

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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MASTERCARD INTERNATIONAL INCORPORATED  
Petitioner

v.

JOHN D'AGOSTINO  
Patent Owner

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Case CBM2013-00058  
Patent 7,840,486

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Before SALLY C. MEDLEY, KARL D. EASTHOM, and  
KALYAN K. DESHPANDE, *Administrative Patent Judges*.

DESHPANDE, *Administrative Patent Judge*.

DECISION

Denying Institution of Covered Business Method Patent Review  
*37 C.F.R. § 42.208*

## I. INTRODUCTION

MasterCard International Incorporated (“Petitioner”) filed a petition (“Pet.”) requesting a review under the transitional program for covered business method patents of U.S. Patent No. 7,840,486 B2 (Ex. 1001, “the ’486 patent”). Paper 5. John D’Agostino (“Patent Owner”) filed a preliminary response (“Prelim. Resp.”). Paper 9. The Board has jurisdiction under 35 U.S.C. § 324.<sup>1</sup>

The standard for instituting a covered business method patent review is set forth in 35 U.S.C. § 324(a), which provides as follows:

THRESHOLD—The Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.

Petitioner challenges the patentability of claims 1-30 of the ’486 patent under 35 U.S.C. §§ 102 and 103. Taking into account Patent Owner’s preliminary response, we determine that the information presented in the petition does not demonstrate that it is more likely than not that the challenged claims are unpatentable. Pursuant to 35 U.S.C. § 324(a), we deny the institution of a covered business method patent review as to claims 1-30 of the ’486 patent.

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<sup>1</sup> See Section 18(a) of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 329 (2011) (“AIA”).

A. The '486 Patent

The '486 patent discloses a method and system of performing secure credit card purchases. Ex. 1001, Abstract. The method and system increase overall security by minimizing access to credit card numbers, without having to substantially deviate from existing credit card transaction practices. *Id.* at col. 1, ll. 13-23.

Figure 3 of the '486 patent follows:

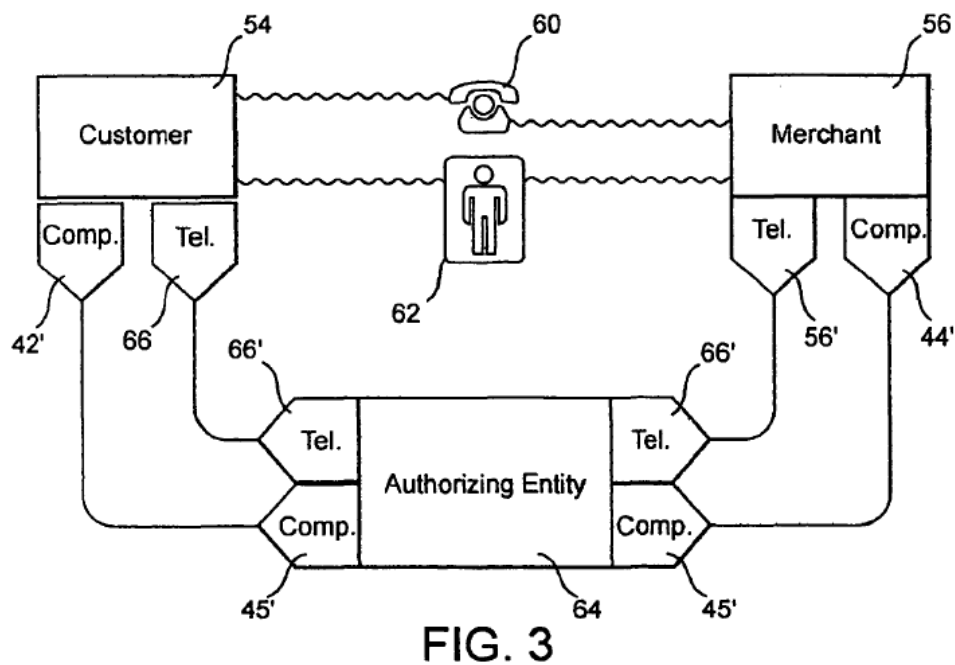


Figure 3 schematically represents a secure credit card transaction system, where the customer-to-merchant contact is by phone or in person. As shown above in Figure 3, customer 54 receives promotional information from merchant 56, either by telephone 60 or in person 62. *Id.* at col. 7, ll. 25-30. Customer 54 then contacts custodial authorizing entity 64, by either telephone 66' or computer 45', for authorization. *Id.* at col. 7, ll. 30-38.

After confirming authorization, authorizing entity 64 establishes details of the anticipated transaction to determine a payment category, and then issues a transaction code to the customer. *Id.* at col. 7, ll. 38-41. The customer can utilize the transaction code to consummate a transaction within the defined parameters of the payment category, and the merchant can obtain verification and subsequent payment utilizing the transaction code only. *Id.* at col. 7, ll. 41-50.

*B. Related Matters*

Petitioner and Patent Owner identify the following related district court proceeding involving the '486 Patent and in which Petitioner is a party: *John D'Agostino v. MasterCard, Inc. et al.*, Case No. 1:13-cv-00738 (D. Del, filed April 26, 2013). Pet. 5; Prelim. Resp. 3; Ex. 1007 ("Complaint for Patent Infringement").

In a related PTAB proceeding, CBM2013-00057, Petitioner seeks review of U.S. Patent No. 8,036,988 B2, which claims priority to the '486 patent. Pet. 5. Petitioner and Patent Owner also identify the '988 patent as the subject of Ex Parte Reexamination proceeding No. 90/012,517. Pet 5-6; Prelim. Resp. 14-22; Ex. 1003 ("Ex Parte Reexamination Office Action").

*C. Illustrative Claim*

Petitioner challenges claims 1-30 of the '486 patent. Claims 1, 24, 25, and 29 are independent claims. Claim 1 is illustrative of the claims at issue and follows:

1. A method of performing secure credit card purchases, said method comprising:

- a) contacting a custodial authorizing entity having custodial responsibility of account parameters of a customer's account that is used to make credit card purchases;
- b) supplying said custodial authorizing entity with at least account identification data of said customer's account;
- c) defining a payment category including at least limiting purchases to a single merchant for at least one transaction, said single merchant limitation being included in said payment category prior to any particular merchant being identified as said single merchant;
- d) designating said payment category thereby designating at least that a transaction code generated in accordance with said payment category can be used by only one merchant;
- e) generating a transaction code by a processing computer of said custodial authorizing entity, said transaction code reflecting at least the limits of said designated payment category to make a purchase within said designated payment category;
- f) communicating said transaction code to a merchant to consummate a purchase with defined purchase parameters;
- g) verifying that said defined purchase parameters are within said designated payment category; and
- h) providing authorization for said purchase so as to confirm at least that said defined purchase parameters are within said designated payment category and to authorize payment required to complete the purchase.

*D. The Alleged Grounds of Unpatentability*

The information presented in the Petition sets forth Petitioner's contentions of unpatentability of claims 1-30 of the '486 patent under 35 U.S.C. §§ 102 and 103, as follows (*see* Pet. 6-7, 15-79):

| Reference(s)                    | Basis    | Challenged Claims |
|---------------------------------|----------|-------------------|
| Cohen <sup>2</sup>              | § 102(e) | 1-15 and 22-30    |
| Cohen and Musmanno <sup>3</sup> | § 103    | 16-21             |
| Flitcroft <sup>4</sup>          | § 102(e) | 1-15 and 22-30    |
| Flitcroft and Musmanno          | § 103    | 16-21             |

II. ANALYSIS

*A. Covered Business Method Patent*

As indicated above, claim 1 recites “a method of performing secure credit card purchases.” We determine that the '486 Patent is a ‘covered business method patent’ under § 18(d)(1) of the “AIA.” *See* note 1; Pet. 3-5 (quoting and discussing § 18(d)(1)). As Petitioner contends, we determine that “the subject matter as a whole solves no ‘technical problem,’ and instead is directed to a method of carrying out a financial transaction.” *See* Pet. 4. Patent Owner does not challenge Petitioner's contention.

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<sup>2</sup> U.S. Patent No. 6,422,462 B1 (Ex. 1004) (“Cohen”).

<sup>3</sup> U.S. Patent No. 5,826,243 (Ex. 1006) (“Musmanno”).

<sup>4</sup> U.S. Patent No. 6,636,833 B1 (Ex. 1005) (“Flitcroft”).

Specifically, claim 1 is directed to securely transacting credit card purchases. The method includes a custodial authorizing entity that provides a transaction code in order to facilitate a transaction between a customer and a merchant. We determine that a claim for “transacting credit card purchases” that includes a custodial authorizing entity to facilitate a transaction between a customer and merchant is expressly financial in nature. Accordingly, we determine that the ’486 patent is a ‘covered business method patent’ under § 18(d)(1) of the AIA.

*B. Unpatentability under 35 U.S.C. §§ 102 and 103*

Petitioner contends that claims 1-15 and 22-30 of the ’486 patent are unpatentable under 35 U.S.C. § 102(e) as anticipated by Cohen or Flitcroft, and claims 16-21 are unpatentable under 35 U.S.C. § 103 as obvious over Cohen or Flitcroft, and Musmanno. Pet. 14-79.

*1. Section 18(a)(1)(C)*

Under section 18(a)(1)(C) of the AIA, a petitioner in a transitional proceeding who challenges the validity of one or more claims in a covered business method patent on grounds of unpatentability raised under §§ 102 and 103 may only support such grounds on the following basis:

- (i) prior art that is described by section 102(a) of such title (as in effect on the day before such effective date); or
- (ii) prior art that—
  - (I) discloses the invention more than 1 year before the date of the application for patent in the United States; and

(II) would be described by section 102(a) of such title (as in effect on the day before the effective date set forth in section 3(n)(1)) if the disclosure has been made by another before the invention thereof by the applicant for patent.

AIA Section 18(a)(1)(C).

## 2. *Priority*

The '486 patent was filed on October 17, 2005 and issued on November 23, 2010. Ex. 1001. The '486 patent is a continuation of application 10/037,007, filed on November 9, 2001, which is a continuation-in-part of application 09/231,745, filed on January 15, 1999, which is now U.S. Patent No. 6,324,526. *Id.*

Cohen was filed on March 30, 1999 and issued on July 23, 2002. Ex. 1004. Cohen claims priority to Provisional Application No. 60/079,884, filed on March 30, 1998. *Id.*

Flitcroft was filed on January 22, 1999 and issued on October 21, 2003. Ex. 1005. Flitcroft claims priority to Provisional Application No. 60/099,014, filed on September 9, 1998; Provisional Application No. 60/098,175, filed on August 26, 1998; and Provisional Application No. 60/092,500, filed on July 13, 1998. *Id.*

## 3. *Analysis*

Petitioner submits that Cohen and Flitcroft qualify as § 102(e) prior art references, assuming that the '486 patent receives the benefit of the earliest filing date, January 15, 1999. Pet. 15, 46. Although Cohen and Flitcroft were filed prior to the effective filing date of the '486 patent,

neither Cohen nor Flitcroft was published prior to the effective filing date of the '486 patent. As such, we agree with Petitioner that both Cohen and Flitcroft only qualify as § 102(e) references. Accordingly, neither Cohen nor Flitcroft qualifies as prior art, for a covered business methods review, under Section 18(a)(1)(C) of the AIA.

Petitioner does not direct us to any further evidence to demonstrate that Cohen and Flitcroft qualify as prior art under Section 18(a)(1)(C) of the AIA. Instead, Petitioner argues that the Board previously has instituted a covered business method patent review on the basis of a reference that qualifies under § 102 (e). Pet. 15, n. 6 (citing CBM2013-00008, paper 20, 20-21, 35). Nonetheless, Section 18 (a)(1)(C) of the AIA governs what qualifies as prior art in this proceeding, and in that earlier Board proceeding the Board issued a clarifying order, effectively amending the decision to institute and withdrawing the previously instituted ground based on the § 102(e) reference, reasoning that the reference does not qualify as prior art in CBM proceedings under Section 18(a)(1)(C) of the AIA. *See* CBM2013-00008, paper 24, 2-3.

Because Petitioner has not demonstrated that Cohen or Flitcroft qualifies as prior art under Section 18(a)(1)(C) of the AIA, we are not persuaded that Petitioner demonstrates that it is more likely than not that claims 1-15 and 22-30 are unpatentable as being anticipated by Cohen or Flitcroft. We similarly are not persuaded that Petitioner demonstrates that it is more likely than not that claims 16-21 are unpatentable as being obvious over Cohen or Flitcroft, and Musmanno.

### III. CONCLUSION

For the foregoing reasons, we determine that the information presented in the petition does not establish that it is more likely than not that claims 1-30 of the '486 patent are unpatentable and, accordingly, decline to institute a covered business method patent review of the '486 patent.

### IV. ORDER

For the foregoing reasons, it is

ORDERED that the petition is *denied* as to all challenged claims of the '486 patent.

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Patent 7,840,486

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