

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ASKELOADDEN LLC,
Petitioner,

v.

SEAN I. McGHIE and BRIAN K. BUCHHEIT,
Patent Owner.

Case IPR2015-00122
Patent 8,523,063 B1

Before SALLY C. MEDLEY, JONI Y. CHANG, and
GEORGIANNA W. BRADEN, *Administrative Patent Judges*.

MEDLEY, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
Inter Partes Review
35 U.S.C. § 318(a) and 37 C.F.R. § 42.73

I. INTRODUCTION

We have jurisdiction to hear this *inter partes* review under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 318(a) and 37 C.F.R. § 42.73. For the reasons discussed herein, Petitioner has shown by a preponderance of the evidence that claims 1–20 of U.S. Patent No. 8,523,063 B1 are unpatentable.

A. Procedural History

Petitioner, Askeladden LLC, filed a Petition requesting an *inter partes* review of claims 1–20 of U.S. Patent No. 8,523,063 B1 (Ex. 1501, “the ’063 patent”). Paper 1 (“Pet.”). Patent Owner, Sean I. McGhie and Brian K. Buchheit,¹ filed a Preliminary Response. Paper 15 (“Prelim. Resp.”). Upon consideration of the Petition and Preliminary Response, on April 23, 2015, we instituted an *inter partes* review of claims 1–20 pursuant to 35 U.S.C. § 314. Paper 36 (“Dec.”).

In the Scheduling Order, which sets times for taking action in this proceeding, we notified the parties that “any arguments for patentability not raised in the [Patent Owner] response will be deemed waived.”² Patent Owner, however, did not file a Patent Owner Response. To ensure clarity in our record, we required Patent Owner to file a paper, indicating whether it

¹ Patent Owner is represented by inventor Brian Buchheit, who is an attorney and registered to practice before the Office. At times during the proceeding, Mr. Buchheit indicated that he was representing “Patent Owner” (Mr. Buchheit and Mr. McGhie), while at other times Mr. Buchheit indicated that he was not representing Mr. McGhie, but rather acting *pro se*. Papers 4, 39, 56; Ex. 2054. Over the course of the proceeding, we have provided instructions to Patent Owner on filing papers, authorized Patent Owner leave to refile papers and file papers beyond due dates, and expunged other Patent Owner papers that were not authorized, not in compliance with Board rules, and/or contained arguments beyond what was authorized. See, e.g., Papers 8, 9, 11, 14, 39 (and Exhibit 3001), 40, and 56.

² See Paper 37, 3; see also Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,766 (Aug. 14, 2012) (a patent owner’s “response should identify all the involved claims that are believed to be patentable and state the basis for that belief”).

had abandoned the contest.³ Paper 57. Patent Owner indicated that it had not abandoned the contest. Paper 59. Patent Owner, however, did not seek authorization to file belatedly a Patent Owner Response, nor indicate that it wished to file such a document. We have before us, therefore, the Petition with no Patent Owner Response. Nonetheless, Petitioner bears the burden to show, by a preponderance of the evidence, that the challenged claims are unpatentable.

For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1–20 of the '063 patent are unpatentable.

B. The '063 Patent

The '063 patent relates to the automatic conversion of non-negotiable credits to funds. Ex. 1501, 1:29–31. In particular, an entity and a commerce partner agree to permit transfers or conversions of non-negotiable credits to entity independent funds in accordance with a fixed credits-to-funds ratio. *Id.* at Abstract. The conversion allows the user to make a purchase from the commerce partner who accepts as payment the converted loyalty points. *Id.* at Fig. 1.

³ An abandonment of the contest is construed as a request for adverse judgment. 37 C.F.R. § 42.73(b)(4). A request for adverse judgment, on behalf of a Patent Owner, would result in the cancellation of the involved claims of a challenged patent, e.g., without consideration of the Petition, etc. On the other hand, when a Patent Owner does not abandon the contest, but chooses not to file a Patent Owner Response, the Board generally will render a final written decision, e.g., based on consideration of the Petition, etc. See 37 C.F.R. § 42.71(a).

C. Illustrative Claim

Claims 1, 8, and 13 are independent claims. Claims 2–7 directly depend from claim 1; claims 9–12 directly depend from independent claim 8; and claims 14–20 directly depend from claim 13. Claim 1 is reproduced below.

1. A method comprising:

an entity agreeing to permit transfers or conversions of non-negotiable credits to entity independent funds in accordance with a fixed credits-to-funds ratio, wherein the entity agrees to compensate a commerce partner by paying an amount in cash or credit for each non-negotiable credit redeemed by the commerce partner, wherein the non-negotiable credits are loyalty points of a loyalty program of the entity, wherein the entity independent funds are loyalty points of a different loyalty program of the commerce partner, wherein the entity independent funds are redeemable under terms-of-use of the different loyalty program for consumer partner goods or for consumer partner services, wherein terms-of-use of the different loyalty program does not permit commerce partner goods or commerce partner services to be exchanged for the non-negotiable credits in absence of the non-negotiable credits being transferred or converted into the entity independent funds of the different loyalty program;

a computer for the loyalty program of the entity establishing an account for non-negotiable credits of a loyalty program member;

the computer detecting a set of two or more interactions earning additional non-negotiable credits for the loyalty program member in accordance with terms-of-use of the loyalty program, wherein the computer adds the additional non-negotiable credits to the account; and

responsive to an indication of a conversion operation occurrence, the computer subtracting a quantity of the non-negotiable credits from the account, said subtracted quantity of non-negotiable credits comprising at least a quantity of non-negotiable credits that were converted or transferred to a new

quantity of entity independent funds using the fixed credits-to-funds ratio.

Ex. 1501, 16:5–39.

D. Grounds of Unpatentability

We instituted an *inter partes* review on the grounds that claims 8–20 are unpatentable under 35 U.S.C. § 103(a) based on MacLean⁴ and Sakakibara⁵ and claims 1–7 and 13–20 are unpatentable under 35 U.S.C. § 103(a) based on MacLean, Sakakibara, and Postrel.⁶ Dec. 10–13, 17–18.

II. ANALYSIS

A. Claim Interpretation

In an *inter partes* review, claim terms in an unexpired patent are given their broadest reasonable construction in light of the specification of the patent in which they appear. 37 C.F.R. § 42.100(b); *see also In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1279 (Fed. Cir. 2015) (“Congress implicitly approved the broadest reasonable interpretation standard in enacting the AIA,” and “the standard was properly adopted by PTO regulation.”), *cert. granted sub nom., Cuozzo Speed Techs. LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016). Under the broadest reasonable construction standard, claim terms are given their ordinary and customary meaning, as would be understood by one of ordinary skill in the art in the context of the

⁴ U.S. Patent Application Publication 2002/0143614 A1, published Oct. 3, 2002 (Ex. 1504) (“MacLean”).

⁵ U.S. Patent No. 6,721,743 B1, issued Apr. 13, 2004 (Ex. 1505) (“Sakakibara”).

⁶ U.S. Patent Application Publication 2005/0021399 A1, published Jan. 27, 2005 (Ex. 1503) (“Postrel”).

entire disclosure. *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007).

Petitioner proposes constructions for the following claim terms: “entity,” “non-negotiable credits,” and “entity independent funds,” which are recited at least in independent claims 1, 8, and 13. Pet. 6–9. In our Decision to Institute, we determined that Petitioner’s proposed constructions are consistent with the broadest reasonable construction, and adopted them. Dec. 5. We also construed “commerce partner” to mean an individual or group involved in commercial activity. *Id.* at 5–6. Neither party has indicated that our constructions are improper and we do not perceive any reason or evidence that now compels any deviation from our initial constructions. Accordingly, the following claim constructions apply to this Decision:

Claim Term	Construction
entity	an organization that has a rewards program for a consumer
non-negotiable credits	credits which are accepted only by the granting entity of the credits
entity independent funds	funds acceptable as payment by at least one entity different from the original granting entity of the non-negotiable credits
commerce partner	an individual or group involved in commercial activity

B. Principles of Law

A patent claim is unpatentable under 35 U.S.C. § 103(a) if the differences between the claimed subject matter and the prior art are such that

the subject matter, as a whole, would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including: (1) the scope and content of the prior art; (2) any differences between the claimed subject matter and the prior art; (3) the level of ordinary skill in the art; and (4) objective evidence of nonobviousness. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

In that regard, an obviousness analysis “need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.” *KSR*, 550 U.S. at 418; *see Translogic*, 504 F.3d at 1259. A prima facie case of obviousness is established when the prior art itself would appear to have suggested the claimed subject matter to a person of ordinary skill in the art. *In re Rinehart*, 531 F.2d 1048, 1051 (CCPA 1976).

The level of ordinary skill in the art is reflected by the prior art of record. *See Okajima v. Bourdeau*, 261 F.3d 1350, 1355 (Fed. Cir. 2001); *In re GPAC Inc.*, 57 F.3d 1573, 1579 (Fed. Cir. 1995); *In re Oelrich*, 579 F.2d 86, 91 (CCPA 1978).

C. Obviousness of Claims over MacLean and Sakakibara

Petitioner contends that claims 8–12 are unpatentable under 35 U.S.C. § 103(a) as obvious over MacLean and Sakakibara. Pet. 15–30. To support its contentions, Petitioner provides detailed explanations as to how the combination of prior art meets each claim limitation. *Id.* Petitioner also

relies upon the Declaration of Matthew Calman (Ex. 1502) to support its position.

MacLean describes a system and method for managing and exchanging reward or loyalty points (credits) from one Loyalty Program (LP) to another. Ex. 1504 ¶ 40, Abstract. The Background Section of MacLean discusses a number of existing web services for converting points from a single loyalty program for negotiable credits. Ex. 1504 ¶¶ 2–12. MacLean’s disclosed invention provides additional improvements to those services by allowing users to accumulate or convert the points from various loyalty programs into those of a single program. *Id.* ¶ 41.

Figure 1 of MacLean is reproduced below and shows a functional diagram of a points exchange system.

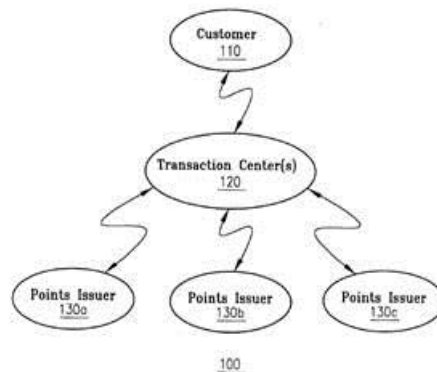


Figure 1 of MacLean shows a functional diagram of a points exchange system.

Point management system 100 facilitates interaction between customer 110, transaction center 120, and issuers 130a-c. *Id.* ¶ 40. Points managed by system 100 may take the form of a variety of Loyalty Program (LP) points such as those issued by airlines, hotels, financial entities, e.g., credit cards, and networks, e.g., portal web sites on the Internet. *Id.* Each

kind of point is issued and redeemed by a different LP and may have a different value or liability to its LP. Point management system 100 permits a customer to exchange points from one LP to another. *Id.* ¶ 41. As examples, a customer may exchange points issued by American Airlines for those issued by American Express Card, or a customer may transfer points issued by any number of LPs to a single LP, so that the customer may redeem its collected points for the rewards offered by the single LP. *Id.*

MacLean describes the transfer or conversion of points using an exchange rate. *Id.* ¶¶ 21, 27. In particular, and with reference to Figures 5A, 5B, and 6D, a customer may select a depositing LP (step 510) and click on “calculate advanced xchange” button 634, which results in the calculation of the exchange rates for the points transaction (step 511). *Id.* ¶ 52.

Sakakibara describes a point managing system that provides a web-based user interface, allowing a customer to convert the loyalty points of a first business entity into those of a second business entity in accordance with an exchange rate. Ex. 1505, 1:57–2:5, 7:7–10, Fig. 9.

Petitioner relies on MacLean to meet all of the independent claim 8 limitations with the exception of “non-negotiable credits.” Pet. 20–28. We agree with Petitioner’s contentions, and adopt them as our own, that MacLean discloses all of the claim 8 limitations, with the exception of the “non-negotiable credits.” For example, Petitioner sufficiently shows, with supporting testimony from Matthew Calman (Ex. 1502), that any of the points issuers 130a-c of Figure 1 of MacLean meets the commerce partner limitation. *See, e.g.*, Pet. 20. As pointed out by Petitioner, the points issuers agree to permit transfers or conversions by their participation in the points exchange system of MacLean. *Id.* Moreover, Petitioner also has accounted

sufficiently for the limitation that the commerce partner receives compensation from an entity. Specifically, Petitioner directs attention to paragraphs 64–67 and Figures 9–12 of MacLean (Pet. 22–23), and explains that the withdrawing issuer (entity) pays transaction center 120 an associated cash value of each point withdrawn, which then pays the depositing issuer (commerce partner) an associated cash value per point deposit.

Claim 8 further requires a commerce partner to agree to permit transfers or conversions of quantities of non-negotiable credits to entity independent funds in accordance with a fixed credits-to-funds ratio. Ex. 1501, 17:5–8. Petitioner sufficiently accounts for this claim limitation by directing attention to paragraph 23 of MacLean, for example, which describes “a system and method . . . permitting the customer to set a first number of first points to be exchanged and permitting the first and second point issuers to set [i.e., agree to] the point withdrawal and deposit rates of their first and second points respectively.” Pet. 20–21; Ex 1504 ¶ 0023.

We also have considered Petitioner’s arguments regarding the “wherein [the] terms-of-use of the different loyalty program permit transfers or conversions of non-negotiable credits to entity independent funds” clause of claim 8. Pet. 42–43. Petitioner cites to the Declaration of Mr. Calman who explains that, at the time of the invention, a person of ordinary skill in the art would have understood that MacLean’s point exchange system demonstrates that terms-of-use of the commerce partner’s different loyalty program permit transfers or conversions as claimed. Ex. 1502 ¶ 110. We give Mr. Calman’s testimony substantial weight in that regard because it is supported by MacLean’s disclosure and what MacLean would have conveyed to a person of ordinary skill in the art at the time of the invention.

Claim 8 also recites “the computer redeeming at least a portion of the new quantity of entity independent funds in exchange for user selected ones of the commerce partner goods or user selected ones of the commerce partner services.” Petitioner accounts for this limitation by directing attention to various portions of MacLean that describe redeeming points for rewards. Pet. 27.

For independent claim 8, Petitioner argues that although MacLean’s LP points are consistent with the general concept that loyalty points earned from one merchant (e.g., United Airlines or Macy’s) could not be redeemed for goods or services at another merchant (e.g., Delta Airlines or Bloomingdale’s), MacLean does not explicitly describe that the points of the different LPs are non-negotiable. Pet. 17. Petitioner relies on Sakakibara for its explicit description with respect to “non-negotiable credits” and that such credits are converted into entity independent funds as claimed. *See, e.g., id.* at 21, 24, 25, and 28. For example, Petitioner relies on Sakakibara’s description of a “method of exchanging points between different business entities . . . wherein the first points are only directly redeemable by the first business entity, and wherein the second points are only directly redeemable by the second business entity.” Ex. 1505, 12:64–13:30.

Petitioner also relies on Sakakibara with respect to dependent claims 10 and 11 and the limitations of those claims that the conversion operation is performed by a computer for the different loyalty program of the commerce partner (claim 10) and by a computer for the loyalty program of the entity (claim 11). Pet. 18–20. We agree with Petitioner’s showing, and adopt it as our own, that MacLean in combination with Sakakibara discloses non-

negotiable credits as claimed in claim 8, along with the features recited in dependent claims 10 and 11.

For claims 9 and 12, each of which depend directly from claim 8, Petitioner relies on MacLean, along with the supporting testimony of Mr. Calman (Ex. 1502) to meet the additional limitations of those claims. Pet. 28–29, 30. We agree with Petitioner’s showing, and adopt it as our own, that MacLean in combination with Sakakibara discloses the additional limitations of claim 9 and claim 12.

We also determine that Petitioner has identified sufficient reasoning for the proposed combination of MacLean and Sakakibara with respect to claims 8–12. Pet. 15–20; Ex. 1502 ¶¶ 98, 99, 119–122. For example, Petitioner argues that because both MacLean and Sakakibara relate to conversion of loyalty program points, one of ordinary skill in the art would have appreciated that Sakakibara’s teachings are applicable towards the system of MacLean. Pet. 20. We agree with, and adopt as our own, Petitioner’s rationale. “[I]f a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill.” *KSR*, 550 U.S. at 417.

In summary, we have reviewed the Petition and the supporting evidence, and adopt as our own Petitioner’s findings, as well as its rationale for combining MacLean and Sakakibara, and conclude that Petitioner has shown by a preponderance of the evidence that claims 8–12 are unpatentable over the combination of MacLean and Sakakibara.

D. Obviousness of Claims over MacLean, Sakakibara, and Postrel

Petitioner contends that claims 1–7 and 13–20 are unpatentable under 35 U.S.C. § 103(a) as obvious over MacLean, Sakakibara, and Postrel. Pet. 30–60. Independent claims 1 and 13 are similar to independent claim 8. Petitioner accounts for the differences and limitations found in independent claims 1 and 13 that are not in independent claim 8. *Id.* at 32–35. Moreover, to support its contention that claims 1–7 and 13–20 would have been obvious over MacLean, Sakakibara, and Postrel, Petitioner provides detailed explanations as to how the combination of prior art meets each claim limitation. *Id.* Petitioner also relies upon a Declaration of Matthew Calman (Ex. 1502) to support its position.

Postrel describes a system in which a user may redeem reward points earned with a merchant, or may redeem the points with another merchant through an exchange network. The user additionally may aggregate reward points with those of other merchants into a central exchange account and then redeem the points for goods or services from any approved merchant on the network. Ex. 1503, Abstract.

For independent claims 1 and 13, Petitioner relies on Postrel for its description with respect to funds that are redeemable under terms-of-use. *See, e.g.*, Pet. 41, 43, 52, and 54. In particular, Petitioner relies on the description found at paragraph 32 of Postrel that “Fig. 12 illustrates a simple database format wherein each merchant and user under that merchant has a record which indicates how many points are in the account, as well as other optional information (such as par value of points, restrictions on use, etc.).” *Id.*

For independent claim 13, Petitioner additionally relies on Postrel for its description of a processor. *See, e.g.*, Pet. 48–49. In particular, Petitioner relies on the description found at paragraph 68 of Postrel of a

processing means . . . adapted to allow the user to request and exchange consideration for rewards from reward servers. . . . to coordinate the exchange of consideration and increase or decrease the user exchange accounts stored in memory in response to actions performed by the user computer, reward server and merchants.

Id.; Ex. 1503 ¶ 68.

Petitioner also relies on Postrel with respect to dependent claim 7 and the limitation of that claim of redeeming of at least a portion of the entity independent funds. Pet. 36–37, 47–48. Petitioner relies on MacLean and Sakakibara for the remaining limitations found in claims 1–7 and 13–20, similar to how the references were applied to claims 8–12 discussed above. *Id.* at 30–60. Lastly, Petitioner relies on Sakakibara for the claim 13 limitation “wherein an agreement exists between the entity and the commerce partner that permits transfers or conversions of non-negotiable credits to entity independent funds” *Id.* at 55.

We are persuaded by Petitioner’s showing, and adopt it as our own, that MacLean, Postrel, and Sakakibara disclose all of the limitations of claims 1–7 and claims 13–20. For example, claim 13 recites “wherein an agreement exists between the entity and the commerce partner that permits transfers or conversions of non-negotiable credits.” This identical language is not found in either of claim 1 or independent claim 8. Petitioner sufficiently shows that Sakakibara meets this limitation by directing attention to Sakakibara’s description of contracts setting exchange rates

between first and second business entities participating in the exchanging of points. Pet. 55. Claim 13 also recites “wherein the commerce partners goods or commerce partners servicers are not in the restricted list of goods or services.” We are satisfied that Petitioner sufficiently accounts for this limitation by directing attention to the passage in MacLean that explains a customer may exchange points issued by an airline for those issued by a credit card company program where the credit card company is not subject to the airlines restricted list of goods, such as an airline ticket. *Id.* at 54–55.

We also are satisfied that Petitioner has identified sufficient reasoning for the proposed combination of MacLean, Postrel, and Sakakibara with respect to claims 1–7 and 13–20. *See, e.g.*, Pet. 32–37 (citing various paragraphs from Ex. 1502). For example, independent claim 13 recites “wherein an agreement exists between the entity and the commerce partner that permits transfers or conversions of non-negotiable credits.” As explained above, Petitioner relies on Sakakibara for its description of contracts setting exchange rates between first and second business entities participating in the exchanging of points. Pet. 55. Petitioner argues that a person of ordinary skill in the art would have recognized that MacLean’s conversions would have preferably been performed in accordance with agreements existing between the parties as disclosed in Sakakibara, because such would allow each loyalty program to ensure that its loyalty points are fairly treated, and provide safeguards against a party’s non-compliance of its obligations in a points exchange system. Pet. 35 (citing Ex. 1502 ¶ 152). We agree with, and adopt as our own this as well as all of the rationales Petitioner provides for combining MacLean, Postrel, and Sakakibara.

In summary, we have reviewed the Petition and the supporting evidence, and adopt as our own Petitioner's findings, as well as its rationale for combining MacLean and Sakakibara, and conclude that Petitioner has shown by a preponderance of the evidence that claims 1–7 and 13–20 are unpatentable over the combination of MacLean, Sakakibara, and Postrel.

III. CONCLUSION

For the foregoing reasons, we conclude that Petitioner has demonstrated, by a preponderance of the evidence, that claims 8–12 are unpatentable under 35 U.S.C. § 103(a) as obvious over MacLean and Sakakibara, and claims 1–7 and 13–20 are unpatentable under 35 U.S.C. § 103(a) as obvious over MacLean, Sakakibara, and Postrel.

IV. ORDER

In consideration of the foregoing, it is
ORDERED that claims 1–20 of the '063 patent are held unpatentable;
and

FURTHER ORDERED that, because this is a Final Written Decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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