

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL  
BOARD

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MASTERCARD INTERNATIONAL INCORPORATED  
Petitioner

v.

LEON STAMBLER  
Patent Owner

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

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**PATENT OWNER'S REQUEST FOR REHEARING  
UNDER 37 C.F.R. 42.71(d)**

## I. INTRODUCTION

Patent Owner Leon Stambler respectfully requests rehearing. Without waiving any issue in the Final Written Decision (Paper No. 32), Mr. Stambler points to three errors that the Board may, and should, easily correct. First, the Board misconstrued the phrase “credential being previously issued.” But more problematic is that the Board did not use its own construction in applying Petitioner MasterCard’s main reference – Davies – to this limitation. In particular, the Board construed “credential being previously issued” to mean “that the credential is issued *after* the step of generating a VAN . . . .” In Davies, however, the alleged credential is issued and stored on the token *before* the token is used by the customer to generate the alleged VAN (the token’s signature of the payment information). Thus, Davies does not show the sequencing required by the construction. Second, the Board misapprehended or overlooked the record and arguments showing that Davies does not disclose receiving “information for identifying the account of the second party” – part of the first claimed step of claim 51. Third, the Board misapprehended or overlooked the record and arguments showing that claim 51 as a whole must be limited to all steps being performed by a single entity. The Board should reconsider and set aside the invalidity conclusions.

Mr. Stambler is 88 years old. More than most Patent Owners, he appreciates the kind attention of this Board to a deep and thorough reconsideration of these

points. Correction now will save Mr. Stambler from the long delay otherwise necessary to obtain correction on appeal.

## **II. STANDARDS FOR REHEARING**

Under 37 C.F.R. § 42.71(d), “[a] party dissatisfied with a decision may file a request for rehearing, without prior authorization by the Board.” The request “must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” *Id.*

## **III. ISSUE 1 – “CREDENTIAL BEING PREVIOUSLY ISSUED”**

The Board erroneously construed the phrase “credential being previously issued.” Thereafter, the Board did not apply its own construction. Part of the Board’s construction requires “that the credential is issued *after* the step of generating a VAN . . . .” (Paper No. 32, at 13). Davies cannot satisfy the Board’s construction because the alleged credential is issued in the opposite order.

### **A. The Board’s Decision**

Consistent with numerous district court rulings, Mr. Stambler argued that “credential being previously issued” means “issued before execution of any of the four method steps.” (Paper No. 31, at 1). MasterCard argued that the preamble was not limiting, but assuming it was, the limitation means “issued before the determining step is completed.” (Paper No. 30, at 3). The Board did not adopt

either party's proposal, instead arriving at its own conclusion: "we construe the ordinary and customary meaning of the preamble's term, 'credential being previously issued,' to mean that *the credential is issued after the step of generating a VAN* and before the 'determining' step of determining whether at least a portion of the funds transfer information is authentic." (Paper No. 32, at 12-13). Davies does not disclose a credential "issued after the step of generating a VAN."

### **B. The Misapprehended or Overlooked Argument**

Prior courts correctly found that the preamble requires the credential to be issued before execution of all four steps. (Ex. 1013, at 24-26; Ex. 1014, at 20; Ex. 1015, at 37-39, 55-57; Ex. 1016, at 23; Ex. 1017, at 2, 4). Grammatically, the phrase "credential being previously issued" modifies "[a] method for authenticating the transfer of funds." The claimed "method for authenticating" comprises four steps, and thus the "credential" must be issued prior to all four steps. Mr. Stambler correctly noted that Davies' alleged credential is not issued before step one's "receiving funds transfer information." (Paper No. 16, at 34-38)

The Board overlooked the plain and ordinary meaning of the phrase, instead relying upon an unrelated credential issuance embodiment. (Paper No. 32, at 12). Reliance on this credential embodiment was misplaced. Claim 51 relates to a funds transfer embodiment where a "VAN" is generated using "at least a portion of the received funds transfer information." The embodiment relied upon by the Board

pertains instead to credential issuance before (and without) funds transfer, and generating a *credential*-authenticating VAN *on* such credential.

The Board's decision is further flawed because the Board did not apply its own *sua sponte* construction. This paper is Mr. Stambler's first opportunity to be heard under this construction. In particular, the Board's construction requires that the credential be issued "*after* the step of generating a VAN." The Board's decision, however, confirms that in Davies the alleged credential is issued *before* the step of generating a VAN – in the opposite order. On page 25 of its decision, the Board agreed with Petitioner that Davies disclosed a "credential":

Petitioner contends Davies' credential is the blank, unpopulated check in Figure 10.22, in particular the customer "certificate" comprised of items 5, 6 (customer public key), 7, and 8. Pet. Reply 17; see Ex. 2005 (Diffie depo.) at 59:8–10, 78:15–20, 84:19–85:20. *The information for the certificate, stored on Davies' token by the issuing bank* (a "trusted party" as recited in claim 51) can be used to identify the signor of an electronic check. Pet. Reply 17–18; Tr. 85:15–86:10. We agree with Petitioner's contention that Davies discloses a credential.

(Paper No. 32, at 25). The alleged credential is thus the "blank check" stored on the Davies token. The Board also noted, though, that this "credential" is issued

with the token *before* (not after) the VAN allegedly disclosed in Davies is generated:

Petitioner further contends that Davies discloses that at least a portion of the receiving step precedes the generating step, citing Figure 10.23 and Davies' disclosure that "*the token both receives the funds transfer information* ('the customer's request is formed into a message and presented to the token') and then, *after receipt of that information, the token generates a VAN using at least a portion of that received funds transfer information* ('[h]ere it is signed and returned to the ATM')." Pet. 18–19, 27–29.

(Paper No. 32, at 23). Thus, the Board's own findings under the Board's own claim construction lead solely to a non-anticipation conclusion.

#### **IV. ISSUE 2 – CLAIM 51'S "RECEIVING" STEP**

Davies also does not disclose any person or thing (including the "token" at the core of MasterCard's theory) receiving "information for identifying the account of the second party." The Board erred to hold otherwise.

##### **A. The Board's Decision**

The Board's discussion of this issue is a single paragraph of the Final Written Decision, quoted here in full:

Lastly, Patent Owner asserts Davies fails to disclose the recited

“information for identifying the account of the second party.” PO Resp. 44–47. Petitioner refutes this contention, arguing that Davies’ electronic cheque embodiment discloses such second party information (concerning the party being paid), and that Davies’ ATM embodiment does so as well, citing to the depositions of Petitioner’s declarant, Mr. Diffie, and Patent Owner’s declarant, Dr. Nielson. Pet. Reply 18– 20, citing Ex. 2005, 71:16–72:13, Ex. 1023, 100:7–102:23. We agree with and are persuaded by Petitioner’s arguments and evidence that Davies discloses this limitation, and as set forth above, the other limitations of claim 51. Petitioner has demonstrated by a preponderance of the evidence that claim 51 is unpatentable as anticipated by Davies.

(Paper No. 32, at 26).

#### **B. The Misapprehended or Overlooked Argument**

As reflected above, the Board merely cites MasterCard’s reply contentions without analysis, and states without explanation, “[w]e agree.” Though this paragraph cites Patent Owner Response pages 44-47, it does not refer to, discuss or weigh Mr. Stambler’s evidence. Such evidence renders impossible the Board’s conclusion. Davies simply does not disclose the limitation.

Concerning the “electronic cheque” embodiment, Mr. Stambler pointed out:

Even the basic party-to-party cheque in Davies fails to meet this claim limitation. A person's name (field 13, "payee identity") is not the same thing as information for identifying that person's account. Ex. 2004, at ¶¶ 47-51, 84. The Davies disclosure paints the scenario of a "merchant" receiving an electronic cheque, presumably meaning that the merchant is named as the "payee." Ex. 1004, at 328-30. Common sense dictates that people who write checks to merchants have utterly no idea how to identify the merchant's bank account information, much less know who the merchant's bank really is. For example, a person purchasing goods at Wal-Mart has no idea who Wal-Mart's bank is, much less information for identifying Wal-Mart's account at this unknown bank. This makes it inconceivable that the Davies EFT-POS embodiment discloses "information for identifying the account of the second party," which must be construed to be "information that is used to identify an account associated with the second party."

(Paper No. 16, at 46-47).

Neither MasterCard's reply, nor the Board's one-paragraph decision on this point, addressed or weighed this sound reasoning. Again, a payee's identity does not equate with information for identifying the *account* of such a party, as the



evidence uniformly showed. Ex. 2004 ¶¶ 47-51, 84. No evidence or analysis supported that receiving a mere *name* on an electronic cheque (“payee identity”) satisfies a claim limitation requiring receiving information for identifying the *account* of a party to whom funds will be transferred.

Likewise, concerning the ATM embodiment, Mr. Stambler pointed out:

As mentioned previously, MasterCard now seems to rely primarily on Davies’ ATM embodiment. MasterCard points to its discussion of cheques being processed through such devices. However, these are not the same cheques at all. Davies makes it clear that the so-called cheque is simply used at an ATM to release currency. Ex. 1004 at 330-31. And MasterCard’s expert confirmed that an ATM transaction does not require the same fields among fields 1-16 to be used. Ex. 2005, 74:1-4; 78:2-7. At least the payee identity is missing from a cash-withdrawal scenario. Ex. 2004, at ¶¶ 76, 100. Necessarily, this means that there is nothing to meet the claim element of “information related to the account of the second party.”

(Paper No. 16, at 44-45).

Concerning this ATM embodiment, without supplying any critique, the Board referred to MasterCard’s reply citing both Mr. Diffie (deposition pages 71-72) and Dr. Nielson (deposition pages 100-02). As it happens, Mr. Diffie’s

deposition pages reveal that he *disclaims knowledge* of whether Davies discloses the limitation:

Q. My question is: For either one or both of those [i.e., referring to Davies field 13 “payee identity”], is there any disclosure of an account number or an account identifier in connection with those fields?

A. I don’t remember. I thought there was a discussion of account numbers in conjunction with the customer identity.

Q. But not payee identity?

A. I don’t remember.

Ex. 2005, at 71. Such a disclaimer of knowledge cannot pass for evidence supporting MasterCard’s burden of proof, as the proponent of the invalidity theory. Then in later statements, Mr. Diffie does *not* testify that the Davies token ever “receives” any content in the relevant data field, instead only suggesting without explanation that the bank who owns the ATM is a purported “second party” who eventually gets reimbursed for dispensing cash. Ex. 2005, at 71-72. In fact, in the same line of questions, Mr. Diffie responded, “I do not remember” to the question, “Isn’t it the case that Davies doesn’t utilize a payee field when its token is going to be used to effect this ATM process?” Ex. 2005, at 72-73. In other words, the Board overlooked the absence of evidence in the record supporting MasterCard’s theory that Davies discloses a particular claim limitation.

Dr. Nielson's deposition likewise does not support the Board's conclusion. MasterCard's reply, in the pages the Board cited, suggested that that Dr. Nielson "expressed his ignorance on the issue" of whether the payee field is "the logical place to identify the payee bank" in an ATM transaction. (Paper No. 19, at 19, citing deposition answer "I'm not sure. I don't know."). Even at face value, if Mr. Stambler's expert expressed unawareness of whether the limitation was *absent*, this does not amount to an admission that the limitation is *present*. The Board apparently misapprehended a contended absence of a rebuttal as affirmative evidence with enough heft to support the proponent's burden. That is not the law.

Mr. Stambler showed during the oral hearing that MasterCard was wrong anyway about the testimony, since Dr. Nielson did not "express his ignorance":

That's really, in context, not what he was saying. He did have the words "I don't know" in the middle of his testimony, but he didn't repudiate his actual opinion.

So after saying "I don't know" he is asked to say -- he is asked by counsel in cross-examination, essentially: Wouldn't it be one way of doing things by putting a payee identity into field 13 as part of this ATM work flow?

And then he confirms: "Well, the reason why that seems odd to me is that this has to work for when you're at your own ATMs as

well. So what goes into the payee field then? I don't see that that makes sense.”

(Paper No. 29, at 67-68, Oral Hearing, referring to demonstrative slide 33, showing Nielsen Dep., Ex. 1023, at 102). So in reality, the testimony cited by the Board *resisted* MasterCard's attempt to extract an admission to plug a gap in the actual Davies disclosures. The Board clearly overlooked this fact, to the extent it believed that such testimony miraculously supported MasterCard's burden of proof.

#### **IV. ISSUE 3 – CLAIM 51 REQUIRES A SINGLE ENTITY**

Davies also does not disclose a single entity performing all of the steps that MasterCard contends falls within the scope of method claim 51. On this point, the Board overlooked the key legal argument showing that claim 51 does not read broadly on multiple entities performing the claimed steps. Reconsideration here as well will avoid the need for Mr. Stambler to appeal.

##### **A. The Board's Decision**

The Board believed that Mr. Stambler's claim construction depended solely on a contention that “the express claim language so requires.” (Paper No. 32, at 13). The Board also believed that Mr. Stambler's claim construction argument hinged on “elevat[ing] an alternative embodiment over a preferred embodiment illustrated in the figures and described in the specification.” (Paper No. 32, at 13). The Board disagreed, and concluded without explanation that “[w]e are not

persuaded by any of the other arguments made by Patent Owner for its proposed single-entity construction.” (Paper No. 32, at 15)

## **B. The Misapprehended or Overlooked Argument**

The Board overlooked and did not address the actual logic, legal support and analysis behind Mr. Stambler’s single-entity claim construction. The Board decision did not weigh or consider the ample discussion in the Patent Owner Response that (1) only a single embodiment in the patent-under-review is covered by the claims, (2) that embodiment has all steps performed by a single entity (in that case, the originator-bank), and (3) the patent-under-review does not enable any scope for the claims broader than this single-entity technique. (Paper No. 16, at 9-14). The Board decision focused on a perceived dispute that was not pertinent to Mr. Stambler’s actual grounds – whether the embodiment covered by the claims was labeled “preferred” versus “alternate.” (Paper No. 32, at 13-14). This was not the point at all, whichever way one answers that question.

As the Patent Owner Response explained it:

As just described, MasterCard’s expert conceded that the written description only discloses a single entity (the originator’s bank) performing all acts of the authentication method (including the receiving, generating, determining and transferring steps). It is hornbook claim construction law that “claims cannot be of broader

scope than the invention that is set forth in the specification.” *On Demand Machine Corp. v. Ingram Indus., Inc.*, 442 F.3d 1331, 1340 (Fed. Cir. 2006); *see also Phillips*, 415 F.3d 1316; *Retractable Techs., Inc. v. Becton, Dickinson & Co.*, 653 F.3d 1296, 1305 (Fed. Cir. 2011) (“In reviewing the intrinsic record to construe the claims, we strive to capture the scope of the actual invention, rather than strictly limit the scope of claims to disclosed embodiments or allow the claim language to become divorced from what the specification conveys is the invention.”). Similarly, if a claim term “is susceptible to a broader and narrower meaning, and the narrower one is clearly supported by the intrinsic evidence while the broader one raises questions of enablement . . . , [the court] will adopt the narrower of the two.” *Digital Biometrics v. Identix, Inc.*, 149 F.3d 1335, 1344 (Fed. Cir. 1998).

(Paper No. 16, at 10). While the Board rejected Mr. Stambler’s argument to the extent based solely on the text of claim 51, it clearly overlooked that there was much more to it. Again, as Mr. Stambler argued (and the Board overlooked):

If there were any doubt, it is resolved by synthesizing two undisputed facts – (1) that the only supporting disclosure for claim 51 shows that a single entity performs all four steps (the “originator

bank” in Figure 8B), and (2) that the ’302 Patent does not enable one of ordinary skill in the art to practice a single authentication method with those four named steps occurring in a divided way. Ex. 2004, at ¶¶ 29-34, 61-67; Ex. 2005 at 18:20-19:5. As already cited, the law requires restricting claim scope to that which the inventor enabled, when only a single embodiment is disclosed. *Digital Biometrics*, 149 F.3d at 1344. Here, if a hypothetical first entity “received” and “generated,” but then a second hypothetical entity “determined” authenticity based on what was just “generated,” the claim omits explaining how the “generated” item got to the second place where it could be inspected for the “determining” step. Ex. 2004, at ¶¶ 61-67.

(Paper No. 16, at 12-13). Mr. Stambler underscored this argument during the oral hearing. (Paper No. 29, at 52-54, pointing to *Digital Biometrics* and *Athletic Alternatives*, while highlighting that only Dr. Nielson presented competent evidence on the enablement question in support of the proposition that the “claims should not be read to cover other ways where the other ways would raise a question of enablement.”).

Though Mr. Stambler made the nonenablement of overbroad scope a centerpiece of the single-entity argument, the Board did not discuss it. The Final Written Decision omits any mention of enablement or nonenablement as an issue.

This is somewhat understandable, since most PTAB patents-under-review are treated according to the “broadest reasonable interpretation” framework where the pertinent canons of construction might not apply. But all parties and the Board acknowledge that Mr. Stambler’s patent is expired, and thus must be interpreted under the *Phillips* framework. Under *Phillips*, construing to preserve validity is a relevant (but here overlooked) canon.

The Board did not address Mr. Stambler’s nonanticipation arguments on this ground only because it rejected Mr. Stambler’s claim construction. (Paper No. 32, at 24). With reconsideration, the Board may correct this omission. And once corrected, the Board may enter a proper finding of nonanticipation and nonobviousness.

## **V. CONCLUSION**

For the foregoing reasons, Mr. Stambler respectfully requests reconsideration and confirmation of the validity of the instituted claims.

Dated: July 29, 2016

Respectfully submitted,

/s/ Robert P. Greenspoon

Robert P. Greenspoon, *Lead Counsel*  
(Reg. No. 40,004)

rpg@fg-law.com

Joseph C. Drish (agent), *Back Up Counsel*  
(Reg. No. 66,198)

jcd@fg-law.com

Flachsbart & Greenspoon, LLC  
333 N. Michigan Ave., 27th FL  
Chicago, IL 60601



Telephone: (312) 551-9500  
Fax: (312) 551-9501

John K. Fitzgerald, *Back Up Counsel*  
(Reg. No. 38,881)  
Rutan & Tucker LLP  
611 Anton Boulevard, 14th Floor  
Costa Mesa, California 92626  
Telephone: (714) 677-5100  
Fax: (714) 546-9035  
jfitzgerald@rutan.com;  
patents@rutan.com

*Counsel for Patent Owner,  
Leon Stambler*

## **CERTIFICATE OF SERVICE**

I hereby certify that on this 29th day of July, 2016, true and correct copy of the foregoing Patent Owner Leon Stambler's Request for Rehearing, 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.:

Robert C. Scheinfeld (robert.scheinfeld@bakerbotts.com)  
Eliot D. Williams (eliot.williams@bakerbotts.com)  
BAKER BOTTS LLP  
30 Rockefeller Plaza,  
New York, NY 10112

Dated: July 29, 2016

Respectfully submitted,

/s/ Robert P. Greenspoon  
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Robert P. Greenspoon