

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

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

DESHPANDE, *Administrative Patent Judge*.

DECISION
Institution of *Inter Partes* Review
37 C.F.R. § 42.108

I. INTRODUCTION

MasterCard International Incorporated (“Petitioner”) filed a corrected Petition requesting an *inter partes* review of claims 1–38 of U.S. Patent No. 8,036,988 (Ex. 1001, “the ’988 patent”). Paper 1 (“Pet.”). John D’Agostino (“Patent Owner”) timely filed a Preliminary Response. Paper 7 (“Prelim. Resp.”). We have jurisdiction under 35 U.S.C. § 314, which provides that an *inter partes* review may not be instituted “unless . . . there is a reasonable likelihood that petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314.

Upon consideration of the Petition and the Preliminary Response, we determine that Petitioner has established that there is a reasonable likelihood that Petitioner would prevail in showing the unpatentability of claims 1–38 of the ’988 patent. Accordingly, we institute an *inter partes* review of these claims.

A. 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.*, Case 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. Pet. 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. Pet. 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 had 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, because neither 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).

B. 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 substantially deviate from existing credit card transaction practices. *Id.* at 1:19-29.

Figure 3 of the '988 patent is reproduced below:

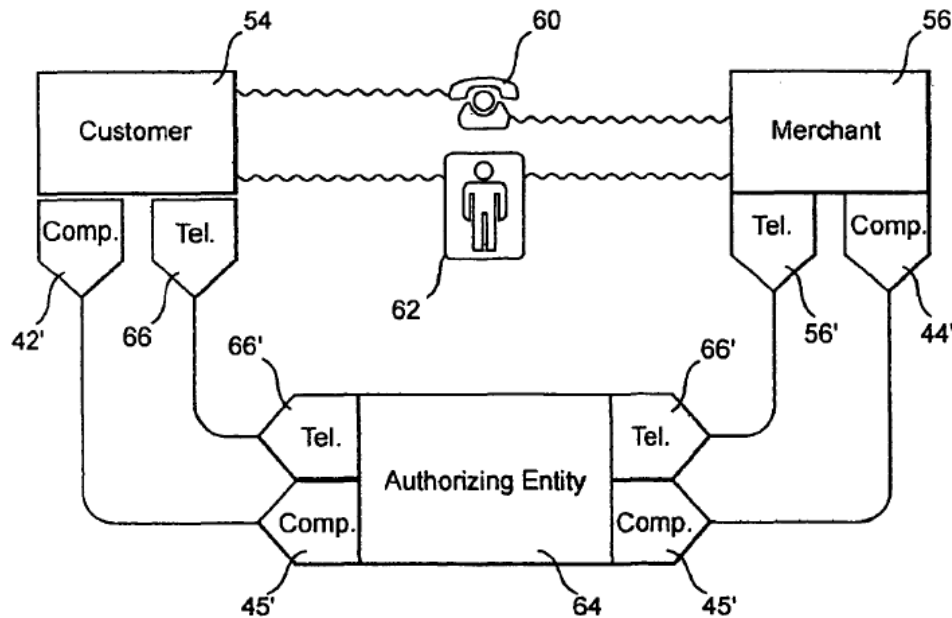


FIG. 3

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.

C. Illustrative Claims

Petitioner challenges claims 1–38 of the '988 patent. Pet. 13–59. Claims 1 and 21 are illustrative of the claims at issue and are reproduced below:

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 at least one payment category to include at least limiting a number of transactions to one or more merchants, said one or more merchants limitation being included in said payment category prior to any particular merchant being identified as one of said one or more merchants;
 - d) designating said payment category;
 - 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.

21. A method for implementing a system for performing secure credit card purchases, the method comprising:
- a) receiving account information from an account holder identifying an account that is used to make credit card purchases;
 - b) receiving a request from said account holder for a transaction code to make a purchase within a payment category that at least limits transactions to a single merchant, said single merchant limitation being included in said payment category prior to any particular merchant being identified as said single merchant;
 - c) generating a transaction code utilizing a processing computer of a custodial authorizing entity, said transaction code associated with said account and reflecting at least the limits of said payment category, to make a purchase within said payment category;
 - d) communicating said transaction code to said account holder;
 - e) receiving a request to authorize payment for a purchase using said transaction code;
 - f) authorizing payment for said purchase if said purchase is within said payment category.

D. The Alleged Grounds of Unpatentability

The information presented in the Petition sets forth proposed grounds of unpatentability of claims 1-38 of the '988 patent under 35 U.S.C. §§ 102, 103 as follows (*see* Pet. 13-59):

Reference(s)	Basis	Challenged Claims
Cohen ¹	§ 102(e)	1-10, 15-25, 27-33, and 35-38
Cohen and Musmanno ²	§ 103	11-14, 26, and 34
Flitcroft ³	§ 102(e)	1-10, 15-25, 27-33, and 35-38

¹ U.S. Patent No. 6,422,462 B1 (Ex. 1004) (“Cohen”).

² U.S. Patent No. 5,826,243 (Ex. 1006) (“Musmanno”).

³ U.S. Patent No. 6,636,833 B1 (Ex. 1005) (“Flitcroft”).

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