United States Court of Appeals for the Federal Circuit

JOHN D'AGOSTINO,
Appellant

v.

MASTERCARD INTERNATIONAL INCORPORATED,
Appellee

2016-1592, 2016-1593

Appeals from the United States Patent and Trademark Office, Patent Trial and Appeal Board in Nos. IPR2014-00543, IPR2014-00544.

Decided: December 22, 2016

ROBERT GREENSPOON, Flachsbart & Greenspoon, LLC, Chicago, IL, argued for appellant. Also represented by JOSEPH CARL DRISH.

ELIOT DAMON WILLIAMS, Baker Botts LLP, Palo Alto, CA, argued for appellee. Also represented by ROBERT C. SCHEINFELD, New York, NY.

Before TARANTO, LINN, and STOLL, *Circuit Judges.*

TARANTO, *Circuit Judge.*

This case involves method claims of two patents that disclose processes for generating limited-use transaction codes to be given to a merchant by a customer for the purchase of goods and services, an objective being to enhance security for the customer by withholding the customer's credit card number from the merchant and using the transaction code to complete the transaction instead. In two inter partes review proceedings, the Patent Trial and Appeal Board of the United States Patent and Trademark Office decided that the disputed claims are unpatentable for anticipation and obviousness. Because the Board's decisions rest on an unreasonable claim interpretation, we vacate the decisions and remand for further proceedings.

I

John D'Agostino owns U.S. Patent Nos. 7,840,486 and 8,036,988. The '988 patent is a continuation of the '486 patent. Both patents disclose methods of effecting secure credit-card purchases by minimizing merchant access to credit card numbers. '988 patent, abstract; '486 patent, abstract. The written descriptions of the two patents are materially identical.

MasterCard International Incorporated filed two petitions with the PTO requesting inter partes review of the two patents under 35 U.S.C. ch. 31. Regarding the '988 patent, the Board, as delegee of the PTO Director, 37 C.F.R. §§ 42.4, 42.108, instituted a review of claims 1–10, 15–25, 27–33, and 35–38 for anticipation by U.S. Patent No. 6,422,462 to Cohen and of claims 11–14, 26, and 34 for obviousness over Cohen and U.S. Patent No. 5,826,243 to Musmanno (IPR2014-543). Regarding the '486 patent, the Board instituted a review of claims 1–15 and 22–30 for anticipation by Cohen and of claims 16–21 for obviousness over Cohen and Musmanno (IPR2014-544). After conducting the reviews, the Board cancelled all of the

reviewed claims as unpatentable on the grounds on which it instituted review. *MasterCard Int'l Inc. v. D'Agostino*, 2015 WL 5159950 (P.T.A.B. Aug. 31, 2015) (*'988 Decision*); *MasterCard Int'l Inc. v. D'Agostino*, 2015 WL 5159951 (P.T.A.B. Aug. 31, 2015) (*'486 Decision*). The Board's two final written decisions are materially identical for present purposes, so we hereafter cite only the *'988 Decision*.

As relevant here, the claims fall into two categories—those which involve "limiting a number of transactions to one or more merchants," *i.e.*, a "one or more merchants limitation," '988 patent, col. 8, lines 66–67; and those which involve "limit[ing] transactions to a single merchant," *i.e.*, a "single merchant limitation," *id.*, col. 11, lines 12–13. It being undisputed that the former are unpatentable *if* the latter are unpatentable, the Board relied only on the "single merchant" claims in its decisions, holding them unpatentable and, solely on that ground, also holding the "one or more merchants" claims unpatentable. *'988 Decision* at *8. We therefore address only the "single merchant" claims.

Claim 21 is representative of the "single merchant" claims:

> 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.

'988 patent, col. 11, lines 5–27.

After construing the single-merchant limitation, which is step (b) in representative claim 21, the Board found that Cohen meets the single-merchant limitation through an embodiment that limits credit-card transactions to a particular chain of stores. *'988 Decision* at *8. The Board also found that Cohen discloses the step of defining and designating the "payment category" before the transaction code is generated. *Id.* at *9–10. The Board's unpatentability reasoning for both anticipation and obviousness relies critically on those two rulings; the Board did not rely on any independent alternative grounds for its decisions.

Mr. D'Agostino appeals under 35 U.S.C. §§ 141(c) and 319. We have jurisdiction to review the Board's decisions under 28 U.S.C. § 1295(a)(4)(A).

II

The Board permissibly applied the broadest reasonable interpretation standard in this inter partes review proceeding. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142 (2016); 37 C.F.R. § 42.100(b). "There being no dispute here about findings or evidence of facts extrinsic to the patent, . . . we conduct a de novo review of the Board's determination of the broadest reasonable interpretation of the claim language." *Straight Path IP Grp., Inc. v. Sipnet EU S.R.O.*, 806 F.3d 1356, 1360 (Fed. Cir. 2015). "The protocol of giving claims their broadest reasonable interpretation . . . does not include giving claims a legally incorrect interpretation." *In re Skvorecz*, 580 F.3d 1262, 1267 (Fed. Cir. 2009). Instead, "claims should always be read in light of the specification and teachings in the underlying patent," *In re Suitco Surface, Inc.*, 603 F.3d 1255, 1260 (Fed. Cir. 2010); the Board "should also consult the patent's prosecution history in proceedings in which the patent has been brought back to the agency for a second review," *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015).

We note two limits on our review and ruling here. First, we separately address only the "single merchant" claims because the Board relied entirely on those claims for its decisions as to all claims. Second, as to Cohen, we consider only the portion, concerning a chain of stores, on which the Board relied. We reject the Board's bases of decision and remand. The Board on remand may consider other issues, *e.g.*, as to Cohen and as to the "one or more merchants" claims, that the parties have preserved.

A

The single-merchant limitation clearly requires a separation in time between the communication of one piece of information and the communication of another. The authorizing entity, in being asked for a transaction code, is told that the number of merchants to be covered by that

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