

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SQUARE, INC.,
Petitioner,

v.

REM HOLDINGS 3, LLC,
Patent Owner.

Case IPR2014-00312
Patent 8,584,946

Before DENISE M. POTHIER, JENNIFER S. BISK, and
PATRICK R. SCANLON, *Administrative Patent Judges*.

BISK, *Administrative Patent Judge*.

ORDER
Conduct of the Proceedings
37 C.F.R. § 42.5

On August 8, 2014, Patent Owner filed a Motion for Additional Discovery relating to evidence of secondary considerations to overcome obviousness challenges. Paper 19. We dismissed that motion without prejudice on August 14, 2014, because Patent Owner's document requests were unduly broad and included information that is publically available. Paper 20.

In dismissing the motion, we noted that based on evidence previously submitted in this and related proceedings, Patent Owner may be entitled to a reasonable amount of discovery from Petitioner. *Id.* We directed the parties to meet and confer on the issue of discovery and attempt to agree on a reasonable amount of information to exchange. *Id.*

On September 11, 2014, counsel for the parties and Judges Pothier, Bisk, and Scanlon participated in a second conference call, requested by Patent Owner, to discuss the fact that the parties could not agree on what information Petitioner would give to Patent Owner.¹ According to Patent Owner, the original requests attached to the Motion for Additional Discovery were revised, but Petitioner would only agree to respond to a subset of those requests. Petitioner, however, asserted that Patent Owner did not do much in the way of limiting its original discovery requests and many of the requests were still too broad to be considered reasonable. Petitioner also asserted that Patent Owner could not show more than a possibility or mere allegation that something useful would be found because of its lack of an explanation of nexus between the claims and the evidence of secondary

¹ A court reporter was also on the line and Petitioner's counsel stated that a copy of the transcript will be uploaded as an exhibit in this case as soon as it is available.

considerations. *See Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, slip op. at *6 (PTAB Mar. 5, 2013) (Paper 26) (informative).

Patent Owner's revised requests include ten interrogatories, seven proposed stipulations, and three document requests. Counsel for Petitioner represented that Petitioner was willing to respond to the first five interrogatories and/or the first document request. Based on the papers forwarded to the Board by Patent Owner, Petitioner is willing to respond to the following:

INTERROGATORIES

1. State on a yearly basis (or on another regularly occurring time period) from January 1, 2009 until the present the number of Square's First Generation Card Readers that were:
 - a. Purchased by Square.
 - b. Given away without charge by Square to actual or prospective customers or merchants.
 - c. Sold by Square.
2. State when Square began to distribute its First Generation Card Readers to customers or prospective Customers.
3. State on a yearly basis (or on another regularly occurring time period) the average cost to Square of Square's First Generation Card Readers, or if the actual average cost to Square of Square's First Generation Card Readers is not readily available, state Square's estimation of the average cost to Square of Square's First Generation Card Readers.
4. During the time that Square was distributing Square's First Generation Card Readers, state on a yearly basis (or on another regularly occurring time period) the number of other card readers, not including Square's First Generation Card Readers and not

including Square's card readers that encrypted the credit card data communicated to a host device (such as a cell phone, iPad or the like), that were:

- a. Purchased by Square, and state the cost to Square of such other readers.
 - b. Given away without charge by Square.
 - c. Sold by Square.
5. State on a yearly basis (or on another regularly occurring time period) during the time that Square was distributing its First Generation Card Readers Square's total number of customers or merchants for each year, and the number of new customers or merchants acquired by Square. The answer to Interrogatory No. 5 can be based on information that Square has previously made public, unless such publicly available information is not sufficient to fully answer Interrogatory No. 5.

First Request for Production of Documents From Square

1. If Square's answers to Interrogatory Nos. 1, 3, 4, 5, 6, 7, or 8² do not fully describe the information therein requested, then produce documents sufficient to show the information requested in those Interrogatories.

Patent Owner requested authorization to file a second motion for additional discovery directed to the remaining interrogatories and document requests and to the proposed stipulations. We deny authorization for this second motion.

Of the remaining interrogatories, one question requests information related to the estimated dollar value of "credit card transactions processed by Square" during the relevant time period. Patent Owner explained that this question was directed to information related to commercial success of the

² We assume that Petitioner has only agreed to this request as it relates to the first five interrogatories, but leave it up to the parties to work out the details.

challenged method claims, as opposed to the device claims, which are covered by the first five interrogatories. Petitioner, in response, noted that the declaration Patent Owner submitted with its Motion for Additional Discovery compares only the challenged device claims to Square's First Generation Reader device. *See* Ex. 2029. Regarding the method claims, Patent Owner's declaration contains only the conclusory statement that "I have compared the method Claims 7-17 of my '946 Patent to the methods utilized by Square to process credit card transactions, and Square's methods utilize all of the steps of Claims 7-17." *Id.* at ¶ 19. The declaration does not describe Square's method of processing credit cards, explain how the declarant knew this information, or compare each of the limitations of the claims to that method. Petitioner adds that Patent Owner's Motion for Additional Discovery does not explain the nexus between the method claims and the alleged commercial success.

We agree with Petitioner. We are not persuaded that Patent Owner has shown more than a possibility or mere allegation that this type of request would result in evidence "both that there is commercial success, and that the thing (product or method) that is commercially successful is the invention disclosed and claimed in the patent" or "a sufficient relationship between that which is patented and that which is sold." *See* Paper 19, 12 (quoting *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392 (Fed. Cir. 1988)). As discussed, Patent Owner has not provided persuasive evidence to show that Petitioner's method is the claimed invention. Second, Patent Owner has not explained or provided a threshold amount of evidence tending to show that there is a nexus between the alleged commercial success and the features of the method claims. Patent Owner does not point

to any specific language in the method claims or otherwise explain how Patent Owner might be able to show a nexus between the features of those claims and any commercial success.

Petitioner further asserts that Patent Owner's "revised" requests for discovery are almost as onerous as the initial requests. We agree that Patent Owner did not adequately follow our instructions to limit its requests. For example, while we specifically noted during our call of August 13, 2014, that we would not grant Patent Owner's document requests that appear to request publically available information, Patent Owner's revised document requests include "2. Produce all documents relating to or discussing Time Magazine's award to Square as one of the 50 Best Inventions of 2010." This request is almost exactly the same as Patent Owner's initial request for "Documents relating to Time Magazine's award to Square as one of the 50 Best Inventions of 2010." And in fact the request relates to material that we specifically discussed in our phone call on August 13. All seven of Patent Owner's stipulations suffer from this same problem as do the remaining two document requests.

On the September 11 phone call, Patent Owner explained that it needed this particular type of discovery to make sure that evidence it intends to rely on is admissible. We are not persuaded that such discovery is in the interests of justice. First, no objections to evidence have been made and thus even the request for this discovery is premature. Second, Patent Owner does not explain why these objections would be overcome by having Petitioner produce the documents. We are not inclined to grant burdensome discovery solely for the purpose of avoiding potential objections.

As a further note, Patent Owner stated on the September 11 phone call that it was willing to make additional changes to various stipulations and to narrow the requests if Petitioner would then respond to them. This is the type of negotiation that should have taken place with the other side *before* requesting a call with the Board. This is particularly true because the Board has previously directed the parties to meet and confer. From Patent Owner's description of their talks with Petitioner, the efforts to come to an agreement seem perfunctory at best. Going forward, the parties shall make reasonable efforts to meet and confer to resolve discovery disputes before involving the Board and shall provide a report of such discussions, including why agreement could not be reached, before requesting a conference.

In summary, we are persuaded that Petitioner has made a good faith effort to work with Patent Owner on the issue of discovery and that responding to the first five interrogatories and/or the first document request, as listed above, is adequate additional discovery at this point in the proceeding.

Accordingly, it is

ORDERED that Patent Owner is not authorized to file a second motion for additional discovery at this time;

FURTHER ORDERED that the parties are directed to continue to work together on the issue of discovery; and

FURTHER ORDERED that the parties shall make reasonable efforts to work together before involving the Board in future disputes.

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