

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

FINTIV, INC.,
Patent Owner.

IPR2020-00019
Patent 8,843,125 B2

Before WILLIAM M. FINK, *Vice Chief Administrative Patent Judge*, and
LINDA E. HORNER and LYNNE E. PETTIGREW, *Administrative Patent
Judges*.

HORNER, *Administrative Patent Judge*.

DECISION

Denying Institution of *Inter Partes* Review
35 U.S.C. § 314, 37 C.F.R. § 42.4

I. INTRODUCTION

Petitioner, Apple Inc., filed a Petition requesting *inter partes* review of claims 11, 13, 14, 16–18, and 20–25 of U.S. Patent No. 8,843,125 B2 (Ex. 1001, “the ’125 patent”). Paper 1 (“Pet.”). Patent Owner, Fintiv, Inc., filed a Preliminary Response. Paper 10 (“Prelim. Resp.”). In its Preliminary

Response, Patent Owner requests that the Board apply its discretion under 35 U.S.C. § 314(a) to deny institution of the requested proceeding due to the advanced state of a parallel district court litigation, in which the same issues have been presented and trial has been set for November 16, 2020. Prelim. Resp. 22–26 (citing *NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential, designated May 7, 2019)). Although Petitioner addressed the issue briefly in the Petition, at that time no trial date had been set. *See* Pet. 7. In light of the change in status of the parallel proceeding, the Board ordered supplemental briefing on the issue of discretionary denial under 35 U.S.C. § 314(a) to give Petitioner an opportunity to respond. Paper 11. This Order, which is now precedential, discussed the factors relevant to the Board’s decision on whether to apply its discretion under 35 U.S.C. § 314(a) to deny institution. *Id.* (“Order” or “Precedential Order”). Petitioner filed a Reply to Patent Owner’s Preliminary Response to address the issue of discretionary denial. Paper 12 (“Reply”). Patent Owner filed a Sur-Reply to Petitioner’s Reply. Paper 13 (“Sur-Reply”).

Upon consideration of the parties’ briefing, and for the reasons explained below, we exercise our discretion under 35 U.S.C. § 314(a) and deny institution of *inter partes* review.

II. BACKGROUND

A. *Real Parties in Interest*

Apple Inc. identifies itself as the real party-in-interest. Paper 1, 4. Fintiv, Inc. identifies itself as the real party-in-interest. Paper 4, 1.

B. *Related Matter*

Petitioner and Patent Owner identify the following related matter: *Fintiv, Inc. v. Apple Inc.*, Case No. 6:18-cv-00372, filed in the United States

District Court for the Western District of Texas on December 21, 2018.
Paper 1, 4; Paper 4, 1.

C. The '125 Patent

The '125 patent relates to management of virtual cards stored on mobile devices. Ex. 1001, 1:25–26. Specifically, the '125 patent “provides a mobile device to store a mobile wallet application and a wallet management system to store corresponding wallet application information.” *Id.* at 2:55–58. The patent also provides a method for provisioning a wallet application, a contactless card applet, a wallet management applet, and a widget, and a method for synchronizing a mobile wallet application with the wallet management system. *Id.* at 2:58–63.

Figure 1 below shows a mobile wallet system according to the '125 patent.

Fig. 1

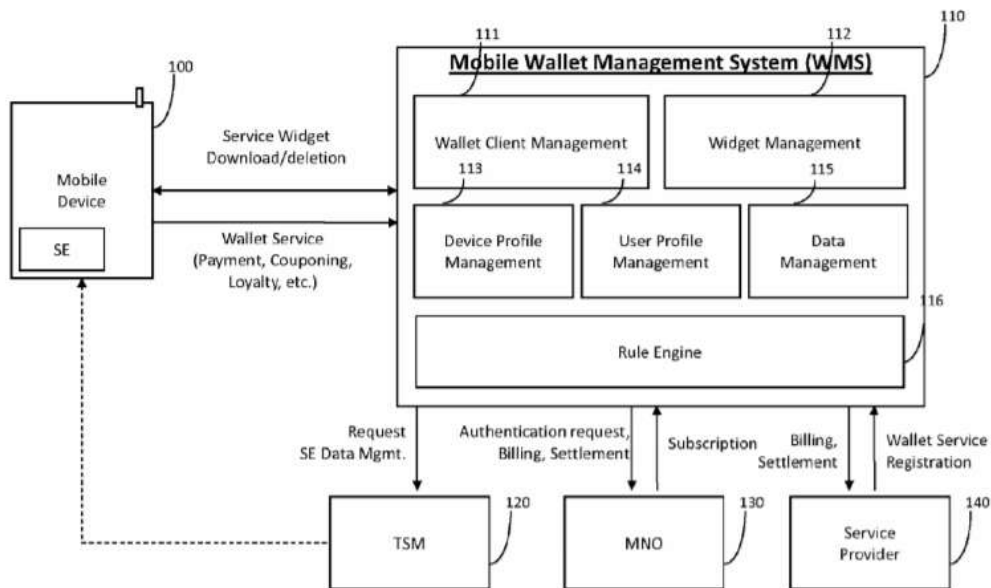


Figure 1 is a system diagram of a mobile wallet system and associated integration. Ex. 1001, 4:44–45. As shown in Figure 1, the mobile wallet system includes mobile device 100 and wallet management system (WMS) 110. *Id.* at 4:48–49. WMS 110 is supported by trusted service manager (TSM) system 120, mobile network operator 130, and service provider 140. *Id.* at 4:48–51.

Figure 2 below shows installation of a wallet application on a mobile device.

Fig. 2. Install Wallet Application

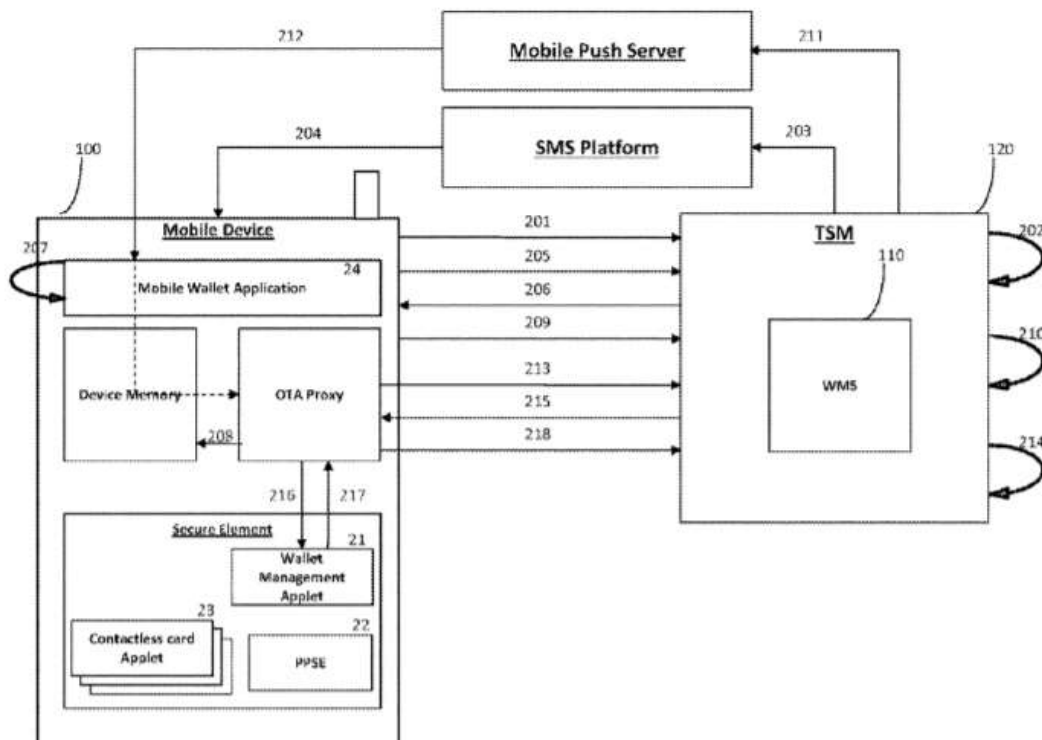


Figure 2 is a system diagram illustrating a system and method for installing a mobile wallet application on the mobile device and correlating wallet management applet in the secure element (SE) of the mobile device. *Id.* at 5:49–52.

The '125 patent also describes that the system can dynamically filter a list of mobile widget applications that are available for installation based on corresponding mobile device attributes. *Id.* at 10:9–12, Fig. 4. Specifically, rule engine 116 of WMS 110 may be used to display to mobile device 100 a filtered list of downloadable applications. *Id.* at 10:18–26. Downloadable applications include contactless card applets 23 housed in TSM system 120. *Id.* at 10:35–36. The '125 patent describes that “by providing an active dynamic filtering mechanism at the TSM system 120 level, all of the parties involved in such transaction need to make only a general request to the TSM system 120 to access and to provide customer specific services.” *Id.* at 10:63–67.

The '125 patent also describes that the system synchronizes mobile wallet application 24 in mobile device 100 with TSM 120. *Id.* at 11:5–7, Fig. 5. Specifically, TSM system 120 stores the master configuration of mobile wallet application 24, which may be changed by service providers from time-to-time. *Id.* at 11:13–18. When the user logs into mobile wallet application 24, the application checks with TSM system 120 for any modifications to the wallet configuration since the last login by the user. *Id.* at 11:35–39. If updates are needed, the user will be prompted to make the update. *Id.* at 11:48–50. While mobile wallet application 24 is active, any modifications made in the application itself will be updated in WMS 110. *Id.* at 11:54–57.

D. Challenged Claims

The Petition challenges claims 11, 13, 14, 16–18, and 20–25. Of these, claims 11, 18, and 23 are independent. Claim 11, which is illustrative of the subject matter at issue, is directed to a method of provisioning a contactless card applet and is reproduced below.

11. A method for provisioning a contactless card applet in a mobile device comprising a mobile wallet application, the method comprising:

- activating the mobile wallet application;
- connecting to a Trusted Service Manager (TSM) system;
- synchronizing the mobile wallet application with the TSM system;
- displaying a contactless card applet based on attributes of the mobile device;
- receiving a selection of a contactless card applet;
- retrieving a widget and a wallet management applet (WMA) corresponding to the contactless card applet; and
- provisioning the selected contactless card applet, the widget, and the WMA.

Ex. 1001, 13:16–30. Independent claim 18 is directed to a wallet management system. *Id.* at 14:7–23. Independent claim 23 is directed to a mobile device. *Id.* at 14:38–53.

E. Asserted Grounds of Unpatentability

Petitioner contends that the challenged claims are unpatentable based on the following grounds:

Claim(s) Challenged	35 U.S.C. §	Reference(s)/Basis
11, 13, 14, 16, 17, 23–25	103(a) ¹	Aiglstorfer ² , Buhot ³ , Wang ⁴
18, 20–22	103(a)	Aiglstorfer, Wang

III. DISCRETIONARY DENIAL

A. Legal Standards

In exercising the Director’s discretion under 35 U.S.C. § 314(a), the Board may consider “events in other proceedings related to the same patent, either at the Office, in district courts, or the ITC.” Consolidated Trial Practice Guide November 2019⁵ (“TPG”) at 58. The recent Precedential Order in this case sets forth factors that balance considerations of system efficiency, fairness, and patent quality when a patent owner raises an argument for discretionary denial due to the advanced state of a parallel proceeding. Order 5–6. These factors include:

1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;

¹ The Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284, 285–88 (2011), revised 35 U.S.C. §§ 102, 103 effective March 16, 2013. Because the challenged patent was filed before March 16, 2013, we refer to the pre-AIA version of §§ 102, 103.

² U.S. Patent Application Publication No. US 2010/0138518 A1, published June 3, 2010. Ex. 1004.

³ U.S. Patent Application Publication No. US 2010/0190437 A1, published July 29, 2010. Ex. 1005.

⁴ Chinese Patent Application Publication No. CN 101459902A, published June 17, 2009. Ex. 1008. We refer to the English language translation provided by Petitioner, and submitted as Exhibit 1009.

⁵ Available at <https://www.uspto.gov/TrialPracticeGuideConsolidated>.

2. proximity of the court's trial date to the Board's projected statutory deadline for a final written decision;
3. investment in the parallel proceeding by the court and the parties;
4. overlap between issues raised in the petition and in the parallel proceeding;
5. whether the petitioner and the defendant in the parallel proceeding are the same party; and
6. other circumstances that impact the Board's exercise of discretion, including the merits.

Id. See also *NHK*, Paper 8 at 20 (considering an earlier trial date as a factor in favor of discretionary denial).

As explained in detail in the Order, the Board examines these factors, which relate to whether efficiency, fairness, and the merits support the exercise of authority to deny institution. *Id.* at 6, 9. In evaluating the factors, the Board takes a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review. *Id.*

B. Facts

Fintiv filed its original complaint in the Western District of Texas on December 21, 2018, and served Apple with the complaint on January 4, 2019. Ex. 3002 (docket #1, 8). Fintiv served its initial asserted claims and infringement contentions on Apple on May 20, 2019. Ex. 2029. Shortly thereafter, the District Court held a case management conference, and subsequently issued a scheduling order. Ex. 2023. The scheduling order set, among other things, a due date for Apple to serve preliminary invalidity contentions on July 25, 2019 and a *Markman* Hearing for November 8, 2019. *Id.* at 1–2.

Between the time of the case management conference and the scheduled *Markman* Hearing, Apple filed the present Petition on October 28, 2019.⁶ Paper 1. This Petition was filed five months after Apple received Fintiv's Initial Infringement Contentions and ten months after Apple was served with Fintiv's complaint. At the time of filing the Petition, the parties were in the midst of preparations for the *Markman* hearing, and initial contentions had been exchanged, but fact discovery had not yet begun, and the District Court had not yet set a trial date. Ex. 2023.

Shortly thereafter, the District Court held a *Markman* hearing and, a few weeks later, issued a claim construction order. Exs. 2009, 1027. At the *Markman* hearing, the District Court also set a trial date of November 16, 2020. Ex. 2009. Fact discovery then began on November 14, 2019. Ex. 2023, 2.

Meanwhile, Apple served Fintiv with its final invalidity contentions. Ex. 1045 (filed Jan. 17, 2020). The parties are currently in the midst of ongoing discovery. Exs. 1034, 1039, 1040, 1041, 1043, 2028. Many of the documents and witnesses involved in this case are located in the Northern District of California, which has been under a shelter-in-place order since March 16, 2020. Ex. 1042.

⁶ During this time, Apple sought to transfer venue. Ex. 2037 (seeking, in part, to transfer the case to the Northern District of California). The District Court denied Apple's motion to transfer the case to California. Ex. 3002 (docket # 65, 73) (denying, in part, motion on September 13, 2019). The U.S. Court of Appeals for the Federal Circuit denied Apple's petition for a writ of mandamus. Ex. 2026 (denying petition on Dec. 20, 2019). *See also* Ex. 2027 (denying Apple's petition for rehearing en banc on March 30, 2020).

The District Court recently issued several orders related to the COVID-19 pandemic. Among others, the District Court issued a Standing Order Regarding Post-*Markman* Patent Cases, in which the Court indicated its willingness to “consider all reasonable adjustments to the current scheduling orders to allow the parties to complete discovery, and have adequate time to complete expert reports, take expert depositions, and file appropriate motions.” Ex. 3002 (docket #122).

On April 23, 2020, the District Court granted a joint motion to extend the schedule, resetting the jury trial to begin on March 8, 2021, and postponing the due dates to complete fact and expert discovery and the deadline for filing dispositive motions. Ex. 1049 (Agreed Amended Scheduling Order).

C. Policy Considerations

1. Policy Arguments

Before turning to the factors, Petitioner argues, as an overall matter of policy, that we should not deny institution based on the state of a parallel district court proceeding. Reply 1–5. Petitioner argues that taking into account the state of a parallel district court proceeding in a decision on institution negates the statutorily provided one-year filing period, encourages forum shopping, improperly bases the decision on trial dates that are often moving targets,⁷ and contravenes Congressional intent of the America Invents Act, which was based on district courts granting stays. *Id.*

⁷ In addition to its policy arguments, Petitioner argues that the Board should take judicial notice of effect of the COVID-19 pandemic and the disruption it is causing to trial schedules. Reply 4. Since the filing of Petitioner’s supplemental brief, the parties have agreed to an amended scheduling order that renders moot this argument. We address the amended scheduling order below in our analysis of the factors.

Relatedly, Petitioner also argues that *NHK* did not hold that the advanced state of a parallel case, alone, is sufficient reason to deny. *Id.* at 5.

Patent Owner argues that the district court trial date is not dispositive, and is used in conjunction with other factors to assess and promote efficiency and fairness in *inter partes* review proceedings. Sur-Reply 7. Patent Owner asserts that the factors in this case demonstrate that discretionary denial will promote efficiency and fairness. *Id.* Patent Owner also argues that forum shopping is not an issue in this case, noting that the District Court denied Apple's motion to transfer the case to another district. *Id.* at 9–10.

2. *Analysis*

We have addressed Petitioner's policy arguments in our Precedential Order. As discussed there, a parallel proceeding in an advanced state implicates considerations of efficiency and fairness, which can serve as an independent reason to apply discretion to deny institution. *See* Order 3. As to Petitioner's concern about forum shopping, it always has been the case that some district courts move faster than others, and patent owners seeking to enforce patents may be inclined to file suit in a district that moves relatively quickly. It is up to a district court to determine whether adequate ties exist between the defendant and the selected district. As noted by Patent Owner, in this case, the District Court determined that venue was proper. To Petitioner's point regarding the time-bar of 35 U.S.C. § 315(b), we recognize that, under certain circumstances, considerations of the state of a parallel proceeding may require petitioners to act more quickly than the maximum amount of time permitted by Congress. Nonetheless, Congress also gave the Director discretion to deny institution. *See Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. ___, 136 S. Ct. 2131, 2140 (2016) (citing 35 U.S.C. § 314(a)).

Thus, considerations of efficiency and fairness require a holistic look at the facts surrounding the parallel proceeding in each case. *See id.* at 6.

D. Analysis of Factors

We turn to each of the factors set forth in our Order and briefed by the parties.

1. Factor 1: whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted

Neither party has requested a stay of the District Court case pending this proceeding. Thus, the District Court has not ruled on this issue.

Petitioner argues that there is no reason that a stay should be denied in the District Court case because Congress intended for district courts to be liberal in granting stays pending AIA post-grant proceedings. Reply 6–7. Patent Owner argues that Petitioner does not provide specific facts or cases that indicate the District Court would be inclined to stay this case. Sur-Reply 2. Patent Owner also argues that a stay is unlikely under the three-factor analysis employed by the District Court. *Id.* at 2–4 (citing Exs. 2024, 2025).

A judge determines whether to grant a stay based on the facts of each specific case as presented in the briefs by the parties. We decline to infer, based on actions taken in different cases with different facts, how the District Court would rule should a stay be requested by the parties in the parallel case here. This factor does not weigh for or against discretionary denial in this case.

2. Factor 2: proximity of the court's trial date to the Board's projected statutory deadline for a final written decision

The parties' supplemental briefs presented arguments addressing uncertainty about the November 16, 2020, trial date due to the COVID-19

pandemic. Reply 7; Sur-Reply 4–5. After filing of these briefs, the parties agreed to an amended scheduling order. Ex. 1049. In the amended scheduling order, the District Court set the jury trial to begin on March 8, 2021, approximately two months before a final written decision would be due in this proceeding. *Id.* at 3. We generally take courts’ trial schedules at face value absent some strong evidence to the contrary. We have no reason to believe that the jointly agreed-upon trial date, which already has been postponed by several months due to complications stemming from the COVID-19 pandemic, will be postponed again. Because the currently scheduled District Court trial is scheduled to begin two months before our deadline to reach a final decision, this factor weighs somewhat in favor of discretionary denial in this case.

3. *Factor 3: investment in the parallel proceeding by the court and the parties*

Petitioner argues that apart from a *Markman* Hearing conducted early in the district court litigation, no other efforts have been expended by the court on the parties’ claims and defenses (e.g., no preliminary injunction has been sought, summary judgment motions are months away, fact discovery is ongoing, Patent Owner has taken only two depositions, and Petitioner has taken no depositions). Reply 7–8. Patent Owner argues that substantial investment in the district court case has been made because claim construction is complete, the parties have served final infringement and invalidity contentions and exchanged multiple rounds of written discovery, depositions have been taken, and venue issues have been briefed and appealed. Sur-Reply 5–6.

The parties each filed three briefs addressing claim construction issues in this case in the District Court, i.e., opening, responsive, and reply briefs,

the District Court held a claim construction hearing on November 7, 2019, and a few weeks after the hearing, the District Court issued a detailed 34-page claim construction order construing seven claim terms. Ex. 1027. The parties also exchanged both initial and final infringement and invalidity contentions, including detailed invalidity claim charts addressing the prior art cited in this Petition. Exs. 2010, 2023, 2029, 2031–2036. We recognize that much work remains in this case as it relates to invalidity: fact discovery is in its early stages, with document production ongoing and depositions just getting underway, expert reports are not yet due, and substantive motion practice is yet to come. Thus, although the parties and the Court have invested effort in the District Court case to date, further effort remains to be expended in this case before trial. Based on the level of investment and effort already expended on claim construction and invalidity contentions in the District Court, this factor weighs somewhat in favor of discretionary denial in this case.

4. Factor 4: overlap between issues raised in the petition and in the parallel proceeding

Petitioner admits that the same claims are challenged in the Petition and in the district court, but Petitioner argues that its invalidity contentions in district court contain more prior art than the art presented in the Petition. Reply 9–10. Petitioner also states that it has not decided whether to pursue the art presented in its Petition in expert discovery or at trial in the district court. *Id.* at 9. Patent Owner argues that Petitioner challenges the same claims and presents the same grounds in both the Petition and in the District Court and the fact that Petitioner raises additional contentions in the District Court is irrelevant. Sur-Reply 6–7 (citing Exs. 2010, 2031–2036).

We agree with Patent Owner that Petitioner’s assertion of additional invalidity contentions in the District Court is not relevant to the question of the degree of overlap for this factor. Further, the fact that Petitioner has not decided whether to pursue the art from this proceeding in its expert discovery or at trial in the District Court is not persuasive. The same art is presented in Petitioner’s final invalidity contentions, which are extremely detailed and developed. *See Exs. 2010, 2031–2036.* Thus, because the identical claims are challenged based on the same prior art in both the Petition and in the District Court, this factor weighs in favor of discretionary denial in this case.

5. *Factor 5: whether the petitioner and the defendant in the parallel proceeding are the same party*

The parties agree that the Petitioner here, and the defendant in District Court, are the same party. Reply 10; Sur-Reply 7. Because the petitioner and the defendant in the parallel proceeding are the same party, this factor weighs in favor of discretionary denial.

6. *Factor 6: other circumstances that impact the Board’s exercise of discretion, including the merits*

As noted in our Order, a balanced assessment of factors may include consideration of the merits. Order 14–15. Each party argues that the merits tip the balance in its favor. Reply 10; Sur-Reply 10. A full merits analysis is not necessary as part of deciding whether to exercise discretion not to institute, but rather the parties may point out, as part of the factor-based analysis, particular “strengths or weaknesses” to aid the Board in deciding whether the merits tip the balance one way or another. *See Order 15–16.* As an example, a petitioner can use the opportunity to draw attention to particular grounds that it believes are particularly persuasive of

unpatentability. Conversely, a patent owner can use the opportunity to call attention to particular arguments that, on balance, make the petitioner's case a close call.

Here, our initial inspection of the merits on the record before us suggests some of Petitioner's challenges contain certain weaknesses and, taken as a whole, the strengths of the merits do not outweigh other factors in favor of discretionary denial. For example, Patent Owner identifies a weakness in Petitioner's challenge to claim 11 in explaining where the prior art discloses the claimed synchronizing step. Prelim. Resp. 31–32. We agree that the Petition does not propose an interpretation of “synchronizing,” in light of how that term is used in the context of the '125 patent, to explain how Aiglstorfer's download of banking card information from the Trusted Service Manager to a Trusted Secure Agent of the electronic device synchronizes the first moblet software module with the Trusted Service Manager.

Also, Patent Owner identifies a weakness in Petitioner's challenges to claims 11 and 18 in explaining where the prior art discloses the filtering aspect of these claims. Prelim. Resp. 32–35, 58. The Petition relies on Aiglstorfer, as modified by Wang, to disclose these filtering aspects of claims 11 and 18. Pet. 32–33. Patent Owner argues that the Petition fails to explain why it would have been obvious to modify Aiglstorfer to filter the moblet software modules based on attributes of the mobile device “given that [Aiglstorfer's] applets are typically device-independent.” Prelim. Resp. 35. We find that neither Petitioner nor Dr. Neuman explains sufficiently *why* one of ordinary skill in the art would have modified Aiglstorfer's system to filter device-independent moblet software modules based on attributes of the mobile device, or to modify Aiglstorfer's

device-independent moblet software modules to make them device-dependent.

As noted in our Order, a full analysis of the merits is not necessary to evaluate this factor. Order 15. It is sufficient that Patent Owner has pointed out that Petitioner's case, at least as to two of three independent claims, is a close call. As to claim 23, we express no opinion. The merits, taken as a whole, do not tip the balance in favor of Petitioner and instead also weigh in favor discretionary denial in a balanced assessment of all the circumstances.

IV. CONCLUSION

Based on the circumstances discussed above, we agree with Patent Owner that instituting a trial would be an inefficient use of Board resources. As discussed above, the District Court case is ongoing, trial is scheduled to begin two months before we would reach a final decision in this proceeding, the District Court has expended effort resolving substantive issues in the case, the identical claims are challenged based on the same prior art in both the Petition and in the District Court, and the defendant in District Court and the Petitioner here are the same party. Further, based on our own preliminary assessment of the merits of some challenges presented in the Petition, we view Petitioner's arguments as containing some weaknesses. On balance, these facts, when viewed holistically, lead us to determine that efficiency is best served by denying institution. Thus, we exercise our discretion to deny institution under § 314(a).

V. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that that Petition is *denied*; and

FURTHER ORDERED that no *inter partes* review is instituted.

IPR2020-00019
Patent 8,843,125 B2

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