

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ASKELOADDEN LLC,

Petitioner,

v.

AUTHWALLET LLC,

Patent Owner.

IPR2021-00005

Patent 8,280,776 B2

Before LYNNE H. BROWNE, KEVIN W. CHERRY, and
ARTHUR M. PESLAK, *Administrative Patent Judges*.

BROWNE, *Administrative Patent Judge*.

JUDGMENT

Determining All Claims Unpatentable
35 U.S.C. § 318(a)

I. INTRODUCTION

ASKELADDEN LLC (“Petitioner” or “Askeladden”), on October 1, 2020, filed a Petition to institute *inter partes* review of claims 1–29 of U.S. Patent No. 8,280,776 B2 (Ex. 1001, “the ’776 patent”). Paper 1 (“Pet.”). AUTHWALLET LLC (“Patent Owner” or “AuthWallet”), on July 19, 2021, filed a Response to the Petition. Paper 10 (“PO Resp.”). On October 12, 2021, Petitioner filed a Reply to Patent Owner’s Response. Paper 13 (“Pet. Reply”). On November 23, 2021, Patent Owner filed a Sur-reply. Paper 14 (“PO Sur-reply”). Both parties requested an oral hearing. Papers 15, 16. A transcript of the oral hearing is entered in the record. Paper 22 (“Tr.”).

The Board has jurisdiction under 35 U.S.C. § 6. In this Final Written Decision, after reviewing all relevant evidence and assertions, we determine that Petitioner has met its burden of showing, by a preponderance of evidence, that claims 1–29 of the ’776 patent are unpatentable.

A. Real Parties in Interest

Petitioner indicates that it is the real-party-in-interest. Pet. 1. Patent Owner indicates it is the real-party-in interest. Paper 4, 2.

B. Related Matters

Petitioner and Patent Owner indicate that the ’776 patent is the subject of *AuthWallet LLC v. Visa, Inc.*, No. 3-20-cv-04121 (N.D. Cal.) (filed: June 22, 2020; terminated: August 7, 2020). Pet. 1; Paper 4, 2.

C. The ’776 Patent

The ’776 patent is directed to “[a] transaction processing service that operates as an intermediary between acquirers of financial transaction requests and issuing institutions that process the financial transaction requests.” Ex. 1001, 2:46–49. “The intermediary communicates with an

acquirer to provide account information that can be used by the acquirer to process the financial transaction requests.” *Id.* at 2:50–53.

“To initiate a transaction, a customer presents a card or token containing unique identifying information to a merchant in order to pay for a purchase.” *Id.* at 2:63–65. “The merchant transmits the unique identifying information to an acquirer (i.e., a financial institution that provides a clearinghouse service for consolidating financial transactions) in an initial authorization request.” *Id.* at 3:1–5. “The acquirer recognizes that the initial authorization request is associated with the intermediary service based on the unique identifying information, and transmits at least part of the initial authorization request to the intermediary service,” and “[t]he intermediary service authenticates the request and retrieves stored customer information from a database based on the identifying information.” *Id.* at 3:5–11.

Using the stored customer information, “the intermediary service transmits a transaction notification message to the customer’s mobile device.” *Id.* at 3:16–18. “The transaction notification message may . . . specify a required response from the customer. The required response may vary depending on the requesting merchant, the type of transaction, the amount of the transaction, or other factor associated with the transaction.” *Id.* at 3:22–27. For example, the ’776 patent explains, “a low-price transaction may require no response, a higher value transaction may require that the customer confirm the transaction, and a still higher value transaction may require that the customer confirm the transaction and provide a verification code in response to the transaction notification message.” *Id.* at 3:28–33. Once the required response is received, “the intermediary service

transmits an information request to the issuing institution of a payment instrument that is to be used to complete the transaction.” *Id.* at 3:51–53.

D. Illustrative Claim

Petitioner challenges claims 1–29 of the ’776 patent. Claims 1, 11, and 21 are independent. Claim 1, reproduced below, is illustrative of the challenged claims.

1. A method for processing financial transaction data in a computing system including a processor and a storage area, the method comprising:

receiving an authorization request generated as a result of a transaction by a purchaser at a point of purchase, wherein the authorization request includes a purchaser identifier, a transaction amount, and information identifying the point of purchase;

determining a processing rule to apply to the authorization request based on the purchaser identifier, wherein the processing rule defines one or more conditions and an associated action, and wherein the associated action includes the generation of a transaction indication message for transmittal to a mobile device associated with the purchaser identifier, the transaction indication message including information about the transaction and specifying a response from the mobile device;

evaluating the processing rule by applying the one or more conditions defined by the processing rule to information in the authorization request or customer information associated with the purchaser identifier; and

when the processing rule is satisfied, executing the associated action and transmitting the transaction indication message to the purchaser.

Ex. 1001, 27:12–35.

E. The Asserted Grounds of Unpatentability

Petitioner asserts that the challenged claims are unpatentable on the following grounds:

| Claims Challenged | 35 U.S.C. § | Reference(s) |
|--------------------------------|------------------------|--|
| 1–3, 5, 7–14, 16–23, 25, 27–29 | 102 | Hogg ¹ |
| 7, 20, 28 | 103 | Hogg, AAPA ² |
| 4, 15, ³ 24, 27 | 103 | Hogg, Giordano ⁴ |
| 6 | 103 | Hogg, Heffez ⁵ |
| 26 | 103 | Hogg, ⁶ Wehr ^{7,8} |

¹ US 2007/0119919 A1 published May 31, 2007. Ex. 1005 (“Hogg”).

² Applicant’s Admitted Prior Art

³ On page 4 of the Petition, claim 5 is listed as challenged in Ground 3. Pet. 4. However, in the remainder of the Petition it is clear that this ground includes a challenge to claim 15 not claim 5. This same error appears on page 2 of Ex. 1002 (the “Zatkovich Declaration”). We understand these errors to be a typographical errors.

⁴ US 2006/0178986 A1 published Aug. 10, 2006. Ex. 1006 (“Giordano”).

⁵ US 2006/0237531 A1 published Oct. 26, 2006. Ex. 1007 (“Heffez”).

⁶ On page 5 the Petition indicates that ground 5 is based on Cook and Wehr. The explanation of this challenge, however, indicates that this ground is based on Hogg and Wehr. Pet. 66–70. Further, Petitioner did not file a copy of a reference attributable to Cook. Accordingly, we understand the reference to Cook to be a typographical error and that the challenge is based on the combined teachings of Hogg and Wehr.

⁷ US 2006/0271431 A1 published Nov. 30, 2006. Ex. 1008 (“Wehr”).

⁸ Page 5 of the Petition refers to “Cook” instead of Wehr. Pet. 5. The remainder of the Petition, however, refers to Wehr and there is no “Cook” reference filed in this proceeding. Accordingly, we understand the reference to Cook to be a typographical error and that the challenge is based on the combined teachings of Hogg and Wehr.

Pet. 4–5. Petitioner supports its challenge with the Declaration of Ivan Zatkovich, dated September 30, 2020 (Ex. 1002, “Zatkovich Declaration”).

II. ANALYSIS

A. Claim Construction

For petitions filed on or after November 13, 2018, a claim shall be construed using the same claim construction standard that would be used to construe the claim in a civil action under 35 U.S.C. § 282(b), including construing the claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent. 37 C.F.R. § 42.100(b) (2019). The Petition was filed October 1, 2020. Thus, we apply the claim construction standard as set forth in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

Accordingly, claim terms are generally given their ordinary and customary meaning as would have been understood by one with ordinary skill in the art in the context of the specification, the prosecution history, other claims, and even extrinsic evidence including expert and inventor testimony, dictionaries, and learned treatises, although extrinsic evidence is less significant than the intrinsic record. *Phillips*, 415 F.3d at 1312–17. Only those claim terms that are in controversy need to be construed, and only to the extent necessary to resolve the controversy. *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Ltd.*, 868 F.3d 1013, 1017 (Fed. Cir. 2017).

Petitioner asserts that the claim terms “determining/determine,” “token,” and “load” should be construed. Pet. 14–18. Construction of these

claim terms is not, however, necessary to our decision. Accordingly, we do not construe them at this time.

Patent Owner asserts that three limitations should be construed. We consider each limitation in turn below.

1. *“the processing rule applies to a group of purchaser identifiers including the purchaser identifier included in the authorization request”*

The limitation “the processing rule applies to a group of purchaser identifiers including the purchaser identifier included in the authorization request” appears in claims 3, 14, and 23. Ex. 1001, 27:39–41, 28:44–46, 30:1–3. Patent Owner asserts that “the processing rule applies to a group of purchaser identifiers including the purchaser identifier’ means that the processing rule applies *equally* to each of the group of purchaser identifiers including the purchaser identifier.” PO Resp. 6 (citing Ex. 2001 ¶ 37) (emphasis added). Patent Owner does not explain why this limitation requires that the rule apply equally to each member of the group. Neither does its expert, Mr. Landers. Ex. 2001 ¶ 37. Instead, Patent Owner directs our attention to the portion of the ’776 patent that describes rules modules including rules for sub-accounts. *Id.* at 4–6 (citing Ex. 1001, 14:25–43).⁹

The ’776 patent, however, does not indicate that rules must be applied equally to each member of a group. *See* Ex. 1001, 14:37–43. Rather, it describes a group (master account) having additional rules that apply only to members of a sub-group (sub or child account). *Id.* at 14: 37–43. As the

⁹ Patent Owner only cites column 14 lines 25–27 of the ’776 patent, but the portion of the specification that describes sub-accounts is at lines 27–43 of column 14.

members of the sub-account are necessarily members of the master account, the additional rules do not apply equally to every member of the master account. *Id.* at 14:27–43. For these reasons, we do not adopt Patent Owner’s proposed construction of “the processing rule applies to a group of purchaser identifiers including the purchaser identifier included in the authorization request.” Instead, on this record, we determine that this limitation should be construed in accordance with its ordinary and customary meaning.

2. *“the location of the purchaser differs from the location of the point of purchase”*

The limitation “wherein evaluating the processing rule comprises determining whether the location of the purchaser differs from the location of the point of purchase” appears in claim 6. Ex. 1001, 27:51–53. Patent Owner asserts that “‘the location of the purchaser differs from the location of the point of purchase’ means in a transaction, the purchaser is not at the location of the point of purchase.” PO Resp. 7 (citing Ex. 2001 ¶ 41). Patent Owner submits that this is the “plain meaning” of this limitation and does not explain how that differs from the “ordinary and customary meaning. Neither does its expert, Mr. Landers. Ex. 2001 ¶ 41. Accordingly, on this record, we determine that this limitation should be construed in accordance with its ordinary and customary meaning.

3. *“wherein the one or more conditions specifies a time interval and wherein executing the associated action comprises rejecting all transactions during the specified time period or executing a specified verification procedure for all transactions during the specified time period”*

The limitation “wherein the one or more conditions specifies a time interval and wherein executing the associated action comprises rejecting all transactions during the specified time period or executing a specified verification procedure for all transactions during the specified time period” appears in claims 10 and 19. Ex. 1001, 28:4–9, 28:66–29:4. Patent Owner asserts that this limitation “means that *in* the specified time interval, the intermediary service will reject every transaction or execute a specified verification procedure for each transaction during the specified time period.” PO Resp. 8 (citing Ex. 2001 ¶ 44) (emphasis added). Patent Owner asserts further that “in the specified time interval, the intermediary service will reject transactions or execute a specified verification procedure unconditionally” and “[t]he specified time interval [identified in the Petition as corresponding to this limitation] is outside of the rule” based on its expert, Mr. Landers’, testimony. *Id.* Mr. Landers, however, does not explain the basis for his understanding of this limitation. Ex. 2001 ¶ 44. We, however, understand this limitation to be met when either alternative is satisfied and do not conflate these alternatives.

Patent Owner directs our attention to the portion of the ’776 patent describing an embodiment where “the intermediary service rejects the request if the time is not within an authorized time interval.” PO Resp. 8 (citing Ex. 1001, 4:40–45). This example does not, however, pertain to the second claimed alternative wherein a verification procedure is executed for all transactions during the specified time period. Ex. 1001, 4:40–45. Even if we assume that the first alternative limitation includes a timing component requiring rejection of the transaction in the time interval (i.e., that transactions occurring during the time interval are contemporaneously

rejected), we decline to read Patent Owner’s additional timing component into the claimed second alternative. Accordingly, we do not adopt Patent Owner’s proposed construction for this limitation. On this record, we determine that this limitation should be construed in accordance with its ordinary and customary meaning.

B. Principles of Law

“A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference.” *Verdegaal Bros., Inc. v. Union Oil Co. of Cal.*, 814 F.2d 628, 631 (Fed. Cir. 1987). To establish anticipation, “all of the elements and limitations of the claim must be shown in a single prior reference, arranged as in the claim.” *Karsten Mfg. Corp. v. Cleveland Golf Co.*, 242 F.3d 1376, 1383 (Fed. Cir. 2001).

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, when presented, (4) objective evidence of nonobviousness. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

We analyze the asserted grounds of unpatentability in accordance with these principles.

C. Ground 1: Anticipation By Hogg

Petitioner alleges that claims 1–3, 5, 7–14, 16–23, 25, and 27–29 are anticipated by Hogg. Pet. 19–54. We begin our discussion of this ground with an overview of Hogg.

1. Hogg

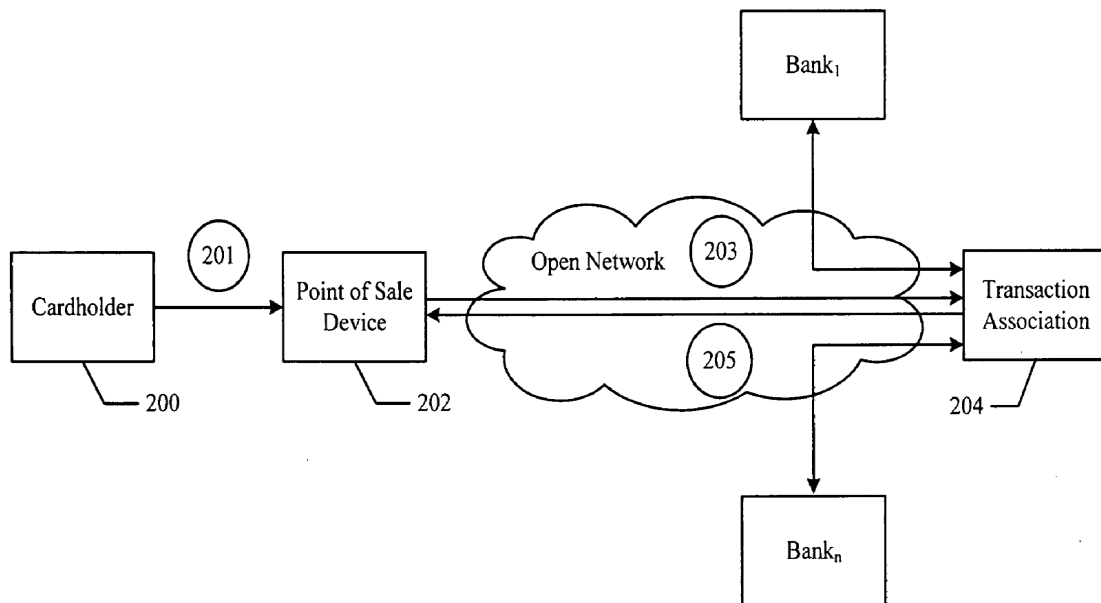


Figure 2 is a schematic illustration of “a credit card transaction, according to one embodiment of the present invention.” *Id.* ¶ 12. As shown in this Figure, cardholder 200 (represented by box on the left-hand side of the figure containing the word “Cardholder”) interacts with (this interaction is represented as an arrow) point-of-sale device 202 (represented by a box to the right of cardholder 200 containing the words “Point of Sale Device”).

Ex. 1005, Fig. 2. Hogg refers to this interaction as operation 201 (represented as a circle containing the numeral 201 above the arrow between cardholder 200 and point-of-sale device 202). *Id.* ¶ 30.

Point-of-sale device 202 communicates via open network (represented as a cloud to the right of cardholder 202) with transaction platform 204 (represented by a box to the right of open network containing the words “Transaction Association”). Ex. 1005, Fig. 2. Communication between point-of-sale device 202 and transaction platform 204 is two-way as indicated by two oppositely directed arrows extending between these devices. *Id.* Transmission of encrypted data from point-of-sale device 202 to transaction platform 204 is referred to as operation 203 (represented as a circle enclosing the numeral 203 inside the upper portion of the cloud representing the open network). *Id.* ¶ 32. Transmission of data indicating authorization or denial of the credit card transaction is referred to as operation 205 (represented as a circle enclosing the numeral 205 inside the lower portion of the cloud representing the open network). *Id.* Bank₁ (represented by a box to the left of transaction platform 204 and above the open network) and Bank_n (represented by a box to the left of transaction platform 204 and below the open network) are in two-way communication (represented by two-headed arrows) with transaction platform 204. *Id.* at Fig. 2.

As an illustrative example, Hogg describes a financial transaction wherein a cardholder presents a credit card to a point-of-sale-device. *Id.* ¶ 30. Data from the credit card is sent to a transaction platform as a request for authorization for the transaction. *Id.* ¶ 32. The transaction platform performs a fraud check before providing such authorization. *Id.* ¶ 67. As

part of the fraud check, Hogg obtains fraud indicator rules associated with the credit card's number. *Id.* at 68. If one of the fraud indicator rules tests positive, the cardholder may be contacted via telephone or SMS message. *Id.*

2. *Claims 1, 2, 5, 7–9, 11–13, 16–18, 20–22, 25, and 27–29*

Petitioner submits that Hogg discloses each and every limitation of claims 1, 2, 5, 7–9, 11–13, 16–18, 20–22, 25, and 27–29. Pet. 19–39, 41–54. Patent Owner does not contest Petitioner's challenge to these claims. *See generally* PO Resp. In addition, during oral argument, Patent Owner confirmed that Petitioner's challenges to these claims are uncontested. Tr. 18–19. We have reviewed Petitioner's evidence and argument. *See* Pet. 19–39, 41–54. We agree with it and adopt it as our own. For the reasons provided therein, Petitioner has shown, by a preponderance of evidence, that Hogg anticipates claims 1, 2, 5, 7–9, 11–13, 16–18, 20–22, 25, and 27–29.

3. *Dependent Claims 3, 14, and 23*

Claims 3, 14, and 23 all require that “the processing rule appl[y] to a group of purchaser identifiers including the purchaser identifier included in the authorization request.” Ex. 1001, 27:39–41, 28:44–46, 30:1–4. Petitioner submits that Hogg discloses a method, system, and computer-readable medium wherein the processing rule applies to a group of purchaser identifiers including the purchaser identifier included in the authorization request as required by these claims. Pet. 39–41 (citing Ex. 1002 ¶¶ 108–144, 150–158; Ex. 1001, 4:29–31, 14:25–42; Ex. 1005 ¶¶ 40, 69–79, 111). Specifically, Petitioner asserts that “Hogg discloses that the method could be practiced with a parent card and a plurality of child cards” and that “Hogg discloses that multiple card numbers can be associated with a master account

number, including child account spending rules and fraud detection rules.” Pet. 39–40 (citing Ex. 1005 ¶¶ 77-79; Ex. 1002 ¶ 156) (emphasis omitted). Petitioner asserts further that “Hogg also discloses that ‘generic anti-fraud data’ (rules) can be associated with a card.” *Id.* at 40 (citing Ex. 1005 ¶ 40; Ex. 1002 ¶ 157).

Relying on its proposed claim construction, Patent Owner contends that Hogg doesn’t meet the limitation at issue in claims 3, 14, and 23 because, “Hogg does not teach ‘wherein the processing rule applies to a group of purchaser identifiers including the purchaser identifier included in the authorization request.’” PO Resp. 14–15 (citing Ex. 2001 ¶ 55); *see also id.* at 20, 26 (citing Ex. 2001 ¶¶ 65, 76).

In reply, Petitioner argues that “[j]ust because there can be different rules for the child card and the parent does not mean that there cannot be rules that apply to both.” Pet. Reply 6 (citing Ex. 1002 ¶ 151 (quoting Ex. 1001, 4:29-31, 14:25-42)). According to Petitioner, “Mr. Landers acknowledges that even under his construction, the claims just require one ‘processing rule,’ not every processing rule, be applied equally to each of the group of purchaser identifiers.” *Id.* In support of this argument, Petitioner quotes Mr. Landers’ Deposition where Mr. Landers agrees that one rule that applies to both the parent and child groups meets the limitation at issue. *Id.* at 7 (quoting Ex. 1018, 56:7–14). As an example of such a rule, Petitioner asserts that “[t]he Petition refers to the disclosure in Hogg that fraud triggers (i.e., ‘the processing rule’) may be assigned to **both** a card and an associated child card.” *Id.* (citing Ex. 1005 ¶ 111) (internal citations omitted).

Patent Owner responds that the portion of Hogg cited by Petitioner “discloses that generic anti-fraud data can be associated with an applicant’s

account” which is the parent account. PO Sur-reply 5 (citing Ex. 1005 ¶ 40). As it is the parent (master) account that has the fraud rule that applies to each member of the group and that Petitioner relies upon to meet the claim limitation at issue, Patent Owner has essentially admitted that Hogg meets this limitation.

Moreover, even if we were to adopt Patent Owner’s claim construction, we agree with Petitioner that all that is required to meet that construction is a rule that applies to all the members of the group regardless of whether that group includes additional rules that only apply to the members of a sub-group. We further agree with Petitioner that Hogg discloses such a rule in its fraud triggers example. Ex. 1005 ¶ 111).

For these reasons, we determine that Petitioner has shown, by a preponderance of evidence, that Hogg anticipates claims 3, 14, and 23.

4. Claims 10 and 19

Claims 10 and 19 require “one or more conditions [that] specifies a time interval and wherein executing the associated action comprises rejecting all transactions during the specified time period or executing a specified verification procedure for all transactions during the specified time period.” Ex. 1001, 28:4–9, 28:66–29:4. Petitioner submits that Hogg discloses a method and system wherein the one or more conditions specifies a time interval and wherein executing the associated action comprises rejecting all transactions during the specified time period or executing a specified verification procedure for all transactions during the specified time period as required by these claims. Pet. 47–48 (citing Ex. 1002 ¶¶ 108–144, 193–195; Ex. 1005, claim 5). Specifically, Petitioner asserts that

Hogg discloses a “fraud detection rule”, which includes a condition that specifies “a specified period of time,” that when executed provides a specified verification procedure (e.g., determine if “a running tally of number of dollars spent . . . over a specified period of time . . . exceed . . . a specified amount”), which is for all transactions during the specified time period.

Id. at 48 (citing Ex. 1005, claim 5; Ex. 1002 ¶ 195).

Patent Owner argues that in Hogg “if the tally of numbers of dollars spent from said monetary funds are not more than a specified amount in the specified period of time, the transaction will be accepted.” PO Resp. 16 (citing Ex. 2001 ¶ 56). Patent Owner argues further that “[i]f on the contrary, the tally of numbers of dollars spent is more than a specified amount in the specified period of time, the transaction will be rejected” and

if tally of numbers of dollars spent from initial several transactions are not more than a specified amount in the specified period of time, the initial several transactions will be accepted and once the tally of numbers of dollars spent from the initial several transactions adding a critical transaction are more than the specified amount, all transactions after the critical transaction will be rejected.

Id. Patent Owner contends that “Hogg does not disclose [the] elements of claim 10 because claim 10 requires the execution applies to all transactions during a specified time period.” PO Resp. 16–17 (citing Ex. 2001 ¶ 56). In other words, Patent Owner argues that because Hogg discloses a rule, the execution of which can have different outcomes during the specified period of time, Hogg does not meet the limitation at issue. Patent Owner makes similar arguments for claim 19. *See id.* at 21–23.

Patent Owner’s argument, however, is not commensurate in scope with the language of these claims. As discussed in Section II.A.3 above, claims 10 and 19 include alternative limitations. Both alternatives require

specification of a time interval. Ex. 1001, 28:4–5. In the first alternative “executing the associated action comprises rejecting all transactions during the specified time period.” *Id.* at 28:5–7. In the second alternative executing the associated action comprises “executing a specified verification procedure for all transactions during the specified time period.” *Id.* at 28:7–9. It appears that Patent Owner is importing an additional requirement into the second alternative (that the outcome of the specified verification procedure be the same for all transactions during the specified time interval). We do not understand the claim to be so limited.

Further, we agree with Petitioner that “Patent Owner ignores the fact that there is an ‘or’ in the claim limitation such that the claim may be met by a rule ‘executing a specified verification procedure for all transactions during the specified time period’ . . . and does not need to also have a rule ‘rejecting all transactions during the specified time period.’” Pet. Reply 11 (emphasis omitted).

Patent Owner also argues that Hogg does not disclose a specified verification procedure, because its “specified period of time is within the rule.” PO Resp. 16; *see also* PO Sur-reply 5. Patent Owner’s argument is premised on its proposed claim construction which we do not adopt. Patent Owner would have us read large portions of the specification of the ’776 patent into claims 10 and 19. *See* PO Sur-reply 5–8. We decline to do so.

For these reasons, we determine that Petitioner has shown, by a preponderance of evidence, that Hogg anticipates claims 10 and 19.

5. *Claim 18*

Claim 18 requires “tracking a number of transactions executed for a specified purchaser identifier, wherein evaluating the processing rule

comprises determining that the number of transactions exceeds a maximum number of transactions specified by the processing rule.” Ex. 1001, 28:61–65. Petitioner submits that Hogg discloses a system configured to track a number of transactions executed for a specified purchaser identifier, wherein evaluating the processing rule comprises determining that the number of transactions exceeds a maximum number of transactions specified by the processing rule as required by this claim. Pet. 49 (citing Ex. 1002 ¶¶ 135–144, 201–207; and Ex. 1005 ¶¶ 40, 68). Specifically, Petitioner asserts that Hogg “discloses that it keeps track of ‘recent transactions’ as a parameter for use with the fraud indicator rules” and that “a PIN for a cardholder (a specified purchaser identifier) ‘may be active . . . for a particular number of uses’ (i.e., transactions).” *Id.* at 49 (citing Ex. 1005 ¶¶ 40, 68; Ex. 1002 ¶¶ 205–206). In addition, Petitioner asserts that a person of ordinary skill in the art “would understand that a processing rule counting the number of uses (or transactions) is necessarily applied, and a determination that the number of transactions exceeds a maximum number of transactions must necessarily be specified by the processing rule.” *Id.* (citing Ex. 1002 ¶ 207).

Patent Owner contends that “Hogg does not disclose the element ‘wherein evaluating the processing rule comprises determining that the number of transactions exceeds a maximum number of transactions specified by the processing rule’ as required by claim 18,” because in Hogg “the number of transactions is not equal to the number of uses of the PIN.” PO Resp. 21 (citing Ex. 2001 ¶ 66).

In reply, Petitioner asserts that “Patent Owner wrongly assumes that Hogg does not require a PIN be used for *all* transactions” such that the number of uses of a PIN corresponds to the number of transactions. Pet.

Reply 14. In support of this position, Petitioner relies on the testimony of Mr. Zatkovich and Hogg’s description of the use of its PIN. *Id.* at 15–16 (citing Ex. 1005 ¶¶ 40,¹⁰ 68; Ex. 1002 ¶¶ 134, 144, 202, 205–206). In particular, Petitioner quotes Hogg’s statement that “[t]o allow the confirmed transaction to be approved, the cardholder must respond in the affirmative, and must also enter his PIN code . . . If the return message indicates that the transaction is legitimate, and also contains the PIN associated with the card, execution flow is passed on to profile check module 720.” *Id.* at 16 (quoting Ex. 1005 ¶ 68 (emphasis omitted)).

Patent Owner disagrees based on the following passage in Hogg: “[t]hereafter, the card may be activated (operation 314), meaning that the card may be used to execute a transaction, e.g., may be used to purchase a good or service on credit (or, as discussed below, may be used in another manner, such as to transact a purchase as a debit card, stored value card, etc.)” PO Sur-reply 10 (quoting Ex. 1005 ¶ 40). According to Patent Owner, “[t]he use of e.g., indicates that there are other uses for the card other than transactions.” *Id.* We note that this quote is inapposite as it pertains to activating the card not the PIN.

We credit Mr. Zatkovich’s testimony that “Hogg discloses that it keeps track of ‘recent transactions’ as a parameter for use with the fraud indicator rules.” Ex. 1002 ¶ 205 (citing Ex. 1005 ¶ 68), which is supported by Hogg’s description of its fraud check module as discussed above. For these reasons, we determine that Petitioner has shown, by a preponderance of evidence, that Hogg anticipates claim 18.

¹⁰ Petitioner refers to Hogg paragraph 41, but the quoted passage appears in paragraph 40. We understand this to be a typographical error.

6. *Summary*

For Ground 1, Petitioner has shown, by a preponderance of evidence, that Hogg anticipates claims 1–3, 5, 7–14, 16–19, 20–23, 25, and 27–29.

D. Ground 2: Obviousness of Claims 7, 20, and 28 Based on Hogg

Petitioner submits that claims 7, 20, and 28 are unpatentable over Hogg and “admitted prior art in the ’776 Patent.” Pet. 4, 19. Patent Owner does not contest this challenge to claims 7, 20, and 28. *See generally* PO Resp.

We determined in the prior section that Petitioner has shown, by a preponderance of evidence, that claims 7, 20, and 28 are anticipated by Hogg. As anticipation is the epitome of obviousness, we determine that Petitioner has shown, by a preponderance of evidence that Hogg renders claims 7, 20, and 28 unpatentable.^{11,12} *In re Baxter Travenol Labs*, 952 F.2d 388, 391 (Fed. Cir. 1991).

E. Ground 3: Obviousness of Claims 4, 5, 24, and 27 Based on Hogg and Giordano

Petitioner submits that claims 4, 5, 24, and 27 are unpatentable over Hogg and Giordano. Pet. 55–62. We begin our analysis of this ground with a brief overview of Giordano.

1. *Giordano*

Giordano is directed to “systems and methods for monitoring consumer behavior, providing a secure electronic payment in exchange for

¹¹ We note that there is no evidence of objective indicia of obviousness in the record.

¹² As the basis for our obviousness determination is anticipation by Hogg, we do not consider Hogg in view of AAPA.

goods and services, and selecting a method of payment corresponding to the specific transaction and customer preferences.” Ex. 1006 ¶ 2. Giordano describes a system that helps consumers manage an assortment of methods of payment (such as credit cards, debits cards, bank accounts, and other payment methods) and determine which payment method is appropriate for a given transaction. *Id.* ¶ 10. In addition, and in order to “prevent a customer from experiencing possible embarrassment at having their credit denied (e.g., on a date or in front of a client at a business dinner, etc.)” *Id.* ¶ 133. Giordano’s system includes steps to automatically select a first method of payment and, if that method of payment is declined, automatically select a second method of payment. *Id.*

2. *Claims 4, 15, 24, and 27*

Petitioner submits that it would have been obvious to modify Hogg “to provide a rule to either automatically select a new payment method based on customer preferences or select a payment instrument to be used for an authorization procedure in response to determining that the amount of the authorization request exceeds the transaction amount” in view of the teaching of Giordano to allow “for selection of a new payment method while avoiding embarrassment to a customer when their initial payment is declined.” Pet. 59 (citing Ex. 1002 ¶ 255). In support of this submission, Petitioner asserts that a person of ordinary skill in the art would have understood Hogg’s disclosure of a selection of payment options at the point-of-sale device to be “a disclosure of selection of a payment instrument.” Pet. 60 (citing Ex. 1005 ¶ 51; Ex. 1002 ¶¶ 245–248, 257). Petitioner asserts further that “Giordano explicitly discloses and acknowledges the benefit of providing an automatic rule-based selection of a payment option.” *Id.* at 61

(citing Ex. 1006 ¶ 133). Patent Owner does not contest this challenge to claims 4, 15, 24, and 27. *See generally* PO Resp.

We have reviewed Petitioner’s evidence and argument in support of this challenge. *See* Pet. 55–62. We agree with it and adopt it as our own. For the reasons provided therein, Petitioner has shown, by a preponderance of evidence, that Hogg and Giordano render claims 4, 15, 24 and 27 unpatentable.

F. Ground 4: Obviousness Based on Hogg and Heffez

Petitioner submits that claim 6 is unpatentable over Hogg and Heffez, Pet. 62–66. We begin our analysis of this ground with an overview of Heffez.

1. Heffez

Heffez is directed to a system and method for monitoring electronic purchases. Ex. 1007 ¶ 2. Specifically, in Heffez “a user identity (such as the user’s credit card, cash card, etc.) is associated with a first wireless terminal, e.g., the user’s cell phone.” *Id.* ¶ 14. In Heffez “[t]he position of the user’s cell phone is determined at intervals and cached (i.e., archived) to provide a stream of regularly updated pre-transaction positions.” *Id.* When

the user’s credit or cash card is later used, for example, at a point of sale (POS) electronic terminal having a known location (being a first location), the invention detects the use of the user’s credit card (i.e., identity) at the first location and compares the first location with the most recent cached position of the user’s cell phone.

Id. “If the first and second locations do not match in geographical proximity, the invention generates an alert or advisory message” which is sent “to a predetermined notification device, such as the user’s email account, a POS electronic terminal, a financial institution[’]s computers or

offices (such as the user’s credit card company’s computers, etc.)” *Id.*
“The alert can also be a reply message for blocking an associated electronic transaction at the first location.” *Id.*

2. Claim 6

Claim 6 requires “wherein evaluating the processing rule comprises determining whether the location of the purchaser differs from the location of the point of purchase.” Ex. 1001, 27:51–54. Petitioner submits that it would have been obvious to a person of ordinary skill in the art “to modify the method disclosed in Hogg . . . in view of Heffez . . . to further provide ‘evaluating the processing rule comprises determining whether the location of the purchaser differs from the location of the point of purchase.’” Pet. 62 (citing Ex. 1002 ¶¶ 263–264). In support of this submission, Petitioner asserts that “Hogg discloses including ‘location (e.g., identification of merchant and city/state) of the transaction’ among ‘level three data’ . . . as transaction information ‘stored in the database at the time of the transaction’ which can be used ‘to determine if a proposed transaction should be approved or denied’” and that Hogg discloses “that a geographic location of a merchant store can be used in a rule to determine whether a transaction is fraudulent.” *Id.* at 63 (citing Ex. 1005 ¶¶ 50, 75, 112; Ex. 1002 ¶ 273). Petitioner asserts further that “Heffez demonstrates that this was a well-known fraud detection parameter and that it would have been obvious to use it at the time of the alleged invention.” *Id.* at 63–64 (citing Ex. 1005 ¶¶ 50, 75, 112; Ex. 1002 ¶ 274).

According to Petitioner, it would have been obvious to a person of ordinary skill in the art “to use the merchant location (already being tracked by Hogg) with the customer location (as taught by Heffez) to identify a

situation in which the locations do not match in geographical proximity as a known ‘fraud indicator’ as taught by Heffez, to send the same kind of alerts already taught in both Hogg and Heffez.” Pet. 65 (citing Ex. 1002 ¶ 277) (emphasis omitted). Petitioner asserts that “[t]his simple substitution would have been easy for a [person of ordinary skill in the art] to implement at the time” and that a person of ordinary skill in the art

would have been motivated to make this combination to enhance the fraud detection rules offered in Hogg to include other known “fraud indicator” rules identified as desirable such as taught in Heffez, in order to detect fraudulent purchases, where the cardholder is not present at the point of purchase, such as can happen, for example, when a credit card has been stolen.

Id. at 65–66.

Patent Owner contends that “Heffez does not determine whether the location of the purchaser differs from the location of the point of purchase” because it only determines a cached pre-transaction position. PO Resp. 31 (citing Ex. 2001 ¶ 91). According to Patent Owner, “Heffez does not teach determining the customer location at the time of a transaction,” and “Hogg discloses only that geographic location of a merchant store can be used in a rule to determine whether a transaction is fraudulent.” *Id.* at 32 (citing Ex. 2001 ¶¶ 92–93). Thus, Patent Owner asserts that “Hogg and Heffez do not disclose all elements of claim 6.” *Id.* (citing Ex. 2001 ¶ 94).

In reply, Petitioner argues that there is “no requirement in claim 6 that the location of the purchaser be determined at the time of the transaction.” Pet. Reply. 17. Petitioner also notes that “Patent Owner admits that Hogg . . . discloses that a geographic location of a merchant store can be used in a rule to determine whether a transaction is fraudulent” and that “Heffez discloses the determination of the location of the purchaser and that the

system compares the location of the point of sale with the last known location of the purchaser.” *Id.* at 17–18 (citing Ex. 1005 ¶ 112; PO Resp. 32; Ex. 2001 ¶¶ 93, 273, 275–277; Pet. 6–65; Ex. 1007 ¶ 114). In addition, Petitioner points to Mr. Landers’ testimony to confirm that claim 6 does not require the location of the purchaser to be determined at the time of the transaction. Pet. Reply 18–19 (quoting Ex. 1018, 79:8–20, 80:8–19, 82:3–14). Thus, according to Petitioner, the combined teachings of Hogg and Heffez render claim 6 obvious. *See* Pet. Reply 20.

Patent Owner responds that “[d]etermining whether the location of the purchaser differs from the location of the point of purchase is necessarily ‘at the time of the transaction.’” PO Sur-reply 11 (citing PO Resp. 7, 31–32; Ex. 2001 ¶¶ 41, 91–92). In support, Patent Owner argues that the point of purchase is determined by the time of payment because the ’776 patent states that “[a]s used herein, ‘point of purchase’ refers to any point where a card is used to pay for a good or service. A point of purchase may include, for example, a store, a vending machine, an online retailer, a restaurant, a contractor, a provider of services, etc.” *Id.* (citing Ex. 1001, 5:53–57). This portion of the ’776 patent defines the location of the point of purchase, but it does not even imply that the location of the purchase must be determined at the time of the transaction, let alone explicitly require such a determination.

For these reasons, we determine that Petitioner has shown, by a preponderance of evidence that Hogg and Heffez render claim 6 unpatentable.

F. Ground 5: Obviousness Based on Hogg and Wehr

Petitioner submits that claim 26 is unpatentable over Hogg and Wehr. Pet. 66–70. We begin our analysis of this ground with an overview of Wehr.

3. *Wehr*

Wehr is directed to “a system and method for operating one or more fuel dispensers and according to which one or more marketing routines are executed.” Ex. 1008 ¶ 3. Wehr’s method identifies at least one characteristic specific to a customer and executes one or more marketing routines depending on the at least one characteristic. *Id.* at 4. In one embodiment, Wehr’s method uses promotion codes with a start date/time and an end date/time. *See id.* at 54. If a promotion code is identified a determination is made whether the date and time at which the customer is using the fuel dispenser falls within the start and end dates/times. *Id.*

4. *Claim 26*

Claim 26 requires “wherein the processing rule specifies an active time interval and wherein the processing rule is only evaluated during the active time interval.” Ex. 1001, 30:16–19. Petitioner submits that it would have been obvious to a person of ordinary skill in the art “to modify Hogg to include a processing rule that is applied during a limited time period, as was known at the time and taught in Wehr.” Pet. 69 (citing Ex. 1008 ¶ 54; Ex. 1002 ¶ 287). In support of this submission, Petitioner asserts that Wehr “discloses an active time interval during which a processing rule is evaluated (or tested) by a host computer” and “the determination of a discount for a fuel purchase (i.e., the evaluation of a rule) *only during a specified time*, namely, a time frame associated with a particular promotion code.” *Id.* (citing Ex. 1002 ¶¶ 289–290; Ex. 1008 ¶ 54).

According to Petitioner, it would have been obvious to a person of ordinary skill in the art “to apply the teachings of Wehr to the system of Hogg.” Pet. 69. Petitioner explains that “[s]pecifically, as discussed in

claim 5 of Hogg, a rule specifying an amount of money spent during a specified time as an indicator of fraud is taught.” *Id.* In addition, Petitioner asserts that “Wehr teaches specific time periods (e.g., ‘every day of the week such as 3:00 p.m. to 9:00 p.m.’), where a unique rule could be implemented by a remote host system in the context of a transaction. Pet. 69.

Patent Owner contends that Wehr does not disclose a processing rule that is only evaluated during the active time interval because “Wehr checks each time to see if the transaction falls within the promotion time period.” PO Resp. 34 (citing Ex. 1008 ¶ 54; Ex. 2001 ¶ 98).

In reply, Petitioner asserts that Patent Owner ignores Wehr’s disclosure “that ‘[i]f the current date and time *does fall between the start and end dates and times, a group discount associated with the promotion code is determined in step 54ad, with the group discount being a discount applicable to one or more POS systems*, including the POS system 20.” Pet. Reply 21 (citing Ex. 1008 ¶ 54). Petitioner also points to Mr. Landers’ testimony that “Wehr does disclose the evaluation of a processing rule (e.g., the determination of a group discount associated with the promotion code) during a specified time period (e.g., a time frame associated with a particular promotion code).” *Id.* at 22–23 (quoting Ex. 1018, 87:6–89; citing Pet. 69, Ex. 1002 ¶ 209).

Patent Owner responds that “Wehr has to evaluate each time whether the transaction is within the promotion period.” PO Sur-reply 12. Patent Owner’s response does not address the question of whether or not Wehr’s processing rule is evaluated during the time interval. The mere fact that Wehr sets a prior condition to evaluation of its processing rule is inapposite. In fact, Wehr’s prior condition assures that its processing rule is only

evaluated when the transaction is within the active time interval (promotion period).

For these reasons, we determine that Petitioner has shown, by a preponderance of evidence, that Hogg and Wehr render claim 26 obvious.

III. MOTION TO CORRECT TYPOGRAPHICAL ERRORS

Petitioner filed a Motion to Correct Typographical Errors under 37 C.F.R. § 42.104(c). Paper 9. Petitioner moves to correct two typographical errors in the Petition and one in the Zatkovich Declaration (Ex. 1002). We address these errors in Section I.D above. Accordingly, we dismiss the Motion as moot.

IV. CONCLUSION

For the reasons discussed above, Petitioner has demonstrated, by a preponderance of evidence, that claims 1–29 are unpatentable. In addition, we dismiss Petitioner’s Motion to Correct Typographical Errors. Paper 9.

Our conclusions regarding the claims at issue in this proceeding are summarized below:

| Claims | 35 U.S.C. § | Reference(s)/Basis | Claims Shown Unpatentable | Claims Not shown Unpatentable |
|---------------------------------------|--------------------|---------------------------|---------------------------------------|--------------------------------------|
| 1–3, 5, 7–14, 16–19, 20–23, 25, 27–29 | 102(b) | Hogg | 1–3, 5, 7–14, 16–19, 20–23, 25, 27–29 | |
| 7, 20, 28 | 103(a) | Hogg, AAPA | 7, 20, 28 | |
| 4, 15, 24, 27 | 103(a) | Hogg, Giordano | 4, 5, 24, 27 | |
| 6 | 103(a) | Hogg, Heffez | 6 | |
| 26 | 103(a) | Hogg, Wehr | 26 | |

| | | | | |
|------------------------|--|--|------|--|
| Overall Outcome | | | 1–29 | |
|------------------------|--|--|------|--|

V. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that claims 1–29 of U.S. Patent No. 8,280,776 B2 are determined to be unpatentable;

FURTHER ORDERED that Petitioner’s Motion to Correct Typographical Errors is dismissed as moot; and

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

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