4, 5a, 5b, 6a, 6b, 6c. For example, Mardikar explains that a "customer may pre-register his account with" a PayPal "payment provider system…and then use the payment provider system to make purchases" using Mardikar's device "when redirected to the payment provider system from the merchant's site." *Id.*, 6:13-29.

Chhabra further discloses, in the context of secure mobile Internet transactions that are facilitated through "an on-line payment service (e.g. PayPal®)," that "a user desiring to complete a financial transaction on a web site…may be automatically redirected to a payment page" that requests user payment and authorization credentials. USAA-1013, Abstract, 10:40-65, 5:41-11:29, FIGS. 1, 3, 4, 5. "If the user is authorized" in response to that communication through a process involving lookups based on one or more received identifiers and fingerprint matching, the mobile device may "transmit the requisite…payment credential" to the server in a communication that is encoded using the same secret biometric information. *Id.*, 3:3-25, 7:44-56, 8:33-49, 9:65-10:16, 11:10-29, FIGS. 4, 5; USAA-1010, 7:28-43, 10:5-12:43, 15:54-16:50.

In summary, PACid's unsupported allegation that the Petition lacks

compelling merits is refuted by the strong teachings of Immega, Day, Tomko, Mardikar '318, Chhabra, Duffy, and Howard.

More, a holistic evaluation of the *Fintiv* factors strongly counsels against discretionary denial at least because this PTAB proceeding will allow a just and efficient resolution of the patentability of all claims of the '344 Patent, while ameliorating, if not completely avoiding, overlapping or duplicative functions being performed in the co-pending litigation.

B. Relevant Considerations Do Not Favor Discretionary Denial

1. Settled Expectations Counsel in Favor of PTAB Review

PACid's accusations of infringement are based on a standard developed by the Fast Identity Online (FIDO) Alliance. Specifically, PACid's Complaint identifies USAA's use of biometric logon in conjunction with the FIDO standard as infringing. *See* USAA-1020 at ¶¶ 26–37.

USAA's use of biometric logon has also been public knowledge since at least 2015. USAA-1048. Additionally, USAA joined the FIDO Alliance in 2015. USAA-1047. The FIDO Alliance has long provided procedures that account for third party intellectual property rights. The FIDO IPR Summary dated October 11, 2017, notes that "Ownership of IP is always retained by member companies." USAA-1049, 2. It further provides that "Withdrawal of Promise"—that is, the Patent Non-Assert

Promise—"is Allowed." *Id.* An update from January 1, 2020, similarly allows parties to withdraw. USAA-1050, 8. This same update notes, "Exclusion from RF [Royalty Free] License is Allowed." *Id.*, 2. This exclusion then "[t]riggers a Patent Advisory Group to address." *Id.* An FAQ accompanying this update states, "Q. What rights do non-Technical Working Group, non-Contributing Members grant? A. None – no commitment at all." USAA-1050, 1. Put differently, the FIDO Alliance recognizes that it can only account for issues brought to the attention of the organization. By participating in this forum, USAA demonstrated earnest efforts to account for and respect third party intellectual property rights.

In contrast and inexplicably, PACid is not a member of the FIDO Alliance and has not participated in developing the standard. PACid does not contend that it was somehow precluded from participation, nor any reason for it to have failed to promote this standard. It simply didn't. Nor therefore did it contribute any intellectual property to the development of the standard, nor even notice its intellectual property to the standard setting body. These are steps available to patent holders seeking to promote the useful sciences.

Indeed, it would have been reasonable to expect that a patent holder purporting to have developed relevant technology to have participated in standard setting, here, working with the FIDO Alliance. Standards setting practices are used for these purposes, to gather and promote technology to enable efficient adoption of

the same, with respect for the rights of those who contribute intellectual property to the endeavor. Yet, PACid failed to do so.

Reasonably, USAA—and any practicing member of the FIDO Alliance—would be that any patent owner having intellectual property relating to the FIDO Alliance would wish to encourage adoption of that intellectual property and improvement of the standard, not that they would lay in wait, withholding their intellectual property (and notice of the same) and instead litigating to frustrate standard adoption. And yet, PACid has done exactly this, and it now asks to be exempted from legitimate review of its plainly invalid and undeserving patents by asking the Board to exercise its discretion to deny institution.

PACid fails to explain why it sat on its rights for several years before finally accusing companies (like USAA) of infringement for their use of a well-known standard. If anything, with its choice to not assert patents against notorious standard-based technology, a patent owner establishes a settled expectation that its patent will not be asserted against the same.

Further, review by the PTAB would be beneficial in this instance, as the ’344 Patent issued without a substantive office action and the ’344 Patent is without any prior patentability challenge. Indeed, the limited scrutiny encountered by the claims and strength of USAA’s petition strongly counsel against discretionary denial and in favor of a merits-based evaluation of the claims of the ’344 Patent.

2. National Security Considerations Support PTAB Review

Indeed, review by the PTAB allows resources to be better applied to USAA's mission of providing our nation's military service members, veterans, and their family members, including nearly 14 million members, essential financial services, including insurance, banking, and retirement solutions. *See* USAA-1041, 8. USAA's long history of stepping up during challenging times for its members include zero-interest loans and special payment assistance programs on USAA products to eligible members impacted by government shutdowns and other emergencies. *Id.*, 22. The adverse impact to USAA's members of protracted patent litigation arising from an unwise assertion of unpatentable claims counsels against discretionary denial.

III. CONCLUSION

For the foregoing reasons, a holistic evaluation of the *Fintiv* factors and the additional considerations laid out in the Stewart Memorandum strongly weigh against discretionary denial. Petitioner therefore respectfully requests that this case proceed to an institution determination on the merits.

Respectfully submitted,

Dated: June 26, 2025

/W. Karl Renner/

W. Karl Renner, Reg. No. 41,265
Jennifer J. Huang, Reg. No. 64,297
Andrew B. Patrick, Reg. No. 63,471
Thomas Rozylowicz, Reg. No. 50,620
Michael T. Zoppo, Reg. No. 61,074
Fish & Richardson P.C.
60 South Sixth Street, Suite 3200
Minneapolis, MN 55402
T: 202-783-5070
F: 877-769-7945
IPR38093-0014IP1@fr.com

Attorneys for Petitioner

CERTIFICATION UNDER 37 CFR § 42.24

Under the provisions of 37 CFR § 42.24, the undersigned hereby certifies that the word count for the foregoing Petitioner's Opposition to Patent Owner's Discretionary Denial Brief totals 5,545 words, which is less than the 14,000 allowed under 37 CFR § 42.24.

Respectfully submitted,

Dated: June 26, 2025

/W. Karl Renner/

W. Karl Renner, Reg. No. 41,265
Jennifer J. Huang, Reg. No. 64,297
Andrew B. Patrick, Reg. No. 63,471
Thomas Rozylowicz, Reg. No. 50,620
Michael T. Zoppo, Reg. No. 61,074
Fish & Richardson P.C.
60 South Sixth Street, Suite 3200
Minneapolis, MN 55402
T: 202-783-5070
F: 877-769-7945
IPR38093-0014IP1@fr.com

Attorneys for Petitioner

Proceeding No.: IPR2025-00754
Attorney Docket No.: 38093-0014IP1

CERTIFICATE OF SERVICE

Pursuant to 37 CFR §§ 42.6(e)(1) and 42.6(e)(4)(iii), the undersigned certifies that on June 26, 2025, a complete and entire copy of this Petitioner's Opposition to Patent Owner's Discretionary Denial Brief and added supporting exhibits are provided via email to the Patent Owner via electronic mail on Patent Owner's lead and backup counsel listed below at the following email addresses:

Gregory S. Donahue
Andrew G. DiNovo
DiNovo Price LLP
gdonahue@dinovoprice.com
adinovo@dinovoprice.com
docketing@dinovoprice.com

Attorneys for Patent Owner

/Li Feng/
Li Feng
Fish & Richardson P.C.
60 South Sixth Street, Suite 3200
Minneapolis, MN 55402
lfeng@fr.com