

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SQUARE, INC.,
Petitioner,

v.

4361423 CANADA INC.,
Patent Owner.

IPR2019-01649
Patent 9,016,566 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)
Denying Petitioner's Motion to Exclude
37 C.F.R. § 42.64(c)

I. INTRODUCTION

A. *Background and Summary*

Square, Inc. (“Petitioner”) filed a Petition (Paper 2, “Pet.”) requesting an *inter partes* review of claims 1–4 (“the challenged claims”) of U.S. Patent No. 9,016,566 B2 (Ex. 1001, “the ’566 patent”). 4361423 Canada Inc. (“Patent Owner”) filed a Preliminary Response (Paper 8, “Prelim. Resp.”) to the Petition. We instituted an *inter partes* review of the challenged claims on April 27, 2020. Paper 11 (“Dec. on Inst.”), 21. After institution, Patent Owner filed a Response (Paper 23, “PO Resp.”) to the Petition, Petitioner filed a Reply (Paper 32, “Pet. Reply”) to the Response, and Patent Owner filed a Sur-reply (Paper 33, “PO Sur-reply”) to the Reply. We held an oral hearing on January 28, 2021, and a transcript of the hearing is included in the record. Paper 42 (“Tr.”).

For the reasons set forth below, Petitioner has shown by a preponderance of the evidence that claims 1–4 of the ’566 patent are unpatentable.

B. *Real Parties in Interest*

Each party identifies itself as the only real party in interest. Pet. 1; Paper 4, 2.

C. *Related Matters*

The parties indicate that the ’566 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. 1; Paper 4, 2.

D. *The ’566 Patent*

The ’566 patent relates to an apparatus, system, and method “for commercial transactions using a transaction card via a communication

device.” Ex. 1001, 2:19–29. Specifically, the ’566 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 5:54–58, 6:1–6.

Figure 2 is reproduced below.

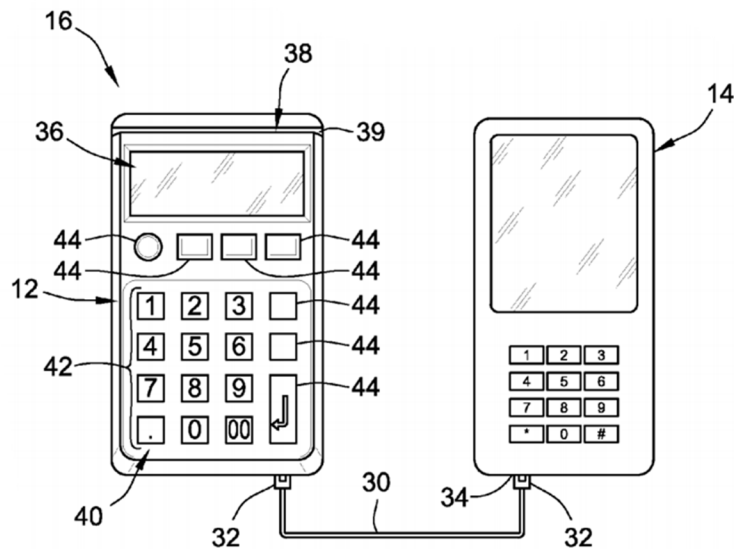


FIG. 2

Id. at Fig. 2. Figure 2 shows an example of a transaction and communication assembly. *Id.* at 7:22–27. 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 7:34–37. The ’566 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 7:45–46, 7:59–62. The MCU converts the information into an analog audio signal and transmits it via cable 30 to mobile phone 14. *Id.* at 8:1–7. Mobile phone 14 then transmits the information to a transaction server. *Id.* at 8:8–9. The transaction server responds to mobile phone 14 by

indicating whether a processor/issuer accepts or rejects the transaction. *Id.* at 8:9–22.

E. Illustrative Claim

Of the challenged claims, claims 1 and 3 are independent. Claim 1 is reproduced below.

1. A portable smart card reader device for reading a smart card having recorded information stored on an integrated circuit incorporated into the card, the device comprising:

a sensor for reading said recorded information stored on said integrated circuit incorporated into said card and for producing an analog signal indicative of the recorded information, said sensor including circuitry for converting said analog signal to a format suitable for transmission to a jack of a mobile communication device; and

an output jack adapted to be inserted into a jack associated with said mobile communication device for providing the converted signal indicative of the recorded information to said mobile communication device for transmission to a transaction server for further processing.

Id. at 12:4–17.

F. Evidence

Petitioner submits, *inter alia*, the following evidence:

Evidence	Exhibit No.
Declaration of Bruce McNair (“McNair Declaration”)	1003
Proctor, US 2002/0091633 A1, published July 11, 2002 (“Proctor”)	1007
Vrotsos, US 2005/0236480 A1, published Oct. 27, 2005 (“Vrotsos”)	1009
Morley, US 7,810,729 B2, issued Oct. 12, 2010 (“Morley”)	1010
Colnot, US 2007/0067833 A1, published Mar. 22, 2007 (“Colnot”)	1011
Eisner, US 5,838,773, issued Nov. 17, 1998 (“Eisner”)	1012

Evidence	Exhibit No.
Second Declaration of Bruce McNair (“McNair Second Declaration”)	1022

Patent Owner submits, *inter alia*, the Declaration of Ivan Zatkovich (Ex. 2004, “Zatkovich Declaration”), and the Second Declaration of Ivan Zatkovich (Ex. 2005, “Zatkovich Second 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
1–4	103 ¹	Proctor, Vrotsos
1–4	103	Colnot, Vrotsos
1–4	103	Eisner, Vrotsos, Proctor
1–4	103	Proctor, Vrotsos, Morley

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 the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which the subject matter pertains. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations, including 1) the scope and content of the prior art; 2) any differences between the claimed subject matter and the prior art;

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 ’566 patent has an effective filing date before the effective date of the relevant amendment, the pre-AIA version of § 103 applies.

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