

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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SQUARE, INC.,  
Petitioner,

v.

ELECTRONIC RECEIPTS DELIVERY SYSTEMS, LLC,  
Patent Owner.

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CBM2020-00015  
Patent 8,534,551 B2

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Before JUSTIN T. ARBES, LYNNE E. PETTIGREW, and  
MIRIAM L. QUINN, *Administrative Patent Judges*.

QUINN, *Administrative Patent Judge*.

ORDER  
Granting Patent Owner's Motion to Excuse Late Action  
*37 C.F.R. § 42.5(c)(3)*

In our Order of April 8, 2021, following a conference call with the parties, we authorized the filing of a Patent Owner Motion to Excuse the late action of filing a Patent Owner Response under 37 C.F.R. § 42.5(c)(3). Paper 19. Pursuant to that Order, Patent Owner filed the Motion (Paper 20, “Motion” or “Mot.”), a Declaration of Leigh M. Rothschild in support of the Motion (Exhibit 2001), an email from Mr. Rothschild to the Board (Exhibit 2002), and a Proposed Scheduling Order (Exhibit 2003). Petitioner filed a Response to Patent Owner’s Motion (Paper 21, “Resp.”), together with several exhibits in support (Exhibits 1022–1028) and Petitioner’s Alternative Proposed Scheduling Order (Exhibit 1029). After considering the arguments and evidence of the parties, we grant the Motion because consideration of the Patent Owner Response on the merits would be in the interests of justice.

Our rules provide for excusing a late action “on a showing of good cause or upon a Board decision that consideration on the merits would be in the interests of justice.” 37 C.F.R. § 42.5(c)(3). We do not find that good cause exists for the delay in filing the Patent Owner Response. Mr. Rothschild, as CEO of Patent Owner, averred the various actions he undertook to hire counsel to represent Patent Owner in this proceeding from November 10, 2020 through March 22, 2021, when Patent Owner formally employed current counsel of record. Ex. 2001 ¶¶ 4–10. There is no evidence of extraneous circumstances bearing on Patent Owner’s actions to hire counsel. We instituted trial in this proceeding on December 7, 2020, and the evidence shows that Patent Owner, despite having been ordered to retain counsel (as a limited liability company) on November 10, 2020 (Paper 10), did not begin interviewing candidates for general counsel until January 2021. *Id.* ¶ 7. Although the Motion alludes to “financial considerations” and a realization that “[Patent Owner] would need to hire patent counsel that it could afford,” we are

not persuaded that a budgetary constraint constitutes good cause for the delay that we have here. *See* Mot. 1–2. The deadline of March 1, 2021 for the Patent Owner Response came and went without any word from Mr. Rothschild or other representative of Patent Owner regarding any struggle, financial or otherwise, in diligently hiring competent patent counsel to represent Patent Owner in this proceeding. Accordingly, we are not persuaded that good cause exists to grant the Motion.

However, we find that consideration of the merits of a Patent Owner Response would be in the interests of justice. Although we would still need to review the record under a preponderance of the evidence standard, the trial record currently lacks any argument and evidence from Patent Owner as to the merits of Petitioner’s asserted grounds of unpatentability. In addition, we are persuaded that it is in the interests of justice to consider a late filed Patent Owner Response, given Patent Owner’s efforts to seek legal representation in the current market and under the circumstances and facts specific to this case, with Patent Owner currently employing fewer than 7 full-time employees and showing practical challenges in hiring and maintaining affordable counsel competent to handle AIA proceedings before the Board. *See* Mot. 2 n.1; Ex. 2001 ¶¶ 4–10.

Petitioner argues that the blatant disregard for the Board’s orders and case schedule should be considered in finding that a late filed Patent Owner Response (and associated extension of other deadlines) is not in the interests of justice. Resp. 4–5. As evidence of misconduct that should not be rewarded, Petitioner points to Mr. Rothschild’s actions as a plaintiff in district court litigation. *Id.* at 5. Petitioner also sets forth that the extensions and repeated violations of the Board’s orders constitute “abuse of process” that unfairly prejudice “Petitioner in more than time and money.” *Id.* Petitioner states that resetting the deadlines in the

proceeding would compress Petitioner's time for filing a motion to exclude by a month. *Id.* Petitioner then argues that should the Board grant the Motion, Patent Owner should be precluded from filing a sur-reply. *Id.* We are not persuaded by Petitioner's arguments.

Patent Owner's alleged misconduct in district court has no bearing on whether the Board should grant Patent Owner an opportunity to be heard on the merits. Patent Owner's posture here is different than in a district court action. Here, Patent Owner is defending its patent rights against Petitioner's challenge, which without opposition could result in cancellation of the challenged claims of the patent-at-issue. We recognize that Patent Owner's delay in hiring counsel, communicating diligently with the Board and opposing counsel, and following the Scheduling Order have indicated some indifference to the typical manner in which cases proceed at the Board. And we do not think this behavior is to be encouraged. But, on balance, the ability to modify the schedule slightly to allow Patent Owner an opportunity to be heard on the merits, coupled with Patent Owner's small size and circumstances, outweigh the negative inferences drawn from the actions of Mr. Rothschild leading up to now.

Finally, we are also cognizant that the schedule will be compressed for the proceeding to be completed within statutory boundaries. However, providing about two weeks from Patent Owner's sur-reply for Petitioner to file a motion to exclude is sufficient time, especially when it is not even clear at this juncture what evidence (if any) would be the subject of such a motion and Patent Owner's sur-reply may not be accompanied by new evidence (other than deposition transcripts of the cross-examination of any reply witness). *See* 37 C.F.R. § 42.23(b). Moreover, Petitioner is not completely without fault. Petitioner's inflexible stance in working with Patent Owner on March 22, 2021 regarding a potential extension

of the deadlines has contributed to nearly a month delay in resolving this issue. *See* Ex. 2001 ¶ 11; Paper 19. Thus, whatever prejudice to Petitioner may arise due to a slightly compressed schedule is not solely the fault of Patent Owner.

Patent Owner is strongly cautioned to comply with the new deadlines set forth herein, which will not be extended further, as well as the Board’s trial rules and procedures. *See, e.g.*, 37 C.F.R. §§ 42.1–42.80, 42.205–42.224, 42.300–42.304; Patent Trial and Appeal Board Consolidated Trial Practice Guide (Nov. 2019), *available at* <https://www.uspto.gov/TrialPracticeGuideConsolidated>.

It is thereby,

ORDERED that Patent Owner’s Motion to Excuse Late Action is *granted*;

FURTHER ORDERED that Patent Owner’s proposed modification to the Scheduling Order is granted as follows:

Due Date 1: Patent Owner Response	April 30, 2021
Due Date 2: Petitioner’s Reply to Patent Owner’s Response	July 23, 2021
Due Date 3: Patent Owner’s Sur-Reply	August 4, 2021

FURTHER ORDERED that no other due dates set forth in the Scheduling Order (Paper 13) are changed;<sup>1</sup> and

FURTHER ORDERED that unless the parties agree by stipulation to change Due Dates 1–3, the Board will not grant further changes to these deadlines.

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<sup>1</sup> Patent Owner acknowledged that it does not intend to file a motion to amend in this proceeding. *See* Mot. 1 (requesting only “that the Board excuse Patent Owner’s late filing of the Patent Owner’s Response”); Ex. 2003 (proposed schedule modifying only the deadlines for the Response, Reply, and Sur-Reply); Paper 13, 4, 10. Accordingly, the deadlines set forth in the Scheduling Order for briefing on a motion to amend no longer apply.

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PETITIONER:

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