

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

INTERNATIONAL BUSINESS MACHINES CORPORATION

Petitioner

v.

SECURITY FIRST INNOVATIONS, LLC

Patent Owner

Case No. IPR2025-01200

U.S. Patent No. 8,271,802

PETITIONER'S SUR-REPLY IN OPPOSITION TO
PATENT OWNER'S REQUEST FOR DISCRETIONARY DENIAL



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SFI's reply does nothing to disturb IBM's settled expectations that SFC's patents would not be asserted against IBM, nor does it undermine IBM's showing that SFI's settled expectation is limited due to material error during examination.

Michael Loria's sworn declaration provides specific testimony that Security First Corp. ("SFC") assured IBM that SFC would not pursue any patent infringement action against IBM. *See* EX1045; Paper 16 ("Opp."), 4. That assurance is entirely consistent with the record before the Director, including the December 2016 email (EX2021) cited by SFI. SFI's challenges—that Mr. Loria's testimony (1) is hearsay, (2) is unreliable because it allegedly lacks details, (3) conflicts with EX2021, and (4) that IBM failed to disclose alleged bias—are each without merit.

First, Mr. Loria's testimony on SFC's assurance is not hearsay. IBM is offering the testimony for a non-hearsay purpose: to show what Mr. Loria heard and IBM relied upon (i.e., IBM's expectations). *See* Opp., 4-6. Thus, the testimony is, by definition, not hearsay under Fed. R. Evid. 801(c). Moreover, SFC's assurance was an opposing party's statement because it was made by a representative of SFC, the original assignee of the patents whom SFI claims is its "predecessor." Paper 9 ("Br."), 1. That, therefore, is categorically excluded from the definition of hearsay under Fed. R. Evid. 801(d)(2)(A).

Second, Mr. Loria's declaration is detailed and reliable. In fact, it provides precisely the context and details SFI claims is wanting:

- “where or when ...”: in or around 2016, after IBM’s Cleversafe acquisition (EX1045, ¶ 6);
- “the circumstances ...”: Mr. Mumaugh of SFC requested information on the Cleversafe technology to assess potential infringement, and Mr. Loria asked to be informed if SFC identified any issue (EX1045, ¶¶ 6-8); and
- “the identity of any witnesses ...”: Mr. Mumaugh provided the assurance that “there was no issue” (EX1045, ¶¶ 6-8).

Third, EX2021 has no bearing on Mr. Loria’s declaration and in no way relates to SFC *warning* “IBM that it had [REDACTED] to [SFC’s] [REDACTED] Paper 19 (“Reply”), 2 (quoting Br., 8). Rather, the email relates to a meeting between Mr. Guthart of SFC and Mr. Loria regarding [REDACTED] [REDACTED] here simply refers to IBM’s prior dealings with SFC and its [REDACTED] SFC’s portfolio [REDACTED] [REDACTED] EX2021, 1. Nothing in the email suggests that SFC was still contemplating IBM’s alleged infringement, nor that it was even discussed. Indeed, consistent with Mr. Loria’s declaration, despite the fact that the meeting occurred *after* IBM acquired Cleversafe, Mr. Guthart continued to view SFC’s portfolio as offering IBM [REDACTED] *Id.* SFI’s contrary reading distorts context.

If SFI intended to present a different account, it could have submitted testimony from Mr. Mumaugh—SFI clearly has access to Mr. Mumaugh and/or his

documents, as SFI's complaint is replete with allegations that Mr. Mumaugh corresponded with IBM personnel, including Mr. Loria. EX2003, ¶¶ 54-56, 58, 60. The absence of any contrary statement from Mr. Mumaugh speaks volumes.

Fourth, SFI's allegation of "potential bias" is groundless. Mr. Loria testified truthfully that he is a former IBM employee. And his current role at Pluralsight—an online learning platform offering hundreds of courses, including a few from IBM—provides no basis to infer any bias, much less any basis to disregard his sworn testimony.

With respect to IBM's material-error argument, SFI does not dispute that narrower claims in the sibling application were rejected over *Horne* and *Krawczyk*, while broader claims in the '802 Patent were allowed over the same prior art. That inconsistency constitutes a clear material error undermining any settled expectation SFI asserts. *See* Opp., 13-17. The fact that this Petition relies on different prior art is immaterial—the error arises from the examiner's failure to apply prior art already of record. Overlooking that art, despite its clear relevance, is precisely the type of material error the Director has repeatedly found sufficient to warrant institution. *See Western Digital Techs. v. Godo Kaisha IP Bridge 1*, IPR2025-00701, Paper 9, 2 (PTAB Aug. 14, 2025); *ClearCorrect Operating v. Align Tech.*, IPR2025-00818, Paper 14, 4 (PTAB Aug. 29, 2025); *Harbor Freight Tools USA v. Champion Power Equip.*, IPR2025-00805, Paper 20, 2-3 (PTAB Sep. 19, 2025).

Dated: October 30, 2025

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that on October 30, 2025, complete copies of the foregoing were served on counsel of record for the Patent Owner by filing the documents through P-TACTS and by sending via electronic mail to the following addresses:

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