

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

MASTERCARD INTERNATIONAL INCORPORATED,
Petitioner,

v.

JOHN D'AGOSTINO,
Patent Owner.

Case IPR2014-00543
Patent 8,036,988 C1

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

DESHPANDE, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 318(a); 37 C.F.R. § 42.73

I. INTRODUCTION

A. Background

MasterCard International Incorporated (“Petitioner”) filed a Petition requesting an *inter partes* review of claims 1–38 of U.S. Patent No. 8,036,988 C1¹ (Ex. 1001; “the ’988 patent”). Paper 1 (“Pet.”). John D’Agostino (“Patent Owner”) filed a Preliminary Response. Paper 7 (“Prelim. Resp.”). Pursuant to 35 U.S.C. § 314, we instituted *inter partes* review of the ’988 patent, on September 4, 2014, as to claims 1–10, 15–25, 27–33, and 35–38 under 35 U.S.C. § 102(e) as anticipated by Cohen,² and as to claims 11–14, 26, and 34 under 35 U.S.C. § 103(a) as obvious over Cohen and Musmanno.³ Paper 8 (“Dec.”).

Patent Owner filed a Response (Paper 16, “PO Resp.”), and Petitioner filed a Reply (Paper 17, “Pet. Reply”). Petitioner filed a Motion to Exclude evidence (Paper 20, “Mot.”), Patent Owner filed an Opposition to Petitioner’s Motion to Exclude evidence (Paper 23, “Opp. to Mot.”), and Petitioner filed a Reply in support of its Motion to Exclude (Paper 24, “Reply to Opp. to Mot.”). Oral hearing was held on May 12, 2015, and the hearing transcript has been entered in the record. Paper 27 (“Tr.”).

The Board has jurisdiction 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 below, we are persuaded that Petitioner has shown

¹ A Reexamination Certificate was issued on October 15, 2014.

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

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

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by a preponderance of the evidence that claims 1–38 of the '988 patent are unpatentable. Petitioner's Motion to Exclude is *denied*.

B. Related Proceedings

Petitioner identifies the following related district court proceeding involving the '988 patent and in which Petitioner is a party: *D'Agostino v. MasterCard, Inc.*, No. 1:13–cv–00738 (D. Del. filed Apr. 26, 2013).

Pet. 59.

Petitioner also identifies the '988 patent as the subject of *Ex Parte* Reexamination proceeding No. 90/012,517. *Id.* at 1, 59.

In related proceeding IPR2014-00544, Petitioner seeks review of U.S. Patent No. 7,840,486 B2, to which the '988 patent claims priority. *Id.* at 59. Petitioner previously sought a covered business method patent review of the '988 patent in proceeding CBM2013-00057, but we denied institution of review. *Id.* at 11–13; *Mastercard Int'l Inc. v. D'Agostino*, Case CBM2013-00057 (PTAB Mar. 7, 2014)(Paper 9). Specifically, we denied institution of review because Petitioner had not demonstrated that Cohen or Flitcroft qualifies as prior art under Section 18(a)(1)(C) of the AIA,⁴ because neither

⁴ Under section 18(a)(1)(C) of AIA, a petitioner in a transitional proceeding who challenges the validity of one or more claims in a covered business methods patent on grounds of of unpatentability 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

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Cohen nor Flitcroft was published prior to the effective filing date of the '988 patent. *Mastercard Int'l Inc. v. D'Agostino*, Case CBM2013–00057, slip op. at 13–14 (PTAB Mar. 7, 2014).

C. The '988 Patent

The '988 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 deviate substantially from existing credit card transaction practices. *Id.* at 1:19–29.

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). This section does not apply to an *inter partes* review. 35 U.S.C. § 311(b) allows for a challenge in an *inter partes* review to be raised “on the basis of prior art consisting of patents or printed publications.” Accordingly, Cohen and Flitcroft qualify as prior art in an *inter partes* review.

Figure 3 of the '988 patent is reproduced below:

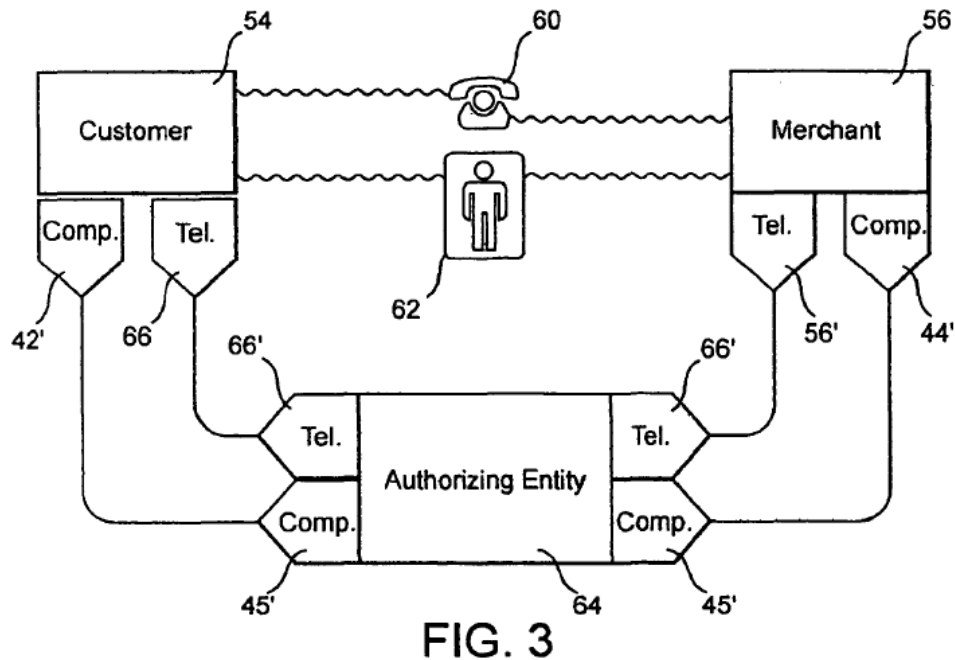


Figure 3, depicted above, schematically represents a secure credit card transaction system, where the customer-to-merchant contact is by phone or in person. As shown above in Figure 3, customer 54 receives promotional information from merchant 56, either by telephone 60 or in person 62. Ex. 1001, 7:30–35. Customer 54 then contacts custodial authorizing entity 64, by either telephone 66' or computer 45', for authorization. *Id.* at 7:35–43. 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 7:43–46. 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 7:46–55.

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