

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'S SUPPLEMENTAL BRIEF REGARDING THE
PANEL'S UPCOMING REHEARING DECISION**

The Panel originally interpreted the “deadline” for credential-issuance to be at the third claim step (“determining”). This was understandable if the Panel believed that Mr. Stambler’s patent at columns 11-12 mandated that the credential could not exist until completion of the second claim step (“generating a variable authentication number”). But now all parties agree that the disclosure at columns 11-12 is inapplicable. No evidentiary support remains for putting the credential-issuance “deadline” so late.

The Panel stands ready to grant an extraordinary rehearing after a final written decision. (*See* Paper No. 36). Correction should reflect that the credential must be issued before commencement of the whole method – *i.e.*, before the “receiving” step. This is the plain meaning of the disputed phrase, one endorsed by numerous district courts and defendants involved in litigation with Mr. Stambler.

MasterCard led the Panel to believe that specification support, located at columns 11-12 of Mr. Stambler’s patent, required the deadline for credential issuance to be after the “generating” step – the construction the Panel now stands ready to abandon. (Final Written Decision, Paper No. 32, at 12 (citing columns 11-12); Paper No. 30, at 2 (MasterCard urging Panel to consult columns 11-12)). MasterCard now concedes that this position was in error. It now alleges that this part of the patent relates to dependent claim 56 (regarding the credential-

authenticating “VAN1”), not claim 51 (regarding the financial transaction “VAN”). (Paper No. 35, at 1-3; Paper No. 37, at 3).

MasterCard never disputes that the Panel’s preamble construction in its final written decision meant that Davies does not anticipate. Instead, having induced the claim construction error the Panel is now ready to correct, MasterCard wants the Panel to jettison the part of the construction that threatens its invalidity outcome (*i.e.*, the part requiring a credential to be issued **after** the “generating” step), while retaining the part that conflicts with all prior tribunals (*i.e.*, allowing such credential issuance to occur as late as the “determining” step). (*Id.*, at 1-3). This approach invites further error. Either columns 11-12 inform the claim construction (giving some basis, albeit flawed, for all parts of the Panel’s first determination) or it does not (giving no basis for any part of MasterCard’s construction).

The decision on rehearing should therefore reflect that a credential being “previously issued” means that the credential is issued before the “receiving” step commences. This is consistent with the Panel’s statement of its current intent – *i.e.*, removing that the credential must first issue after the completion of the “generating” step. (Paper No. 36, at 2). To state the construction correctly, however, requires that credential issuance is before the “receiving” step – the whole method altogether.

Aware that the Panel might correct its claim construction in this manner, MasterCard now briefs a new argument that Davies anticipates even after such correction. (Paper No. 37, at 3-5). MasterCard's new argument is wrong. MasterCard's continued inconsistencies show this.

The Panel will recall that MasterCard filed a first petition against Mr. Stambler's patent, in CBM2015-00013. MasterCard's contentions at first recognized that the disputed phrase requires credential issuance before all method steps begin, just like Mr. Stambler does. (*See* CBM2015-00013, Paper No. 1, at 30) ("Since the public keys are used in the transaction, the public keys are provided ***prior to the execution of the transaction.***"). This first petition's prior art arguments copied those filed by Visa in IPR2014-00694. The same Panel as presides here denied institution because Visa's application of Davies to claim 51 alleged that Davies' "receiving" step happens when the completed "cheque" (*i.e.*, all of fields 1-16) is received at the merchant/payee's bank. (*See* IPR2015-00694, Paper No. 4, at 22). MasterCard presented the same invalidity theory in its first petition. (*See* CBM2015-00013, Paper No. 1, at 31). But the Panel held that this theory violated the time-sequencing of claim 51 – namely, Davies' alleged VAN generation using "received" information occurred *before* the "receiving" step. (*See* IPR2014-00694, Paper No. 10, at 10-14).

As a result of the Visa institution denial, MasterCard reworked its contentions and started this second proceeding, changing how it argued that Davies discloses the “receiving” step. MasterCard now points earlier in time to the customer using a terminal to input the “customer’s request” into the Davies token, contending now that the token “receives” information from the terminal. (Paper No. 7, Corrected Petition at 27-29, citing Ex. 1004, Davies p. 330). In his Patent Owner’s Response, Mr. Stambler pointed out that MasterCard’s attempt to remedy the first time-sequencing problem only created another time-sequencing problem. The reworked contentions made MasterCard’s analysis of the “receiving” step conflict with the time sequencing mandated by the preamble, which requires that the “credential” must be “previously issued” before the method commences. (Paper No. 16, at 34-38). In Davies, the token does not “receive” what MasterCard contended to be “information for identifying the account of the first party” – the “customer identity,” field 5 – prior to the time the alleged “credential” is issued to the customer. (*Id.*). Thus, fixing one time-sequencing flaw in the Davies claim application led to another: the “credential” was not issued prior to the “receiving” step.

MasterCard’s Reply tried to circumvent this second time-sequencing problem. There, MasterCard argued, without evidentiary support, that Davies discloses the entire completed cheque being “received” back into the token from

the terminal, for the cheque to be signed. (Paper No. 19, at 15-16). Mr. Stambler pointed out at oral argument that this Reply contention did not accurately describe Davies. (Paper No. 29, at 58:21-63:3, noting that the most detail one can glean from the “customer’s request” going from terminal to token is that only a few *variable* fields of the cheque are received but not the “customer identity” field, which was already at the token).

MasterCard here again attempts to induce mistaken findings about Davies. First, MasterCard seeks a mistaken finding that “the terminal *reads information from the token* (including the constant information in items 1-8 that ‘appear on every check drawn’), as well as any variable information maintained by the token (such as the ‘cheque sequence number’).” (Paper No. 37, at 4, emphasis added). But the cited pages of Davies – Ex. 1004, at 328, 330 – make no mention or suggestion (and allow no inference) that the terminal “reads information from the token” at all. The most Davies says about terminal-token communications goes the other way, from terminal to token; and even then, only an unspecified “customer’s request” travels this pathway: “Figure 10.23 shows how [functioning to ‘cash a cheque’] works in a shared ATM network. The customer’s request is formed into a message and presented to the token.” (Ex. 1004, at 330).

Second, MasterCard seeks a mistaken finding that the “terminal *assembles this information*, with additional variable information about the transaction, to

form *the electronic check message sent to the token* for signing.” (Paper No. 37, at 4, emphasis added). Again, the cited pages of Davies – Ex. 1004, at 328-31 – make no mention or suggestion (and allow no inference) of any such activity. Davies does *not* disclose, in these pages or otherwise, that the terminal does any such “assembling” or sends “the electronic check message” as a whole to the token for signing.

Finally, MasterCard seeks a mistaken finding that, *in the same Davies system*, “the ‘cheque’ enters the card from the terminal’ to be signed by the token,” and that this disclosure satisfies the “receiving” step. (Paper No. 37, at 4). While the quoted words do appear on the page cited – Ex. 1004, at 331 – MasterCard distorts its context. There, Davies describes a *flawed prior art* system whereby “a ‘cheque’ enters the card from the terminal and the card’s owner cannot be entirely sure what is being signed.” (Ex. 1004, at 331, describing under a new heading the “‘smart card’ in its current form,” noting the “separate terminal for its input and output” creates “*a security risk* in several ways” (emphasis added), and concluding that one of these is *because* “the ‘cheque’ enters the card from the terminal.”). Use of the term “card” rather than “token” here also confirms that this phrase, in context, does not refer to the “new” system Davies had earlier discussed, *i.e.*, the one having fields 1-16 in a token as a signed “cheque.” The “card” was the old way, which the “token” allegedly improved.

In short, MasterCard offers only false support to argue anticipation under its original (and Mr. Stambler’s current) construction. The Davies token does **not** receive a “cheque” from the terminal (*i.e.*, one that includes the relevant “customer identity” field 5). The record only supports, at most, a “customer’s request” that includes a payment amount, and possibly other variable information. MasterCard still cannot overcome time-sequencing problems with its claim application.

Mr. Stambler therefore respectfully requests that in granting rehearing, the Panel confirm patentability.¹

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Respectfully submitted,

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¹ MasterCard attempts to add a new Davies/Meyer combination theory to meet the preamble construction. (Paper No. 37, at 5). But its citations to its Corrected Petition (pp. 39-45) refer to the Meyer **anticipation** grounds, over which this Panel **denied** institution. (Paper No. 10, at 17-20). MasterCard’s Davies/Meyer paragraph fails to address the time-sequencing issue anyway.

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CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of September, 2016, true and correct copy of the foregoing Patent Owner Leon Stambler's Supplemental Brief Regarding the Panel's Upcoming Rehearing Decision, 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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