

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

MASTERCARD INTERNATIONAL INCORPORATED
Petitioner

v.

LEON STAMBLER
Patent Owner

Case CBM2015-00044
Patent No. 5,793,302

**PATENT OWNER LEON STAMBLER'S REQUEST FOR REHEARING
ON BOARD'S DECISION TO INSTITUTE COVERED BUSINESS
METHOD PATENT REVIEW**

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I. INTRODUCTION

Under 37 C.F.R. § 42.71(c)-(d), Patent Owner Leon Stambler respectfully requests rehearing of the decision instituting covered business method (“CBM”) review of the ’302 Patent based on Petitioner MasterCard International Inc.’s second petition (the -00044 Petition)—the seventh filed overall in a lengthy, multi-proceeding attack on the ’302 Patent. As explained below, the Board abused its discretion when it granted the -00044 Petition, by overlooking numerous facts and clear legal standards set forth in Patent Owner’s preliminary response (Paper No. 9), and otherwise applying clearly erroneous judgment. It reached the opposite result on the question of sequential repetitive petitions from a different panel confronting indistinguishable facts, confusing the patent bar through irreconcilable institution decisions. And, it failed to reach or apply the proper “credential” claim construction. Upon proper consideration of these issues, the Board should reconsider its Institution Decision and deny the -00044 Petition.

II. LEGAL STANDARD

“In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.” 35 U.S.C. § 325(d). Under 37 C.F.R. § 42.71(c), “[a] party may request rehearing on a decision by the Board

whether to institute a trial” The panel reviews the previous decisions for an abuse of discretion. *Id.* “An abuse of discretion occurs when a court misunderstands or misapplies the relevant law or makes clearly erroneous findings of fact.” *Renda Marine, Inc. v. United States*, 509 F.3d 1372, 1379 (Fed. Cir. 2007). A “clear error of judgment” also constitutes abuse of discretion. *TRW Auto. US LLC v. Magna Elecs., Inc.*, IPR2014-00266, Paper No. 21, at 2. Finally, the Board should take into account the case-specific issues when determining whether to grant or deny a petition for PTAB proceedings. *Conopco, Inc. v. Procter & Gamble Co.*, IPR2014-00628, Paper No. 21, at 2, 6, 10-12 (declining review under 35 U.S.C. § 314(a) and § 325(d) after considering the specific circumstances surrounding the petitioner’s second petition).

III. ARGUMENT

The Board abused its discretion when it granted the -00044 Petition and instituted CBM review. First, the Board did not adequately consider that the *arguments* raised in the -00044 Petition were substantially the same as MasterCard raised in the earlier CBM2015-00013 Petition (-00013 Petition), instead relying on the fact that the second petition presented a new reference, and concluding that the arguments in support were therefore somehow also new. Second, other than to merely make note of Patent Owner’s arguments on this point from his preliminary response, in its Institution Decision the Board failed to take into account that

MasterCard possessed the later-added Meyer reference at the time it filed the earlier petition. The Board also failed to consider that MasterCard offered no explanation for why Meyer was not brought to the Board's attention at that time. The Board also overlooked that MasterCard expressly used the PTAB's previous denial of Visa's petition for CBM review as a roadmap in crafting its own (second) petition, thereby engaging in the exact conduct that the PTAB has sought to prevent. Finally, the Board erroneously overlooked construing "credential," and erroneously overlooked applying the proper construction of "credential" to Davies.

Patent Owner raised all of these issues in his preliminary response, but in each case the Board either failed to address the argument on the correctly apprehended facts, or overlooked its existence entirely. Upon proper consideration of these issues, the Board should deny the -00044 Petition.

A. THE BOARD PLACED TOO MUCH EMPHASIS ON THE "NEW" MEYER REFERENCE PRESENTED IN THE -00044 PETITION, AND OVERLOOKED THAT THE ARGUMENTS HAD NOT CHANGED

In its Institution Decision, the Board stated the conclusion that "the prior art and arguments presented by Petitioner are not substantially similar to those presented either in the petition filed by Petitioner in CBM2015-00013, or in the petition (denied on the merits by the Board) filed by a different petitioner, Visa Inc., in IPR2014-00694 (the "Visa IPR")." Institution Decision (Paper No. 10), at 12. Without providing any analysis, the Board solely reasoned that because the

Meyer reference was not asserted in either of those prior petitions, and MasterCard asserted that Meyer “teaches one or more limitations of all four of the challenged claims, under three different grounds,” the prior art and arguments were therefore not substantially the same. *Id.* at 11-12.

However, as explained in Patent Owner’s preliminary response, without more, the addition of previously uncited references does not save an otherwise improper attempt to attack a patent in multiple proceedings. *See* Paper No. 9, at 15-16; *Conopco*, Paper No. 21, at 5-10 (exercising its discretion to deny follow-on petition for CBM review that presented *two* new references, in part because the prior art and arguments were substantially the same as those presented in the earlier petition); *Conopco*, Paper No. 23, at 6 (denying request for rehearing on same basis). The Board’s misunderstanding that the presentation of a previously uncited prior art reference automatically overcomes 35 U.S.C. § 325(d), constitutes an abuse of discretion that should be corrected through a rehearing.

Further, the fact that MasterCard presented numerous references and arguments in support of its follow-on petition actually weighs *against* instituting review. *See id.* at 3 (“We were also persuaded that the sheer multiplicity of grounds asserted in each petition favors denying the second petition, in part, to protect [Patent Owner] from multifarious challenges to the same patent claims.”). The same is true here. After numerous challenges to the claims of the ’302 Patent

by other petitioners, MasterCard filed multiple petitions making substantially similar arguments. The Board abused its discretion when it failed to take this into account.

B. THE BOARD FAILED TO CONSIDER THAT THE CIRCUMSTANCES HERE FAVOR DECLINING REVIEW

The Board overlooked that the circumstances of this case weigh against granting the -00044 Petition. First, the Board failed to consider that MasterCard elected to keep Meyer in its pocket when it filed the first petition, to be asserted later in a follow-on petition. Patent Owner pointed this out in his preliminary response, with irrefutable evidence that MasterCard had Meyer all along. *See* Paper No. 9, at 16. And MasterCard offered no legitimate explanation for its failure.

The PTAB has previously held that such strategic presentment of prior art should not be allowed. *See Conopco*, Paper No. 21, at 11 (“[T]he interests of fairness, economy, and efficiency support declining review—a result that discourages the filing of a first petition that holds back prior art for use in successive attacks, should the first petition be denied.”); *Square, Inc. v. Think Computer Corp.*, CBM2015-00067, Paper No. 14, at 8 (“Petitioner offers no persuasive explanation, however, as to why Ondrus II and its supporting exhibits could not have been presented in CBM ’159, or why their assertions in this proceeding makes Petitioner’s challenge to claims 8 and 19 meaningfully different than the challenge to claims 8 and 19 in CBM ’159.”); *id.* at 10 (“Furthermore,

even if good faith is relevant, we are unpersuaded it is sufficient to outweigh all of the above considerations, especially where Petitioner has not explained why Ondrus II and its supporting exhibits could not have been presented in CBM '159.'").

Patent Owner pointed out that MasterCard undeniably had Meyer months before it filed its first petition on October 24, 2014, having disclosed the Meyer reference in its July 2014 invalidity contentions in the District Court litigation. *See* Paper No. 9, at 16. The Board did not weigh these facts when it granted the -00044 Petition. Instead, it merely summarized the argument in a single sentence before moving on. *See* Paper No. 10, at 12.

The Board also failed to weigh that MasterCard's motive in reshaping its previous arguments (adding the previously-undisclosed Meyer) was to overcome the PTAB's denial of Visa's earlier petition. Patent Owner discussed this issue at length in his preliminary response. Paper No. 9, at 14-15. The PTAB has held that allowing petitioners to file follow-on petitions to correct deficiencies noted by the Board would allow petitioners to unveil strategically their best prior art and arguments in serial petitions, using the Board's decisions as a roadmap. *See Conopco*, Paper No. 23, at 5. Citing the benefit of "remov[ing] an incentive for petitioners to hold back prior art for successive attacks, and protect[] patent owners from multifarious attacks on the same patent claims," the PTAB explained its

discretion to deny “‘follow-on’ second petitions [filed] in order to ‘correct deficiencies noted’ by the Board in decisions that deny a first petition. . . .” *Id.* As the PTAB also explained, it strives to eliminate incentives that “allow petitioners to unveil strategically their best prior art and arguments in serial petitions, using our decisions on institution as a roadmap, until a ground is advanced that results in review – a practice that would tax Board resources and force patent owners to defend multiple attacks.” *Id.*

That is exactly what happened here. In fact, as Patent Owner brought to the Board’s attention in his preliminary response, *see* Paper No. 9, at 15, the -00044 Petition contained a whole section explaining how MasterCard used the claim construction from the prior Visa IPR institution-denial decision, and used the identical prior art presented there (plus Meyer). *See* Petition, Paper No. 7 at 16-17. In MasterCard’s own words:

- “The Davies reference, however, does disclose exactly what the Board in the IPR Decision stated was missing from that petition’s submission.” (*Id.* at 17).
- “[P]etitioner submits that this disclosure . . . provides what the Board stated was missing in the IPR Decision.” (*Id.* at 17-18).
- “Accordingly, Meyer discloses what the Board in the IPR Decision considered to be missing from the Davies reference” (*Id.* at 22, 51, 57, 59).
- “According to the Board’s IPR Decision, ‘at least a portion of the receiving step must precede the generating step’” IPR Decision

12. As explained in the Diffie Declaration, this is exactly what Davies discloses” (*Id.* at 28).

MasterCard’s strategic presentment of prior art in multiple petitions is exactly the sort of “taxing” conduct that the PTAB wants to dissuade. The Board abused its discretion when it failed to consider Patent Owner’s arguments on this issue. It has also needlessly created a panel-split, confusing the bar and creating uncertainty. The Institution Decision needlessly raised a conflict with the Board’s prior interpretation of its statutory discretion.¹ This is why the present scenario goes beyond an instance where two panels might rationally decide a discretionary point differently on similar facts. In this instance, the present Institution Decision palpably undermines the very rationale that a prior discretionary dismissal used, on *identical* operative facts.

Finally, the Board overlooked that MasterCard filed its follow-on -00044 Petition solely to attack patent claims based on prior art unpatentability over five prior art references, and could therefore have filed an IPR petition instead. Patent Owner raised this issue in his preliminary response. *See* Paper No. 9, at 16. In its Institution Decision, the Board failed to address or even mention Patent Owner’s argument that MasterCard elected to file a CBM here because of the tactical

¹ The existence of a conflict among panels in the interpretation of the statute empowers any Judge on the present panel to suggest that the Chief Judge appoint an expanded panel to decide this request. *See* Standard Operating Procedure I (Rev. 14), at III.A.2. Patent Owner accordingly suggests the need for such an expansion. *See id.* at III.C (permitting parties to suggest expanded panels).

advantages that it provides against Mr. Stambler – an individual inventor. *Id.* For example, MasterCard receives larger page limits and, should it lose after a PTAB trial, a more forgiving district court estoppel against it raising similar future district court arguments. *Id.* In district court proceedings, MasterCard also receives the advantage of a nearly automatic stay (which inures only to CBM petitions, not IPR petitions). *Id.* The Board abused its discretion when it failed to take into account that MasterCard should not be rewarded for masking one type of petition as another, just to endow itself with procedural benefits against an individual inventor seeking relief from Petitioner’s infringement.

C. THE BOARD ERRONEOUSLY OVERLOOKED CONSTRUING “CREDENTIAL” AND ERRONEOUSLY OVERLOOKED APPLYING THE PROPER CONSTRUCTION OF “CREDENTIAL” TO DAVIES

A third reason warrants rehearing. The Board erroneously overlooked construing “credential.” The Board then erroneously overlooked applying the proper construction of “credential” to Davies. And finally, the Board exceeded its statutory authority by contending there to be a “credential” in Davies that the Petition did not identify as such.

First, the Board erred as a matter of law to omit a construction of “credential.” That term appears in all of the instituted claims. Patent Owner requested the proper construction, grounded in the intrinsic record and numerous prior district court decisions, of “a document or information obtained from a

trusted source that is transferred or presented for purposes of determining the identity of a party.” *Id.* at 7-8. Patent Owner then used this construction to point to its absence from Davies. *Id.* at 38 (“[N]owhere does Davies disclose the customer presenting anything in the customer identity section of the cheque to determine the customer’s identity”); *id.* at 43-47 (discussing in detail the absence of “credentials” in Davies). The “credential” construction was so central to Patent Owner’s arguments, that Patent Owner listed it first. *Id.* at 7.

Controlling Federal Circuit law holds that omitting a claim construction that might resolve the entire dispute constitutes a legal error.

The parties present two different plain-and-ordinary-meaning definitions of “contain”: “enclose” versus “restrain (radially).” As such, ***the court must construe the term.*** See *O2 Micro Int’l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1361 (Fed. Cir. 2008) (“A determination that a claim term ‘needs no construction’ or has the ‘plain and ordinary meaning’ may be inadequate when a term has more than one ‘ordinary’ meaning or ***when reliance on a term’s ‘ordinary’ meaning does not resolve the parties’ dispute.***”).

LifePort Scis. LLC v. Endologix Inc., No. 12-1791-GMS, 2015 U.S. Dist. LEXIS 91246, at *13-14 (D. Del. July 9, 2015) (emphasis added).

Here, the Institution Decision construed only “variable authentication number” and the proper method step sequencing, bypassing any other requested claim construction. Paper No. 10, at 8-9 (“We also determine that, for purposes of this decision, no explicit construction is necessary for the other terms proposed by Patent Owner.”). This led the Board to assert (incorrectly) that Patent Owner did

not refute Petitioner carrying the burden of showing it more likely than not that Davies anticipates. *Id.* at 16 (noting without explanation the existence of “a number of additional arguments, none of which upon review persuade us that Petitioner fails to meet its burden for purposes of this decision.”). The Board erred by not going further to reach and apply the proper construction of “credential.”

Under the proper construction of “credential,” Patent Owner previously showed that Davies does not disclose any instrumentality within, or involving, the “cheque” (including within the ATM embodiment) that might be transferred or presented for purposes of determining the identity of a party. Paper No. 9, at 48, 43-47, *e.g.*, at 44 (citing several parts of Davies to demonstrate this fact, including that a “cheque . . . can be sent to **anyone** who has a means of recording the data and presenting them at a bank.”) (emphasis added). This Board error affects all institution grounds. Correcting the error will properly lead to overturning the provisional Davies-anticipation finding. And since all remaining grounds based on obviousness rely on a “credential” existing within Davies (rather than within the secondary references), all institution grounds fall once the Board corrects the error.

Patent Owner acknowledges that the Board stated that it had found a “credential” within the Davies “cheque” disclosure, in the form of the “bank’s public key” and “a certificate by the key registry which authenticates the bank’s public key.” Paper No. 10, at 15. The conclusion is clearly wrong. As discussed at

length (Paper No. 9, at 38, 43-47), but currently overlooked in the Institution Decision, the “cheque” as a whole cannot be a credential. *See* Paper No. 9, at 38, 43-47. And even more so, a bank’s public key cannot be presented for purposes of anyone determining any party’s identity. By definition, everyone can go get a bank’s public key and show it around. It is public, after all. And the same goes for the certificate authenticating such a key.

The error might have arisen because the Board erroneously departed from the Petitioner’s own contentions. The Board’s identification of a “credential” within Davies purports to follow a Petitioner contention, but that is not actually so. The Board cited to Petitioner’s claim chart. *See* Paper No. 10, at 15 (citing Paper No. 7 at 26, in turn citing Davies at 328). However, at this exact pinpoint citation, which corresponds with the label “Example II,” Petitioner merely recited an extended quotation from Davies about the bank’s public key within a cheque, without analysis.

Petitioner’s paper in that spot does ***not*** state that anything within the extended quotation equates with, reads on, or embodies a “credential.” To think otherwise would, in fact, be inconsistent with Petitioner’s later narrative text. To read “credential” on the bank’s public key or certificate within a cheque (as the Board read Petitioner’s “Example II” in Paper No. 7, at 26) contradicts Petitioner’s narrative text, which states contrariwise: “***the electronic che[que]*** serves as a

certificate ('credential') for the customer that includes the customer public key signed by the bank." Paper No. 7, at 26-27 (emphasis added). Patent Owner refuted Petitioner's **actual** contentions (credential = cheque). Paper No. 9, at 38, 43-47. The Board's conclusion stakes out new ground (bank key / bank certificate = credential). As such, it violates 35 U.S.C. § 312(a)(3) / 322(a)(3), which states that the petition must "identif[y] . . . with particularity . . . the grounds on which the challenge to each claim is based," and § 314(a) / 324(a), which limits the Director's determination to "the information presented in the petition." Patent Owner respectfully requests rehearing and correction for this additional reason.

IV. CONCLUSION

For at least the foregoing reasons, the Board should reconsider its previous Institution Decision and deny MasterCard's petition for CBM review.

Dated: July 22, 2015

/s/

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CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of July, 2015, true and correct copy of the foregoing Patent Owner Leon Stambler's Request for Rehearing on Board's Decision to Institute Covered Business Method Patent Review, was served, in accordance with the parties' electronic service agreement, by electronic mail upon the following lead and backup counsels of record for Petitioner MasterCard International, Inc.:

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