

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SQUARE, INC.,
Petitioner,

v.

4361423 CANADA INC.,
Patent Owner.

IPR2019-01625
Patent 8,286,875 B2

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

WEINSCHENK, *Administrative Patent Judge*.

JUDGMENT
Final Written Decision
Determining All Challenged Claims Unpatentable
35 U.S.C. § 318(a)

I. INTRODUCTION

A. *Background and Summary*

Square, Inc. (“Petitioner”) filed a Petition (Paper 14, “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. We instituted an *inter partes* review of the challenged claims on March 30, 2020. Paper 12 (“Dec. on Inst.”), 14. After institution, Patent Owner filed a Response (Paper 21, “PO Resp.”) to the Petition, Petitioner filed a Reply (Paper 26, “Pet. Reply”) to the Response, and Patent Owner filed a Sur-reply (Paper 27, “PO Sur-reply”) to the Reply. We held an oral hearing on January 27, 2021, and a transcript of the hearing is included in the record. Paper 34 (“Tr.”).

For the reasons set forth below, Petitioner has shown by a preponderance of the evidence that claims 1–3, 6, 12, 14–16, 18–26, and 28 of the ’875 patent are unpatentable.

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 IPR2019-01626. Pet. 4. We declined to institute an *inter partes* review in IPR2019-01626. *See* IPR2019-01626, Paper 14, 11.

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.

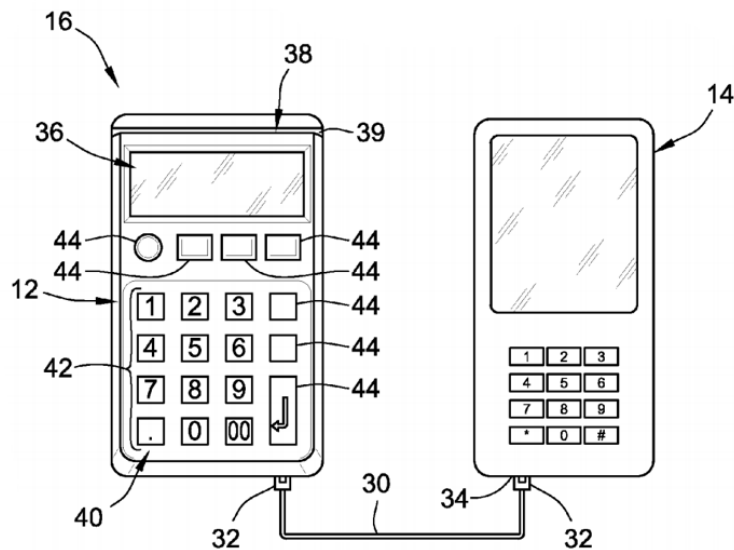


FIG. 2

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 card through slot 39, a card reader captures information from the 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
Vrotsos, US 2005/0236480 A1, published Oct. 27, 2005 (“Vrotsos”)	1006
Eisner, US 5,838,773, issued Nov. 17, 1998 (“Eisner”)	1008
Hart, US 7,673,799 B2, issued Mar. 9, 2010 (“Hart”)	1018
Second Declaration of Bruce McNair (“McNair Second Declaration”)	1042

Patent Owner submits the Declaration of Ivan Zatkovich. Ex. 2004 (“Zatkovich Declaration”).

G. Asserted Grounds

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

Claims Challenged	35 U.S.C. §	Reference(s)/Basis
1–3, 6	103 ¹	Proctor, Vrotsos
12, 14–16, 18–26, 28	103	Proctor, Hart
1–3, 6, 12, 18, 21, 22, 24, 26, 28	103	Eisner, Proctor
14–16, 19, 20, 23, 25	103	Eisner, Proctor, Hart

II. ANALYSIS

A. Legal Standards

A claim is unpatentable as obvious under 35 U.S.C. § 103(a) if the differences between the claimed subject matter and the prior art are such that

¹ The Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284, 287–88 (2011), amended 35 U.S.C. § 103. Because the ’875 patent was filed before the effective date of the relevant amendment, the pre-AIA version of § 103 applies.

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