

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SQUARE, INC.,
Petitioner,

v.

4361423 CANADA INC.,
Patent Owner.

IPR2019-01626
Patent 8,286,875 B2

Before JAMESON LEE, ROBERT J. WEINSCHENK, and
KEVIN C. TROCK, *Administrative Patent Judges*.

Opinion for the Board filed PER CURIAM.

Opinion Concurring filed by *Administrative Patent Judge* WEINSCHENK.

PER CURIAM.

DECISION
Denying Institution of *Inter Partes* Review
35 U.S.C. § 314

I. INTRODUCTION

A. *Background and Summary*

Square, Inc. (“Petitioner”) filed a Petition (Paper 2, “Pet.”) requesting an *inter partes* review of claims 1–3, 6, 12, 14–16, 18–26, and 28 (“the challenged claims”) of U.S. Patent No. 8,286,875 B2 (Ex. 1001, “the ’875 patent”). 4361423 Canada Inc. (“Patent Owner”) filed a Preliminary Response (Paper 6, “Prelim. Resp.”) to the Petition.

An *inter partes* review may not be instituted unless “the information presented in the petition . . . and any response . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a). Further, a decision to institute may not institute on fewer than all claims challenged in the petition. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1359–60 (2018).

We have authority, acting on the designation of the Director, to determine whether to institute an *inter partes* review under 35 U.S.C. § 314 and 37 C.F.R. § 42.4(a). For the reasons that follow, we exercise our delegated discretion under 35 U.S.C. § 314(a) and deny institution of *inter partes* review. See 35 U.S.C. § 314(a); *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018); *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016).

B. *Real Parties in Interest*

Each party identifies itself as the only real party in interest. Pet. 4; Paper 5, 2.

C. *Related Matters*

The parties indicate that the ’875 patent is the subject of the following district court case: *4361423 Canada Inc. v. Square, Inc.*, No. 4:19-cv-04311

(N.D. Cal.). Pet. 4; Paper 5, 2. Petitioner indicates that the '875 patent is the subject of another petition for *inter partes* review in IPR2019-01625. Pet. 4.

D. The '875 Patent

The '875 patent relates to an apparatus, system, and method “for commercial transactions using a transaction card via a communication device.” Ex. 1001, 2:15–25. Specifically, the '875 patent describes a transaction apparatus, such as a portable point of sale (“POS”) device, linked to a communication device, such as a mobile phone. *Id.* at 5:49–53, 5:63–6:3. Figure 2 is reproduced below.

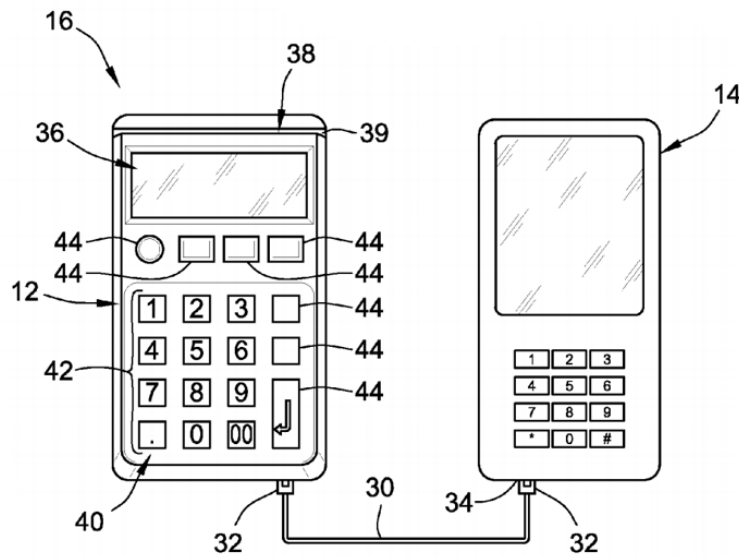


FIG. 2

Figure 2 shows an example of a transaction and communication assembly. *Id.* at 7:17–22. The assembly includes POS device 12 linked to mobile phone 14 via cable 30. *Id.* POS device 12 includes card reader slot 39. *Id.* at 7:29–32. The '875 patent explains that a user swipes a credit card through

slot 39, a card reader captures information from the credit card, and the card reader transfers the information to a microcontroller unit (“MCU”). *Id.* at 7:41–42, 7:55–58. The MCU converts the information into an analog audio signal and transmits it via cable 30 to mobile phone 14. *Id.* at 7:64–8:3. Mobile phone 14 then transmits the information to a transaction server. *Id.* at 8:4–5. The transaction server responds to mobile phone 14 by indicating whether a processor/issuer accepts or rejects the transaction. *Id.* at 8:5–17.

E. Illustrative Claim

Of the challenged claims, claims 1, 12, 18, 22, 24, 26, and 28 are independent. Claim 1 is reproduced below.

1. An apparatus for effecting commercial transactions between an input device and a remote transaction server using a transaction card, said apparatus comprising:

an input device for capturing information from the transaction card;

a controller for converting the captured card information into a signal having an analog audio format suitable for transmission to an analog hands-free jack of a mobile communication device; and

a communication link for coupling said input device to an analog hands-free jack of a mobile communication device for the transmission of said analog-audio-format signals therebetween;

wherein when said input device captures the card information, said controller converts the card information into said analog-audio-format signal and transmits said converted signal via said communication link to said mobile communication device; and

wherein said mobile communication device automatically transmits the captured card information to the remote transaction server and receives transaction validation information from said remote transaction server.

Id. at 11:48–12:3.

F. Evidence

Petitioner submits the following evidence:

Evidence	Exhibit No.
Declaration of Bruce McNair (“McNair Declaration”)	1003
Proctor, US 2002/0091633 A1, published July 11, 2002 (“Proctor”)	1004
Morley, US 7,896,248 B2, issued Mar. 1, 2011 (“Morley”)	1010

G. Asserted Ground

Petitioner asserts that the challenged claims are unpatentable on the following ground:

Claim(s) Challenged	35 U.S.C. §	Reference(s)/Basis
1–3, 6, 12, 14–16, 18–26, 28	103	Morley, Proctor

II. ANALYSIS

A. Priority Date

The ’875 patent issued from an application filed on June 16, 2011, and claims priority to PCT Application No. 2010/001367, filed on February 10, 2010, and U.S. Provisional Application No. 61/151,459, filed on February 10, 2009 (Ex. 1022, “Tang Provisional”). Ex. 1001, code (22), (60), (63).

Petitioner argues that the challenged claims of the ’875 patent are not entitled to the filing date of the Tang Provisional. Pet. 12–13. Specifically, Petitioner contends that the Tang Provisional fails to provide sufficient written description for the claim limitation that recites “a controller for converting the captured card information into a signal having an analog audio format suitable for transmission to an analog hands-free jack of a mobile communication device.” *Id.* Patent Owner responds that “the Tang

Provisional more than reasonably conveys to one of skill in the art that the inventors had possession of the claimed invention.” Prelim. Resp. 11.

If Patent Owner is correct that its claims are entitled to the earlier filing date of the Tang Provisional, then Morley would not constitute prior art against any challenged claim. In that case, Petitioner would not have shown a reasonable likelihood that it would prevail in establishing unpatentability of any claim as unpatentable over Morley and Proctor. However, we need not reach the issue of whether the ’875 patent is entitled to the earlier filing date of the Tang Provisional, with respect to any challenged claim, because we discretionarily deny the Petition under 35 U.S.C. § 314(a), as we discuss below.

*B. Discretionary Denial under 35 U.S.C. § 314(a)*¹

Institution of review is discretionary. 35 U.S.C. § 314(a); *SAS Inst.*, 138 S. Ct. at 1356 (“[Section] 314(a) invests the Director with discretion on the question whether to institute review” (emphasis omitted)); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) (“[T]he agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.”); *see also* 37 C.F.R. § 42.4(a) (“The Board institutes the trial on behalf of the Director.”). “[T]he PTO is permitted, but never compelled, to institute an IPR proceeding.” *Harmonic Inc.*, 815 F.3d at 1367. Also, if we institute review at all, we are required to institute review on all challenged

¹ Because we discretionarily deny the Petition under 35 U.S.C. § 314(a), we need not and do not reach Patent Owner’s arguments based on 35 U.S.C. § 325(d) (Prelim. Resp. 43–46) and alleged violations of the Constitution (Prelim. Resp. 48–50).

claims on all challenged grounds. *SAS Inst.*, 138 S. Ct. at 1359–60; Trial Practice Guide Update 31 (July 2019), <https://www.uspto.gov/TrialPracticeGuide3> (“In instituting a trial, the Board will either (1) institute as to all claims challenged in the petition and on all grounds in the petition, or (2) institute on no claims and deny institution.”).

Petitioner concurrently filed two petitions challenging the same claims of the ’875 patent, the Petition here and the Petition in IPR2019-01625. Instituting on only a single petition seeking *inter partes* review of these same claims is consistent with the Trial Practice Guide’s discussion of the Board’s approach to multiple parallel petitions challenging the same patent. *See Patent Trial and Appeal Board Consolidated Trial Practice Guide*, November 2019, 59, available at <https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf> (citing 37 C.F.R. § 42.100(b) (2019)) (“November 2019 TPG”). The November 2019 TPG states that “multiple petitions by a petitioner are not necessary in the vast majority of cases” and that “a substantial majority of patents have been challenged with a single petition.” *Id.* The November 2019 TPG, however, acknowledges that there are situations where multiple petitions directed to the same patent may be appropriate:

Nonetheless, the Board recognizes that there may be circumstances in which more than one petition may be necessary, including, for example, when the patent owner has asserted a large number of claims in litigation or when there is a dispute about priority date requiring arguments under multiple prior art references. In such cases two petitions by a petitioner may be needed, although this should be rare. Further, based on prior experience, the Board finds it unlikely that circumstances will arise where three or more petitions by a petitioner with respect to a particular patent will be appropriate.

Id.

Here, we consider whether Petitioner has sufficiently demonstrated the need for more than one petition to challenge the same claims. Concurrent with filing of the Petition, Petitioner filed a paper explaining the filing of “parallel petitions.” Exhibit 1029. Petitioner’s explanation contains four short paragraphs spanning two pages, and ranks the two petitions equally, both as “#1.” *Id.* at 3. Primarily, Petitioner explains that the first Petition, the one in IPR2019-01625, treats the ’875 patent as entitled to the filing date of the Tang Provisional, and applies prior art which predates that priority date, and the second Petition, the one in IPR2019-01626, disputes entitlement of the challenged claims to the earlier date of the Tang Provisional and applies prior art subsequent to that priority date. *Id.* at 2. Also, Petitioner asserts, in a conclusory manner, that “[d]ue to the large number of claims and the volume of discussion on the priority deficiencies, these grounds could not be presented in a single filing.” *Id.*

On February 13, 2020, we ordered Petitioner to supplement its explanation by providing a “differential ranking” for the two petitions. Paper 11, 4. We quoted the following text from the November 2019 TPG:

To aid the Board in determining whether more than one petition is necessary, if a petitioner files two or more petitions challenging the same patent, then the petitioner should, in its petitions or in a separate paper filed with the petition, identify:

(1) a ranking of the petitions in the order in which it wishes the Board to consider the merits, if the Board uses its discretion to institute any of the petitions, and (2) a succinct explanation of the differences between the petitions, why the issues addressed by the differences are material, and why the Board should exercise its discretion to institute additional petitions if it identifies one petition that satisfies petitioner’s burden under 35 U.S.C. 314(a).

The Board encourages the petitioner to use a table to aid in its identifying the similarities and differences between petitions. November 2019 TPG at 59–60 (footnotes omitted) (quoted at paper 11, 3). In a supplemental submission, Petitioner ranks the petition in IPR2019-01625 as “#2,” and the Petition here in IPR2019-01626 as “#1,” but states the following: “The ranking above is not a preference on petition #1 [IPR2019-01626] to the exclusion of petition #2 [IPR2019-01625], but rather, an order of consideration should petition #1 be found lacking.” Paper 12, 1. Also, Petitioner states: “Indeed, the PTAB’s published guidance identifies priority disputes requiring arguments under multiple prior art references as an example where two or more petitions ‘may be necessary.’” *Id.* (citing November 2019 TPG at 59).

Petitioner’s explanations are inadequate to show a genuine need to file two petitions against the same claims of the same patent. The November 2019 TPG states that when there is a dispute about priority date, “two petitions by a petitioner may be needed, although this should be rare.” November 2019 TPG at 59. The statement does not convey that whenever a priority issue is involved, Petitioner is entitled to file two petitions against the same claims of the same patent. Rather, the operative phrase is “may be needed, although this should be rare.” Petitioner does not adequately explain why two petitions in the circumstance here in fact are necessary. Nor does Petitioner explain how this is one of those “rare” circumstances requiring the filing of two petitions.

For example, the November 2019 TPG provides that Petitioner should provide “a succinct explanation of the differences between the petitions, why the issues addressed by the differences are material, and why the Board should exercise its discretion to institute additional petitions if it identifies

one petition that satisfies petitioner's burden under 35 U.S.C. 314(a).” November 2019 TPG at 60. We find no meaningful explanation by Petitioner of this type. In its first ranking paper, Petitioner states: “As these petitions present alternative arguments in a manner contemplated by the Board and are not cumulative challenges, the rankings above reflect Petitioner's request that both petitions be independently considered.” Ex. 1029, 3. Simply saying that the petitions present alternative arguments contemplated by the Board and are not cumulative does not constitute a sufficiently meaningful explanation.

As we noted above, the November 2019 TPG does not contemplate that whenever there is a priority dispute, Petitioner is justified in filing two petitions against the same patent. Further, the November 2019 TPG nowhere indicates that mere alternative arguments that are different from each other constitute sufficient justification for filing multiple petitions. Petitioner does not explain why, if review is instituted in IPR2019-01625, a second review in IPR2019-01626 still is necessary.

Petitioner makes several additional arguments that are equally unpersuasive. Petitioner asserts that “[d]ue to the large number of claims and the volume of discussion on the priority deficiencies, these grounds could not be presented in a single filing.” Ex. 1029, 2. But there are only eighteen challenged claims, which generally is not a significantly large number of claims to address in a single petition, and Petitioner was able to assert multiple grounds against all eighteen challenged claims in a single petition in IPR2019-01625. With regard to the alleged “volume of discussion on the priority deficiencies,” Petitioner still does not explain why, if review is instituted on multiple grounds for each challenged claim in

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IPR2019-01625 where priority is not at issue, a second review in IPR2019-01626 that involves a priority dispute is necessary.

For the foregoing reasons, Petitioner has not provided sufficient justification for filing two petitions against the same claims of the '875 patent. In light of the totality of the circumstance, including that we are concurrently instituting review in IPR2019-01625 with respect to all of the challenged claims in this proceeding,² we exercise our delegated discretion not to institute review in this proceeding. 35 U.S.C. § 314(a).

III. CONCLUSION

We exercise delegated discretion under 35 U.S.C. § 314(a) not to institute review in this proceeding.

IV. ORDER

It is hereby

ORDERED that the Petition is denied, and no trial is instituted.

² Concurrently with the issuance of this Decision, we have ordered that review be instituted in IPR2019-01625. IPR2019-01625, Paper 12.

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WEINSCHENK, *Administrative Patent Judge*, concurring.

I respectfully concur with the majority’s decision denying institution of an *inter partes* review, but I would do so for a different reason. Petitioner filed two petitions challenging claims 1–3, 6, 12, 14–16, 18–26, and 28 (“the challenged claims”) of U.S. Patent No. 8,286,875 B2 (Ex. 1001, “the ’875 patent”), namely, the Petition in this case and the Petition in IPR2019-01625. Paper 2 (“Pet.”), 4–5. We requested that Petitioner comply with the Trial Practice Guide Update (July 2019), 26, available at <https://www.uspto.gov/sites/default/files/documents/trial-practice-guideupdate3.pdf> (“July 2019 TPG”), by providing a notice with “a ranking

of the petitions in the order in which it wishes the Board to consider the merits.” Paper 11, 2–4 (emphasis omitted). Petitioner filed a notice indicating that the Petition in this case should be considered on the merits first before the Petition in IPR2019-01625. Paper 12, 1. Therefore, I would consider the merits of the Petition in this case. For the reasons discussed below, I would deny institution because Petitioner does not demonstrate a reasonable likelihood of prevailing in showing that at least one of the challenged claims is unpatentable.

Petitioner asserts that the challenged claims would have been obvious over Morley and Proctor. Pet. 9. According to Petitioner, Morley is prior art because the challenged claims are not entitled to the benefit of the filing date of U.S. Provisional Application No. 61/151,459 (Ex. 1022, “Tang Provisional”). Pet. 7–8. Specifically, Petitioner contends that the Tang Provisional fails to provide sufficient written description for the claim limitation that recites a controller for “converting the captured card information into a signal having an analog audio format suitable for transmission to an analog hands-free jack of a mobile communication device.” *Id.* at 12–13. Patent Owner responds that “the Tang Provisional more than reasonably conveys to one of skill in the art that the inventors had possession of the claimed invention.” Prelim. Resp. 11. On this record, I am persuaded that the Tang Provisional contains sufficient written description support for the disputed claim limitation.

First, Petitioner argues that the Tang Provisional does not describe “converting” captured card information to a signal having an analog audio format. Pet. 15–20. On this record, I do not find Petitioner’s argument persuasive. Patent Owner identifies specific portions of the Tang

Provisional that describe this feature. Prelim. Resp. 15–16. Specifically, the Tang Provisional discloses a “device” that includes a “card reader” and a “microprocessor.” Ex. 1022, 5–6. The Tang Provisional also discloses that the “microprocessor controls the operation flow of the device,” and that one of those operations is communicating information from the card to “mobile phone 13 via phone jack 10 using analog tone.” *Id.* In other words, the Tang Provisional describes a device with a microprocessor that controls the operation of transmitting captured card information to a mobile phone in analog tone format. Although the Tang Provisional does not use the word “converting,” Patent Owner presents evidence that a person of ordinary skill in the art would have understood that, in order to transmit captured card information in analog tone format, the captured card information must be converted to analog tone format. Prelim. Resp. 16–17; Ex. 2005 ¶¶ 21–22. At this time, Petitioner does not identify specific evidence to the contrary. *See* Pet. 15–20.

Second, Petitioner argues that the Tang Provisional does not describe a “hands-free jack.” Pet. 20–31. On this record, I do not find Petitioner’s argument persuasive. Patent Owner identifies specific portions of the Tang Provisional that describe this feature. Prelim. Resp. 21–24. Specifically, the Tang Provisional discloses a “phone jack.” Ex. 1022, 5. Although the Tang Provisional does not use the term “hands-free” to describe its phone jack, the Tang Provisional discloses a “universal-to-all-mobile-phone” payment solution. *Id.* at 6. Patent Owner presents evidence that, as of the filing date of the Tang Provisional, virtually all mobile phones had a hands-free jack. Prelim. Resp. 23; Ex. 2005 ¶ 28. At this time, Petitioner does not identify specific evidence to the contrary. *See* Pet. 20–31.

For the foregoing reasons, on this record, I am persuaded that the Tang Provisional contains sufficient written description support for the disputed claim limitation. As a result, in my opinion, Petitioner does not show sufficiently that Morley is prior art to the challenged claims, and, thus, does not demonstrate a reasonable likelihood of prevailing in showing that any of the challenged claims would have been obvious over Morley and Proctor.

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