Appeal Nos. 2018-1000, -1001

In the
United States Court of Appeals
for the Federal Circuit

JOHN D'AGOSTINO,

Appellant,

v.

MASTERCARD INTERNATIONAL INC.,

Appellee.

ON APPEAL FROM THE UNITED STATES PATENT AND TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD IN CASE NOS. IPR2014-00543 AND IPR2014-00544

BRIEF OF APPELLANT

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

D'Agostino v. MasterCard International Inc.

Case No. 18-1000-JA

CERTIFICATE OF INTEREST

Counsel for the:
☐ (petitioner) ▣ (appellant) ☐ (respondent) ☐ (appellee) ☐ (amicus) ☐ (name of party)

John D'Agostino

certifies the following (use "None" if applicable; use extra sheets if necessary):

1. Full Name of Party Represented by me	2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10% or more of stock in the party
John D'Agostino	John D'Agostino	None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court **(and who have not or will not enter an appearance in this case)** are:

Flachsbart & Greenspoon, LLC:
Robert P. Greenspoon
Joseph C. Drish

Maxey Law Offices, PLLC:
Stephen J. Lewellyn
Brittany J. Maxey

FORM 9. Certificate of Interest **Form 9**
Rev. 10/17

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. *See* Fed. Cir. R. 47. 4(a)(5) and 47.5(b). (The parties should attach continuation pages as necessary).

John D'Agostino v. MasterCard Inc., et al., Civil Action No. 1:13-cv-00738 (D. Del.)

10/16/2017
Date

/s/Robert P. Greenspoon
Signature of counsel

Please Note: All questions must be answered

Robert P. Greenspoon
Printed name of counsel

cc: ______________________________

Reset Fields

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INTRODUCTORY STATEMENT

John D'Agostino won in this Court already. But the Patent Trial and Appeal Board erred again. Its remand decision contains several errors, wrongly finding unpatentability a second time.

The PTAB misconstrued every patent claim under review. All claims require a transaction card to allow multiple transactions (plural). But the PTAB instead ignored multiple variations of the "multiple transaction" concept throughout the language of numerous claims, improperly holding that the Cohen prior art's single transaction card anticipates.

On top of this error, the PTAB stretched beyond reason to misinterpret two key disclosures into the Cohen prior art. First, the PTAB believed that when Cohen discloses a "certain store," it discloses an unidentified store. No reasonable fact finder could believe this. Second, no substantial evidence supported the PTAB finding that a separate Cohen disclosure ("groups" or "types" of stores) avoided pre-identification of stores – a requirement of this Court's law-of-the-case claim construction. The record shows the opposite.

This Court should correct the PTAB again by reversing. This appeal also points to the PTAB's lack of any remand authority, and the PTAB's noncompliance with its own policy for protecting patentees against harassment. These stand as separate grounds for vacating with instructions.

I. STATEMENT OF RELATED CASES

Under Federal Circuit Rule 47.5, one case might directly affect or be affected by this Court's decision.

- *John D'Agostino v. Mastercard Inc., et al.,* Civil Action No. 1:13-cv-00738 (D. Del.)

II. JURISDICTIONAL STATEMENT

This is an appeal from two inter partes review ("IPR") proceedings of the Patent Trial and Appeal Board ("Board"), IPR2014-00543 and IPR2014-00544. Appellant appeals the finding in IPR2014-00543 that claims 1-10, 15-25, 27-33, and 35-38 of U.S. Patent No. 8,036,988 are unpatentable under 35 U.S.C. § 102(e) as anticipated by U.S. Patent No. 6,422,462 to Cohen, and that claims 11-14, 26, and 34 are unpatentable under 35 U.S.C. § 103(a) as obvious over Cohen and U.S. Patent No. 5,826,243 to Musmanno. Appellant appeals the finding in IPR2014-00544 that claims 1-15 and 22-30 of U.S. Patent No. 7,840,486 are unpatentable under 35 U.S.C. § 102(e) as anticipated by Cohen, and that claims 16-21 are unpatentable under 35 U.S.C. § 103(a) as obvious over Cohen and Musmanno.

The Board issued a first decision from both IPR proceedings on August 31, 2015 (Appx5918-5943; Appx9673-9696). John D'Agostino ("Mr. D'Agostino") timely appealed. After remand from this Court, on July 28, 2017, the Board issued its "Decision on Remand." (Appx1-30; Appx31-60).

Mr. D'Agostino timely appealed again. (Appx6794-Appx6798; Appx10547-Appx10551). This Court has jurisdiction over this appeal from a final agency action (the United States Patent and Trademark Office, or USPTO) under 28 U.S.C. § 1295(a)(4)(A) and 35 U.S.C. § 141(c).

III. STATEMENT OF THE ISSUES

1. Whether the Board lacked subject matter jurisdiction to issue the Decision on Remand.

2. Whether the Board erred in its anticipation and obviousness holdings by misconstruing the claims to cover single transaction cards, and by mistakenly making findings about Cohen's disclosures of limitations to "certain stores," and limitations to "groups" or "types" of merchants, that lacked substantial evidence.

3. Whether the USPTO's agency policy, newly announced during pendency of this appeal, against allowing IPR proceedings involving the same prior art or arguments considered during previous examination justifies remand for the USPTO to implement that policy in this case.

IV. STATEMENT OF THE CASE

This case returns to this Court for a second time. Previously, Mr. D'Agostino won his claim construction challenge after the Board first tried to deprive him of his patents. *D'Agostino v. MasterCard Int'l Inc.*, 844 F.3d 945

(Fed. Cir. 2016). Unfortunately, the Board on remand acted outside its authority to issue any further patentability determinations, and in so doing made several additional claim construction and factual errors. In all, they led to a deeply flawed Decision on Remand that reached the same untenable outcome as the decision that this Court vacated in a precedential opinion.

A. Overview of the ’486 and ’988 Patents

The ’486 Patent and ’988 Patent are both entitled, “System and Method for Performing Secure Credit Card Transactions.” The specifications of the ’486 Patent and the ’988 Patent are identical, with the exception of minor corrections. Both patents claim priority to January 15, 1999. The ’988 Patent is a continuation of the ’486 Patent.

The Patents disclose a system and method of performing secure credit card purchases. A customer communicates with a custodial authorizing entity, such as a credit card company or issuing bank. The customer supplies the custodial authorizing entity with the account identification data such as the credit card number and a requested one of a possible plurality of predetermined payment categories that define parameters for authorization by the custodial authorizing entity. (Appx74; Appx87). The custodial authorizing entity then generates a transaction code communicated exclusively to the customer wherein the customer in turn communicates only the transaction code to the merchant instead of a credit card number. (Appx74; Appx87). The elimination of the need to disclose an active credit card number during a merchant transaction establishes transaction security. Figure 1 shows a schematic representation of a flow chart of various steps involved in the performance of the system and method:

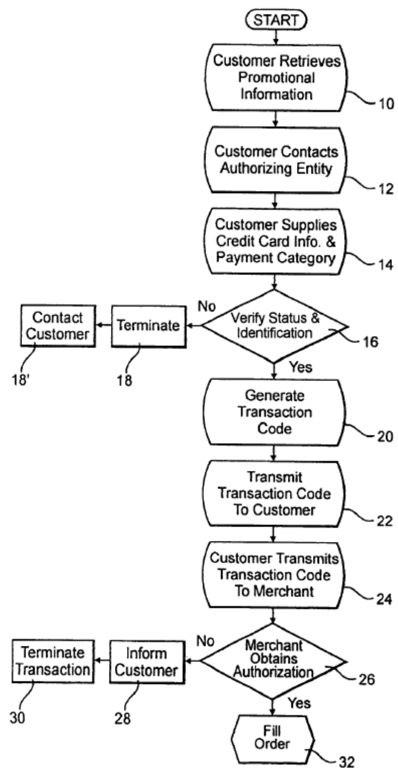

FIG. 1

A customer may commence using the system and method while viewing a product, either in person or by electronic techniques (10). The customer then (12) contacts a custodial authorizing entity. (Appx81; Appx94). The customer (14) supplies appropriate identification data to inform the custodial authorizing entity of a specific customer's credit card account and "payment category." (Appx81; Appx94). The custodial authorizing entity (16) verifies the credit card status and account identification of the customer to determine the viability of the account. (Appx81; Appx94). If the accessed credit card account is not in good standing, the custodial authorizing entity will permanently or temporarily terminate the transaction as at 18 and/or communicate to the customer directly as at 18' by any applicable means for purposes of informing the customer of the unacceptable status of the accessed credit card account. (Appx81; Appx94). If the credit card account is in good standing, the custodial authorizing entity (20) generates a transaction code indicative of the original credit card account and selected "payment category," and transmits it to the customer (22). (Appx81; Appx94). The customer then transmits the transaction code to the merchant (24). (Appx81; Appx94). The merchant (26) obtains authorization from the custodial authorizing entity. (Appx82; Appx95). If the transaction code is refused verification, the customer may be informed directly by the merchant (28) and/or the transaction may be terminated (30). (Appx82; Appx95). Assuming verification of the transaction code by the custodial authorizing entity, the merchant proceeds to consummate the purchase and fill the order (32). (Appx82; Appx95).

1. Specification Support for the "Single" and "One or More" Merchant Restrictions Within a Payment Category

An important feature of the preferred embodiment is the ability of the custodial authorizing entity and/or a processing computer of the custodial authorizing entity to issue a transaction code in accordance with the payment category. (Appx82; Appx95). The payment categories may define a variety of different types of transactions. Such transactions may include a single transaction for a specific amount of a purchase to be consummated. (Appx82; Appx95). Alternatively, the payment category may include a single transaction defined by a single purchase having a maximum limit amount, or to be completed within a fixed period of time. (Appx82; Appx95). These or other payment category restrictions may include a specific merchant identification to limit use of the transaction code. (Appx82; Appx95).

But a single transaction payment category, and having a specific merchant identification, are not the only way, since the specifications describe other options (which became the ***claimed*** embodiments). The '988 and '486 Patents disclose that the payment category may include a limitation that more than one purchase may be made from one or more different merchants, each of which may or ***may not*** be identified by the customer and pre-coded in association with the transaction code. (Appx82, '988 Patent, 8:18-22;

Appx95, ’486 Patent, 8:12-16). As stated in the patents, “[t]he payment category may also include a multi-transaction authorization wherein more than one purchase may be made from one or a plurality of different merchants, each of which may or may not be identified.” (Appx82, ’988 Patent, 8:18-22; Appx95, ’486 Patent, 8:12-16) The Patents indicate, in this section, that in some instances when a customer, or an agent of the customer (a child, guardian, or care giver) must make a number of transactions or purchases which are authorized by the customer, the customer may designate a maximum amount which can be spent utilizing a particular transaction code within a predetermined period of time, and/or can designate that only one merchant, ***whether designated or not***, can use the transaction code. (Appx82, ’988 Patent, 8:27-34; Appx95, ’486 Patent, 8:21-28). Therefore, a merchant need not be identified even in instances when transactions are limited to a single merchant or plurality of merchants.

Because the embodiments of the ’486 and ’988 Patents do not require a particular merchant to be identified prior to the generation of the transaction code (allowing a placeholder instead), the user is free to choose any merchant with whom to do transactions. This provides flexibility to the consumer to decide which merchant or merchants can use the transaction code after a code is generated. As such, the transaction code (acting as a security token) is generated before identification of any merchant, though in one aspect it may be programmed so that only a "single" future merchant may validly use the transaction code. The customer is free to go to any store to select who will become that "single" merchant, and thus make a purchase. Any future purchases using that transaction code will then be limited to that particular merchant. During original prosecution of the '486 Patent, Applicant remarked (in a passage overlooked by the PTAB):

> It is a significant advantage to have a payment category, which limits ***transactions*** to a single merchant and can be "designated" by the customer in a simple method step. ***This makes it unnecessary for the customer to communicate, in advance, to the issuing entity, or even to know in advance, the identity of the merchant.*** Eliminating the need to identify the merchant to the issuing entity, in advance, significantly simplifies the process for both the customer and the issuer. Yet the customer can still benefit from the security advantage of a transaction code that is limited to a single merchant even if the identity of that single merchant has not yet been determined. It has been shown that customers are very reluctant to adopt security measures that impair the speed, efficiency, and ease-of-use of their credit cards. A payment category that is pre-defined to limit ***transactions*** to a single merchant offers a very simple and efficient method to adopt a highly effective security measure.

(Appx1577, May 13, 2009 Applicant response, at 21, emphasis added).

2. Claim Language Reciting the "Single" and "One or More" Merchant Restrictions Within a Payment Category

The independent claims demand, as limitations, this flexibility for the consumer. The claims require that either a single merchant limitation or a plurality of merchants limitation (one or more) is included within a payment category prior to any particular merchant being identified as the single merchant or one of the plurality of merchants. The relevant claim language is:

> said single merchant limitation being included in said payment category prior to any particular merchant being identified ***as said single merchant***

(Appx84, '988 Patent claim 21; Appx95-97, '486 Patent claims 1, 24, 25, 29); and

> 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***

(Appx82-84, '988 claims 1, 17, 19, 22). In both cases (the "single merchant limitation" or "one or more merchants limitation"), no one particular merchant is identified prior to the limitation being established within the payment category. It is simply a placeholder, although one with a strict definition and consumer-oriented security purpose.

3. Prosecution Statements Regarding the Claimed Payment Category

As already mentioned, during original prosecution of the ’486 Patent, Applicant underscored that the claimed “payment category,” at first, contains a placeholder for a “single merchant” that does not name who that merchant will be:

> It is a significant advantage to have a payment category, which limits transactions to a single merchant and can be “designated” by the customer in a simple method step. ***This makes it unnecessary for the customer to communicate, in advance, to the issuing entity, or even to know in advance, the identity of the merchant.*** Eliminating the need to identify the merchant to the issuing entity, in advance, significantly simplifies the process for both the customer and the issuer. Yet the customer can still benefit from the security advantage of a transaction code that is limited to a single merchant even if the identity of that single merchant has not yet been determined. It has been shown that customers are very reluctant to adopt security measures that impair the speed, efficiency, and ease-of-use of their credit cards. A payment category that is pre-defined to limit ***transactions*** to a single merchant offers a very simple and efficient method to adopt a highly effective security measure.

(Appx1577, May 13, 2009 Applicant response, at 21, emphasis added).

Later, on December 10, 2009, Applicant filed remarks responding to a non-final rejection. In the response, Applicant acknowledged that the Examiner was asserting that a prior art patent to Langhans teaches the single merchant limitation due to the possibility of being able to control application of certain authorization parameters based on merchant category codes. Applicant disagreed:

> It is important to note here, a single "merchant category code" (Langhans et al., column 11, lines 65-67 to column 12, lines 1-7, cited by the Office) is not the same as a "single merchant". But rather, a merchant category code is used to identify a type of merchant.

(Appx1502, December 10, 2009 Applicant Argument/Remarks Made in an Amendment, at 24). On March 29, 2010, the Examiner at first maintained the rejection to certain claims as being unpatentable. (Appx1455-1467, March 29, 2010 Final Rejection, at 7, 13, 16-17, 19). But that did not end matters. On July 26, 2010, Applicant filed another response, arguing that the "single merchant limitation" requirement is not met when a data structure contains already-known merchants, rather than a blank placeholder for the customer to choose at a later time:

> Langhans et al. is clear a vendor must be on an approved vendor list or the transaction will be declined (col. 2, lines 50-55). In order to be included on an approved vendor list, a vendor must be identified. This is directly opposite to the recited claimed feature "prior to any particular merchant being identified as said single merchant." Moreover, there is nothing in Langhans et al. that teaches a transaction being limited to a single merchant. The Office cannot consistent with the specification of Langhans et al. read "an approved vendor list" to mean "a single merchant limitation being included in a payment category prior to any particular merchant being identified as said single merchant" as recited by the Applicant's claim 1.

(Appx1442, July 26, 2010 Applicant Arguments/Remarks, at 19, emphasis in original).

Accordingly, Applicant remained consistent in explaining that a population of one or more already-known merchants, or an already-known type of merchant, set in place at the time the payment category limitation is established, does not read on the "single merchant limitation" restriction in the claims. The Examiner eventually agreed. On September 1, 2010, the Examiner issued a Notice of Allowance, allowing issuance of the '486 Patent, because the prior art does not disclose the "single merchant limitation" requirement. (Appx1306, September 1, 2010 Notice of Allowance, at 14).

Notably in the midst of these exchanges, Applicant pointed out the Cohen reference for special consideration during the prosecution of the '486 Patent. (Appx1720; Appx1652; Appx1573). Yet the '486 Patent Examiner did not think it a significant enough reference to use in a rejection. The Patents' cover pages confirm that the original prosecution for both Patents included consideration of the Cohen patent as prior art. (Appx75; Appx88).

B. The First and Second Post-Grant Challenges, Using the Cohen Prior Art, Each Fail

A wealth of post-grant prosecution history also supports the understanding that the "single" and "one or more" merchant limitations ***exclude*** pre-identifying who will eventually become the "particular merchant." Before the IPR decisions on appeal here, Appellant secured determinations of patent validity from the USPTO over the same prior art. Initially, during original prosecution, Mr. D'Agostino made of record the Cohen prior art. (Appx1720). Mr. D'Agostino pointed to Cohen for special consideration in three separate office communications. (Appx1720, September 5, 2007 '486 Prosecution History Information Disclosure Statement; Appx1652, July 29, 2008 '486 Prosecution History 2008 Applicant Response, at 16; Appx1573, '486 Prosecution History May 13, 2009 Applicant Remarks, at 17). The Examiner considered it, and did not find it to affect patentability. (Appx1322). Then later, during *ex parte* reexamination proceedings (provoked by MasterCard itself), the highly skilled Central Reexamination Unit reconfirmed validity.

1. ***Ex Parte*** **Reexamination of the '988 Patent Results in Confirmation of All Claims**

On September 12, 2012, MasterCard (acting through a law firm) requested *ex parte* reexamination for all claims 1-38 of the '988 Patent (No. 90/012,517). (*See* Appx5473-5474, IPR2014-00543 Ex. 2002, Civil Action No. 1:13-cv-00738 (D. Del.), Def.'s Answer to Am. Compl. & Countercl., ¶47, at p. 8-9 (MasterCard admitting to demanding a below-litigation-cost license price, without which they threatened to request *ex parte* reexamination)). In the Request, MasterCard included a contention that that claims 1-38 are anticipated under 35 U.S.C. 102(e) by U.S. Patent No. 6,422,462 to Cohen, and claims 11 and 12 are obvious over Cohen in view of U.S. Patent No. 5,826,243 to Musmanno. On December 6, 2012, the USPTO denied *ex parte* reexamination, finding that the request raised no substantial new questions of patentability affecting claims 1-38 of the ’988 Patent. In denying, the USPTO noted the consistency between the disputed claim language and column 8, lines 18-34 of the ’988 Patent’s specification:

> One of ordinary skill would find this to teach ***transactions*** to be restricted to a certain quantity of merchants, whereby the identity of merchant(s) could either be pre-identified or the identity of merchant(s) could be unspecified. Looking to the claim language, the words in the claim require a restriction defined as a finite number of merchants with the further requirement that the merchant(s) NOT be identified at the time of defining the category restriction.

(Appx2644, December 6, 2012 Denial of Ex Parte Reexamination, at 5 (emphasis added)). Thus, in this passage, the USPTO comprehended perfectly well which of two mutually exclusive embodiments fall under the Patents’ claims. Applying this correct understanding, the USPTO confirmed that Cohen does not anticipate:

> Cohen’s restriction to “specific merchant’(s) and “particular store”(s) would cover the claim language of restricting the transaction to “one or more merchants” as part of the category restriction. However, such a category restriction clearly cannot be defined “<u>prior to</u> any particular merchant being identified” as claim 1 requires. Cohen’s “<u>specific</u> merchant”(s) or “particular store”(s) necessarily requires prior specifying of those merchant

> identities . . . . The other independent claims 17, 19, 21, 22 have similar language to claim 1 and therefore, <u>Cohen fails to raise a substantial new question of patentability for any of claims 1-38</u>.

(Appx2646-2647, December 6, 2012 Denial of Ex Parte Reexamination, at 7-8 (emphasis in original)).

On January 7, 2013, MasterCard petitioned for review of the Order Denying Request for *Ex Parte* Reexamination. MasterCard argued that Cohen restricted transactions to a "specific industry" prior to generating a transaction code. (Appx2627-2628, Review of Order Denying Request for *Ex Parte* Reexamination, at 6-7). On June 7, 2013, the USPTO granted the Petition for Review. It tentatively agreed with MasterCard's "specific industry" argument: "Cohen therefore limits a number of transactions to one or more merchants, those of a specific industry, while not identifying a [sic] particular merchant." (Appx2602, Reexam Petition Decision, at 6). The USPTO reasoned: "Limiting by industry does not necessarily identify a particular merchant." (Appx2602, Reexam Petition Decision, at 6). At that point, the USPTO petition decision surmised that since Cohen could, for example, provide a limit to clothing stores, it read on the claims of the '988 Patent. It is noteworthy that the petition decision reasoning leaves unaddressed the "single merchant limitation" restriction of claim 21, apparently in a mistaken belief that the "one or more merchants limitation" restriction of the other independent claims were all it needed to address. (Appx2600-2602, Reexam Petition Decision, at 4-6).

The petition decision meant that MasterCard's extraordinary tactic of trying to unwind a reexamination denial succeeded. The financial and title-clouding burdens of post-grant proceedings against Mr. D'Agostino and his Patents then began in earnest. On September 11, 2013, the Examiner (a different one from the one who denied reexamination) issued a Non-Final Action, rejecting claims 1-10 and 13-38 of the '988 Patent under 35 U.S.C. 102(b) as being anticipated by Cohen. Specifically, the Examiner provisionally found that "Cohen states that the card could even be customized for use in a particular store itself or a particular chain of stores (Cohen, col. 8, ll. 32-34). This is including one or more merchants in a payment category, a particular chain of stores, prior to any particular merchant being identified." (Appx2568-2583, September 11, 2013 Reexam Non-Final Action, at 4-5, 13-14, 19). The Examiner also rejected claims 11 and 12 under pre-AIA 35 U.S.C. 103(a) as being unpatentable over Cohen. (Appx2588-2589). On November 11, 2013, Patent Owner responded to the September 11, 2013 Office Action, where Patent Owner argued that claims 1-10, 13-20, 22, and 31-38 are not anticipated by Cohen.

On March 27, 2014, the Examiner maintained his position in a Final Rejection. In the Final Rejection, the Examiner cited column 8, lines 25-34 of Cohen, stating that some of the uses that the card can be customized to make the card only valid "for use for that particular type of charge (computer or hardware stores…[or] for use in a particular store itself or a particular chain of stores)." (Appx2451-2458, March 27, 2014 Final Rejection, at 7, 9, 14).

It was not until an appeal and the filing of Patent Owner's appeal brief that the new Examiner finally came to the original (correct) understanding as conveyed in the request-denial by the first CRU Examiner, and sided with Patent Owner. In his July 23, 2014 appeal brief, Patent Owner argued that claims 21 and 23-30 are not anticipated because Cohen does not disclose a payment category that at least limits transactions to a single merchant, the single merchant limitation being included in the payment category prior to any particular merchant being identified as the single merchant. (Appx2405-Appx2410). Patent Owner also argued that Cohen does not anticipate claims 1-10, 13-20, 22, and 31-38 because Cohen does not disclose a payment category that at least includes a limit to one or more merchants, the one or more merchants limitation being included in the payment category prior to any particular merchant being identified as one of the one or more merchants. (Appx2405; Appx2410-2415).

After this briefing, the second CRU Examiner and two conferees came to the same understanding that Cohen did not anticipate (as did all prior Examiners). In the Notice of Intent to Issue a Reexamination Certificate, the Examiner cited to 3:40-55 of Cohen, which contrasted with the contested sequence of the claimed method steps. (Appx2386-2387). The Examiner highlighted the fact that in Cohen, the customer is provided with a disposable or customized number and/or mailed, provided with, or allowed to activate a disposable or customized card for a single or a limited range use, but that the user indicated ***in advance of purchase***, what the single use or the customized credit card number is to be used for. (Appx2386, September 12, 2014 Notice of Intent to Issue a Reexam Certificate, at 3). When issuing the Reexamination Certificate, the Primary Examiner was John M. Hotaling II (of Art Unit 3992), and the two conferees were "C.S." and "WHC". (Appx2388, September 12, 2014 Notice of Intent to Issue a Reexam Certificate, at 5). These signees were different from those who issued the initial denial to institute reexamination, who were Jeff D. Carlson (Primary Examiner), C. Michelle Tarae (conferee) and Fred Ferris (conferee) (all of Art Unit 3992) (Appx2651, December 6, 2012 Denial of *Ex Parte* Reexamination, at 12). Thus, a total of six different Examiners within the CRU (*i.e.* Art Unit 3992) held, after reasoning and analysis, that the '988 Patent was valid over Cohen. Counting original prosecution, this meant that a total of ***seven*** USPTO examiners came to final conclusions of validity, ***all*** of whom considered validity in light of Cohen, and ***six*** of whom were CRU examiners who explicitly addressed and rejected MasterCard's invalidity arguments.

2. The PTAB Denies Institution of CBMR Proceedings on the '486 and '988 Patents

On September 17, 2013 – during the period of time when the '988 Patent was under a non-final rejection in *ex parte* reexamination – MasterCard sought post-grant review of both Patents through the Covered Business Method Review program. (Appx6179). On March 7, 2014, the PTAB denied these petitions (by the same PTAB board that eventually instituted IPR proceedings – Sally C. Medley, Karl D. Easthom, and Kalyan K. Deshpande), on the ground that pre-AIA Section 102(e) references are not usable as prior art during a CBMR. (Appx4734-4749; Appx8619-8629).

C. MasterCard's Follow-on Post-Grant Challenge Using the Cohen Prior Art Results in a Final Written Decision that Contradicts the *Ex Parte* Reexamination Outcome Reached by Six Separate Central Reexamination Unit Examiners

Undeterred by the CBMR denial, MasterCard then sought a *third* wave of post-grant review (fourth if counting the petition discussed above), leading to the present proceeding. MasterCard filed the present IPRs on March 28, 2014. This was during the time when the claims of the '988 Patent were under final rejection in the reexamination proceeding, but before the USPTO correctly withdrew the final rejection on September 12, 2014.

MasterCard eventually recognized that its goal of Board invalidation, if successful, would lead to an embarrassing problem for itself and for the USPTO. Once the CRU Examiner and his two conferees issued the Notice of Intent to Issue Reexamination Certificate, MasterCard immediately asked the Board to stay the actual issuance of the reexamination certificate confirming the claims. (Appx5435-5442). MasterCard noted that its success before the Board (should it succeed) would create "inconsistency, confusion and the appearance that the PTO and/or this board has sanctioned two different diametrically opposed decisions." (Appx5437). The Board denied the stay request. (Appx5532-5535). But MasterCard's central premise was right – inconsistency, confusion and diametrically opposed decisions ensued. As discussed below, this happened because the Board, unlike any of the seven Examiners before it, misunderstood the claimed inventions.

D. The Federal Circuit Decision

On December 22, 2016, this Court vacated and remanded the first Board decision in *D'Agostino v. MasterCard Int'l Inc.*, 844 F.3d 945 (Fed. Cir. 2016). This Court's decision began with the correct observation that the patents at issue "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." *Id.* at 947. The decision then went on to address numerous errors in the Board's initial treatment of the patents, stating that it limited its review to the "single merchant" claims and only to Cohen's "chain of stores" limitation, because the Board's first decision relied only on those. *Id.* at 948.

In construing the claims *de novo*, the Court observed that the "single-merchant limitation clearly requires a separation in time between the communication of one piece of information and the communication of another." *Id.* at 949. The first piece is "that the number of merchants to be covered by that code is one (no more, no less)." *Id.* In this stage, the identity "must not be identified to the authorizing entity at that time." That happens with the second, later piece of information: "[o]nly later is the 'particular merchant' identified, and the 'particular merchant' is identified *as* said single merchant." *Id.* (emphasis the Court's). The Court reinforced its claim construction by stating, "[a]t that earlier step, the account holder sets the number of authorized merchants at one without identifying the one." *Id.* The Court explained how the specification and prosecution histories (including statements during reexamination that specifically distinguished Cohen and its chain of stores example) supported its claim construction. *Id.*

The Court's decision analyzed the first Board decision and found that it erred in locating this claim limitation within Cohen's "chain of stores" disclosure, "whether as a matter of claim construction or as a matter of application to Cohen." *Id.* at 950. The Court stated that the "decisive problem" with the Board's conclusion:

> is that this scenario necessarily falls outside the single-merchant limitation. If Target is more than one merchant, then telling the authorizing entity to limit transactions to Target is not limiting the number of merchants (whose transactions are to be authorized) to one – and the Target scenario is for that reason outside the initial clause of the claim limitation. If Target instead is one merchant, then telling the authorizing entity to limit transactions to Target is not withholding the identity of the particular merchant – and the Target scenario is for that reason outside the second clause of the claim limitation. Either way, the chain store example fails to satisfy a claim requirement.

Id. Here the Court correctly understood that the claims covered "transactions" (plural). The Court also underscored that the Board's decision could not overcome this "straightforward logic" unless one separated the "single merchant" in the first clause from the "particular merchant" in the second clause – a conceptual separation that the claim "does not allow" because the "particular merchant" gets identified "*as*" the "single merchant." *Id.*

Though the Court stated that it was "not deciding" whether Cohen read on the "single merchant" claims in other Cohen embodiments than the chain-store example, or whether the "one or more merchants" limitation might call for a different analysis, *id.* at 950-51, several implications of what the Court did decide follow from its logic. The claims, whether of the "single-merchant" or "one-or-more merchant" variety, must be limited so that:

- The consumer sends two pieces of information at separate points in time.
- The first piece of information "sets the number" of merchants to be covered by the transaction code. This first piece of information "must not identify" (*i.e.*,"withholds") who the merchant(s) will be to the authorizing entity.

- The second piece of information "only later" identifies the merchant to the authorizing entity "*as*" either the single merchant or one of the previously set number.

The Court did identify one hypothetical scenario that would fall under the "single merchant" limitation language. In a footnote, the Court observed that MasterCard itself during oral argument had conjured up a technique that would correctly read on the Court's claim construction, even though the Board expressed confusion over how this could possibly happen. *Id.* at 951 n.1. This hypothetical presented the case where "the customer specifies, as the single merchant, the next merchant seeking authorization with the transaction code." *Id.*

While the Court was correct to approve MasterCard's hypothetical as reading on the claim language under review, the Court did not have occasion to note that *other* parts of all asserted claims have further requirements. Namely, every claim states that a payment category must allow more than one transaction. *E.g.*, Appx84 ('988 patent claim 21, preamble ("a system for performing secure credit card ***purchases***"), limitation (a) ("an account that is used to make credit card ***purchases***"), limitation (b) ("that limits ***transactions*** to a single merchant").

E. The Board's "Decision on Remand"

Claiming jurisdiction under 35 U.S.C. § 6 (which permits the Board to "conduct inter partes reviews . . . pursuant to chapters 31 and 32"), the Board continued proceedings on remand by soliciting additional briefing. Appx5976-5979. The Board issued its Decision on Remand on July 28, 2017.

In that decision, the Board first restated its understanding of this Court's "single merchant" claim limitation. Appx10; Appx40. The Board then adopted Mr. D'Agostino's correction to its original "one or more merchants" claim limitation in order to maintain consistency with this Court's rulings. Appx11-12 ("when the transaction code is requested, the request limits the number of authorized merchants to one or more merchants but does not then identify the one or more authorized merchants, such identification occurring only later."); Appx41-42. The Board did not explicitly adopt a final aspect of Mr. D'Agostino advanced construction (*i.e.*, that the number must be "finite"), though this detail simply carried forward prior Board rulings. Appx15; Appx45. Nor did the Board explicitly follow this Court's holding that this first piece of information to the authorizing entity "sets the number" of merchants. *D'Agostino*, 844 F.3d at 949.

The Board then turned to a new claim construction issue it believed was not resolved in this Court – whether the claims require allowing multiple purchases with the resulting code. Curiously, the Board held that Mr. D'Agostino "improperly raises for the first time" consideration of the individual claim limitations of each differently worded claim (such as claims 1, 24, 25 and 29 of the '486 patent), instead holding him to a "representative claim" analysis that solely looked to the relevant wording in claim 21 of the '988 patent. Appx12-13; Appx42-43 n.7. The Board claimed an inability to "discern" where Mr. D'Agostino had previously pointed out the "multiple purchases" requirements of the '486 patent claims, more prolifically worded than in the '988 patent claims. *Id.* This is remarkable because the Board itself acknowledged Mr. D'Agostino's remand citation to "544 PO Resp. 19-20" (located at Appx9330-9331), which indeed does make the pertinent argument against Cohen's single-transaction card showing "multiple purchases" under the '486 patent claim language, and also cites back to Mr. D'Agostino's Preliminary Response at 20-22 that specifically treats the explicit word "purchases" appearing in those claims. Appx5568-5569 (citing to Prelim. Resp. at 22-23); Appx9330. Mr. D'Agostino made similar references during oral argument at the PTAB. (Appx5888-5912; Appx9643-9667 [page 29 lines 17-23, page 52 lines 22-24, and page 53 lines 1-3, of the transcript of the IPR oral hearing]).

Regardless, as for the ’988 patent claim that the Board forced into “representative claim” status for this issue, the Board held that the claim only requires a transaction code “‘*to make a purchase*,’ which plainly means a single purchase.” Appx14; Appx44. The Board concluded that this leads “claim 21 of the ’988 patent to encompass a single transaction with a single merchant,” Appx14-15; Appx44-45. Thus ruling did not attempt to harmonize claim 21’s use of the plural in the preamble (“purchases”), limitation (a) (“purchases”) and limitation (b) (“transactions”). Instead, the Board placed all of its analysis in the conclusory and seemingly contradictory statement that “we find that the limitation ‘at least limits transactions’ only requires a single transaction in order to complete the recited ‘to make a purchase.’” Appx14; Appx44.

The Board then turned to a variety of Cohen embodiments to find anticipation of the same claims it had found anticipated in its first decision. The Board summarized MasterCard’s remand contentions as follows:

> that Cohen discloses the single-merchant limitation because Cohen discloses a card that limits purchases or transactions to (a) a single use, (b) a “type of store” and a “type of charge” (“any computer store”), and (c) a “certain store.” Pet. Remand Br. 3-11; Pet. 15-17; 543 Ex. 1008 ¶¶ 38, 44. Petitioner further argues that Cohen discloses (d) the one or more merchants limitation because Cohen discloses (i) a “chain of stores” and (ii) a “type of stores” and a “group of stores.” Pet. Remand Br. 11-15; Pet. 15-17; 543 Ex. 1008 ¶¶ 38, 44.

Appx17-18; Appx47-48. Of the MasterCard contentions that the Board labeled (a), (b), (c), (d)(i) and (d)(ii), the Board rejected those labeled (b) and (d)(i) (ruling for Mr. D'Agostino), and accepted those labeled (a), (c) and (d)(ii) (ruling for MasterCard). MasterCard did not appeal those aspects of the Decision on Remand that it lost, so Mr. D'Agostino will not treat them further in this brief. Where it ruled against Mr. D'Agostino, the Board reasoned as follows.

Contention (a): In its first ruling siding with MasterCard, the Board identified for analysis Cohen's single use card. The Board noted that the single use by definition limits the number of authorized merchants to one, wherein the user does not need to identify the merchant where the card will be used. Appx18; Appx48. The Board acknowledged Mr. D'Agostino's argument that the challenged claims "require more than one transaction." Appx18; Appx48. However, the Board rejected this distinction over Cohen's single use card purely as a matter of its previously-stated claim construction. Appx18; Appx48. The Board did not attempt to reconcile the use of the plural in the representative claim ("purchases," "transactions"), instead citing back to its own claim construction that contained conclusory and contradictory rationales (discussed above).

Contention (c): In its second ruling siding with MasterCard, the Board identified for analysis Cohen's use of a card for a "certain store." In this Cohen disclosure, the "card could be valid only for purchase on that particular day, to a certain designated purchase limit, and even, if desired only in a certain store." Appx20; Appx50 (quoting Cohen at 8:43-46). The Board acknowledged Mr. D'Agostino's point that this type of use "requires identifying the certain store at the time of requesting the transaction code, which does not withhold the identity of the particular merchant and, thus, does not meet the claim limitation." Appx21; Appx51.

However, the Board rejected Mr. D'Agostino's argument by holding, despite the use of the terminology "certain store," that "Cohen does not require that the certain store is identified." Beyond this conclusory and contradictory statement, the Board added that this Court's own hypothetical footnoted example illustrated this breadth, whereby "a 'customer specifies, as the single merchant, the next merchant seeking authorization with the transaction code.'" Appx21; Appx51 (quoting 844 F.3d at 950 n.1). The Board did not consult ordinary meaning dictionary definitions (such as those that indicate "certain" in Cohen's context to mean fixed, settled and definitely known). *See* Appx10558-10568.

Contention (d)(ii): In its final ruling siding with MasterCard, the Board identified for analysis Cohen's use of a card for a "type of store" or a "group of stores" with respect to the "one or more merchants" limitation. The Board indicated that the two rationales already mentioned – (a) and (c) discussed above – already anticipate the "one or more merchants" claims, but went on to identify this as a third overlapping anticipation rationale for such claims. Appx23-24; Appx53-54.

Here, the Board sided with MasterCard's conclusion that Cohen's "type" and "group" disclosures "'do not identify the particular [one or more] merchant[s].'" Appx23-24; Appx53-54. In so ruling, the Board rejected Mr. D'Agostino's two points showing that these Cohen disclosures are not within the "one or more merchants" limitation. First, the Board rejected Mr. D'Agostino's showing that "type" and "group" of store restrictions do not constitute communicating to the authorizing entity a set number of authorized merchants. Appx24-27; Appx54-57. Second, the Board rejected Mr. D'Agostino's showing that these Cohen disclosures pre-identify who the stores are within the "type" or "group," thus violating the claim construction Appx24-26; Appx54-56. The Board put the burden of proof in this regard on Mr. D'Agostino – holding that his showings were not "persuasive." Appx26-27; Appx26-27.

Mr. D'Agostino in fact did present evidence that "it is simply not possible to create a use restriction to a group [or type] of stores without identifying the stores that form the group [or type]." Appx6013-6014; Appx9766-9767 (quoting Mr. D'Agostino's remand response and expert declaration at Appx5637 ¶ 53). This expert testimony cogently explained that the authorizing entity will have already have linked the group or type with the particular authorized stores, so naming the group or type amounts to naming (pre-identifying) each of the "one or more merchants." Appx6013-6014; Appx9766-9767 (quoting Appx5637 ¶ 53). The Board's only ground for rejecting this showing was to state a conclusory assertion that "identifying the 'type' or 'group' of stores is not the same as identifying the store or merchant itself. For example, identifying 'clothing stores' is not the same as identifying Target as a merchant." Appx25; Appx55. Thus the Board did not address, much less contradict, Mr. D'Agostino's expert showing of how authorizing entities actually work.

With two overlapping rationales for finding anticipation of certain claims, and a third overlapping rationale for finding anticipation of certain others, the Board ended its Decision on Remand by addressing obviousness. There, the Board agreed with MasterCard's arguments, and found the remaining dependent claims obvious over a combination that added

Musmanno to the Cohen reference. Appx27-29; Appx57-59. This appeal followed.

SUMMARY OF THE ARGUMENT

The Board lacked jurisdiction to entertain unpatentability arguments on remand. No part of the IPR statute permits Board action more than 18 months after institution. Thus the Decision on Remand is *ultra vires*, and the Board lacked subject matter jurisdiction to issue it.

Even if it had jurisdiction, the Board erred in all three of its unpatentability rationales. (1) The claims require multiple purchases/transactions, thus excluding Cohen's single use card; (2) Cohen's "certain merchant" disclosure pre-identifies the merchant in violation of this Court's law-of-the-case claim construction; and (3) the "type" and "group" of store disclosures in Cohen (i) do not set a number and (ii) also require pre-identification in violation of the claim construction.

Finally, regardless of jurisdiction or any Board errors, Supreme Court administrative law principles counsel remand with instructions to apply the Board's new agency policy. During this appeal the Board changed its relevant agency policy under 35 U.S.C. §§ 315(d) and 325(d). It now implements an agency "norm" against using IPR to reconsider the same prior art or arguments that the USPTO considered during original or reexamination prosecution.

This agency norm fully applies here, and should lead to termination of proceedings.

Mr. D'Agostino also preserves all constitutional objections, in view of a current Supreme Court proceeding.

ARGUMENT

I. STANDARD OF REVIEW

On an appeal from the PTAB, this Court employs a substantial evidence standard of review for questions of fact. *Dickinson v. Zurko*, 527 U.S. 150, 162 (1999). When considering whether or not a PTAB finding meets the substantial evidence standard, the Court considers whether a reasonable fact finder could have arrived at the decision. *Id*. The Court reverses when a PTAB factual finding about the disclosures of the prior art is not based on substantial evidence. *See Institut Pasteur v. Focarino*, 738 F.3d 1337, 1345 (Fed. Cir. 2013) (reversing *inter partes* reexamination rejection upheld by the PTAB because the PTAB lacked substantial evidence to conclude that the prior art disclosed a particular claim limitation).

During its review, the PTAB applied the "broadest reasonable interpretation" ("BRI") framework to its claim constructions, in accordance with 37 C.F.R. § 42.100(b). In general, because the ultimate question of proper claim construction of a U.S. patent is a question of law, this Court reviews claim construction *de novo*. *Teva Pharms. USA Inc. v. Sandoz Inc.*, 135 S. Ct. 831, 837, 841 (2015). Where, as here, nothing in the case implicates the deference to fact findings contemplated by the decision in *Teva*, this Court reviews the Board's claim construction *de novo*. *In re Imes*, 778 F.3d 1250, 1252 (Fed. Cir. 2015). Under the BRI framework, this Court reverses when the PTAB's construction is unreasonable, for example by contradicting the specification or prosecution history. *D'Agostino*, 844 F.3d at 948; *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1298 (Fed. Cir. 2015) (in reversing the PTAB's "unreasonably broad" construction in an IPR, restating principle that a claim construction "cannot be divorced" from the specification and prosecution history record).

II. THE BOARD LACKED JURISDICTION, ISSUED INCORRECT UNPATENTABILITY RULINGS, AND ACTED IN CONFLICT WITH NEW USPTO POLICY THAT EMERGED DURING THIS APPEAL

A. The Board Lacked Jurisdiction on Remand to Do Anything Other Than Terminate Proceedings

This Court remanded in the first appeal on December 22, 2016. By then, over two years had passed since the Board's September 4, 2014 institution decisions. Appx5403-5423, Appx9273-Appx9291. The Board's July 28, 2017 "Decision on Remand" added another seven months. Appx1-30; Appx31-60. All told, the Board issued the decision on appeal here nearly three years after institution. The Board lacked jurisdiction to do so.

Under 35 U.S.C. § 316(a)(11), the Board must complete IPR proceedings within 1 year after institution, or (if good cause exists) within 18 months at the latest. The Board at first complied – it issued a timely final written decision that this Court vacated. On remand, time was up. There was nothing left for the Board to do, since it could not possibly meet the statutory deadline. Congress in effect created IPRs as a "one and done" process. The Board acted *ultra vires* in continuing to act by issuing a second untimely "Decision on Remand." The Board lacked statutory authorization to do so, and thus lacked jurisdiction for its actions.

"[T]he Supreme Court has noted that 'an agency literally has no power to act . . . unless and until Congress confers power upon it,'" and has cautioned that 'to supply omissions [within a statute] transcends the judicial function.'" *Fag Italia S.P.A. v. United States*, 291 F.3d 806, 816 (Fed. Cir. 2002) (quoting *La. Pub. Serv. Comm'n v. FCC*, 476 U.S. 355, 374 (1986) and two other Supreme Court decisions) (internal quotation marks omitted). Thus, this Court has not hesitated to limit agency self-aggrandizement of authority unto itself. *Id.* at 819 (holding Congress did not authorize Commerce to conduct two and four-year absorption inquiries for transition orders). This principle applies here. Neither the Board nor MasterCard can point to any statutory provision authorizing the Board to take actions on remand from this Court, or otherwise to generate a new "final written decision" outside the 18 month window.

Indeed, this Court and the regional circuit courts of appeal have reined in *ultra vires* agency action on numerous other occasions and in numerous other contexts where (like here) nothing in a statute authorized the agency action. *See Central United Life Ins. Co. v. Burwell*, 827 F.3d 70 (D.C. Cir. 2016) (affirming injunction against HHS requiring more of fixed indemnity providers than Congress required in relevant act); *Luminant Generation Co. v. EPA*, 675 F.3d 917 (5th Cir. 2012) (EPA attempt to enforce state law standards for particular pollution permit *ultra vires* under Congressional scheme); *Agro Dutch Indus., Ltd. v. United States*, 508 F.3d 1024 (Fed. Cir. 2007) (Commerce not empowered to conduct a particular kind of duty absorption inquiry); *Amer. Library Ass'n v. FCC*, 406 F.3d 689 (D.C. Cir. 2005) (reversing FCC order requiring demodulator products to have a particular feature when statutory scheme silent about demodulators); *Cal. Indep. Sys. Operator Corp. v. FERC*, 372 F.3d 395 (D.C. Cir. 2004) (vacating FERC ruling because Congress did not grant authority to replace utility's governing board); *NRDC v. Abraham*, 355 F.3d 179 (2d Cir. 2004) (DOE standards that replaced prior ones given no effect because Congress did not authorize replacement standard rulemaking); *but cf. Tokyo Kikai Seisakusho, Ltd. v. United States*, 529 F.3d 1352 (Fed. Cir. 2008) (noting some agency latitude in the unrelated scenario of an agency's unilateral, unforced reconsideration of its own decision).

Mr. D'Agostino acknowledges that this Court itself directed the remand. *D'Agostino*, 844 F.3d at 948 ("The Board on remand may consider other issues . . . .). This directive, however, did not address whether the Board has jurisdiction to act on remand, and therefore is not binding. *See FEC v. NRA Political Victory Fund*, 513 U.S. 88, 97 (1994) ("The jurisdiction of this Court was challenged in none of these actions, and therefore the question is an open one before us."); *Will v. Mich. Dept. of State Police*, 491 U.S. 58, 63

(1989) (citing *Hagans v. Lavine*, 415 U.S. 528, 535 n. 5 (1974)) ("[T]his Court has never considered itself bound by [prior *sub silentio* holdings] when a subsequent case finally brings the jurisdictional issue before us."). Mr. D'Agostino, in fact, consistently asked for reversal, not remand, in the principal brief of his first appeal. For similar reasons, prior AIA trial remand decisions from this Court do not preclude consideration of the jurisdictional question as a matter of first impression. *Cf. Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292 (Fed. Cir. 2015) (first-ever AIA trial remand opinion silent on remand jurisdiction, despite cross appeal reply at Doc. No. 31 p.27 raising issue in one paragraph without development and without case law citations).

For the foregoing reasons, the Court should vacate the Decision on Remand for lack of jurisdiction. Congress simply did not provide the Board with authority to issue a second final written decision outside the 18 month window. The decision on appeal is *ultra vires* and should never have come into being.

B. The Board Erred in Its Claim Construction and Findings about the Prior Art

Turning to the merits in the alternative, all three of the Board's conclusions that sided with MasterCard are wrong. First, the claims require multiple purchases or transactions to be allowed, thus excluding Cohen's single use card. Second, Cohen's "certain merchant" disclosure pre-identifies the merchant in violation of this Court's claim construction. And third, the "type" and "group" of store disclosures in Cohen neither set a number nor avoid pre-identification – in both respects violating this Court's rulings. Since these are the only grounds stated in support of the Board's Decision on Remand of unpatentability, this Court should reverse.

1. The Claims Exclude Single Use Cards

First, the Board erred to construe the claims to encompass single-use cards, and compounded that error by forcing a "representative claim" on Mr. D'Agostino (claim 21 of the '988 patent) that he did not want. The uninvited "representative claim" shortcut sidestepped relevant limitations in other claims that categorically should have prevented the Board's outcome.

Merely to reproduce a claim from the '486 patent illustrates the Board's arbitrary and unfair actions against Mr. D'Agostino. Those claims, even more than the '988 patent claims, foreclose any reasonable interpretation covering single use. For example, the '486 patent's independent claim 25 states:

> 25. A method of performing secure credit card ***purchases***, said method comprising:
>
> a) identifying a pre-established account that is used to make credit card ***purchases***;
>
> b) selecting a predetermined payment category which limits a nature, of ***a series of subsequent purchases*** 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 by a processing computer of a custodial authorizing entity of said pre-established account, said transaction code associated with at least said pre-established account and the limits of said selected payment category and different from said pre-established account;
>
> d) communicating said transaction code to a merchant to consummate a purchase within defined purchase parameters;
>
> e) verifying that said defined purchase parameters correspond to said selected payment category;
>
> f) providing authorization for said purchase so as to confirm at least that said defined purchase parameters are within said selected payment category and to authorize payment required to complete the purchase; and
>
> g) associating the purchase with said pre-established account.

Appx97 (emphasis added). The claim's discussion of a capability to make ***purchases*** (plural) using one code under the claimed method could not be clearer.

True, the claim describes an instance of one purchase to delimit how the communications flow back and forth during an actual transaction. But the claim language – particularly its preamble – shows that the overall claimed method is tailored for a user to make purchases (plural), not just a single purchase. *See Jansen v. Rexall Sundown, Inc.*, 342 F.3d 1329, 1333-34 (Fed. Cir. 2003) (preamble in a method claim is limiting when it recites "intentional purpose" of the claim). Indeed, the '486 patent dependent claims 14-17 explicitly require "at least two" purchases – express limitations completely irreconcilable with the Board's unpatentability conclusions. Claims 10-11 and 26-27 of the '988 patent also require "at least two" purchases. Appx83-84.

During prosecution of the '486 patent Applicant distinguished U.S. Patent No. 6,000,832 to Franklin ("Franklin") by pointing out an "important difference" that Franklin related exclusively to a substitute number that is used for a single transaction only. *See* July 29, 2008 Applicant Remarks, at 16-17. Appx1652-1653; *see also* May 13, 2009 Applicant Remarks, at 19. Appx1575.

Ignoring claim language and intrinsic record alike, the Board justified its claim construction (at least as to the "representative claim") with only non-sequiturs and unreasoned conclusions. The Board stated, "we find that the limitation 'at least limits transactions' only requires a single transaction in order to complete the recited 'to make a purchase.'" Appx14; Appx44. The conclusion simply does not follow. The Board's rationale reproduces the plural word "transactions," but then without explanation says it means something singular. The Board in the process betrayed no awareness of the plural form ("purchases") used throughout the claim preambles. *See In re*

NuVasive, 842 F.3d 1376, 1383 (Fed. Cir. 2016) (Board must give reasoned explanation, not conclusory assertions). The Board's decision also leads to another contradiction. It renders superfluous limitations to a "single merchant" in claims where the payment category has that requirement. That is, if a code permits only a single transaction, there would be no need to state that it also works with only with a single merchant.

Since every claim is limited to cards with multiple-purchase capability, the Board's claim construction was unreasonable and should be reversed. Since the correct claim construction permits no other conclusion than that Cohen's single use cards do not anticipate, the Court should reverse this ground.

2. The Claims Exclude Cohen's "Certain Store" Embodiment

The Board's second rationale for declaring the "single merchant" limitation claims unpatentable is also wrong. The Board interpreted the following passage in Cohen: that its "card could be valid only for purchase on that particular day, to a certain designated purchase limit, and even, if desired only in a certain store." Appx20; Appx50 (quoting Cohen at 8:43-46).[1]

[1] The Board's quotation from Cohen was incomplete, as the passage continues: ". . . and even, if desired only in a certain store, ***or group of stores or types of stores (e.g. clothing stores), or types of purchases or items***." In context, the word "certain" modifies each noun in the list ("store," "group,"

Neither MasterCard nor the Board suggested that this thin disclosure might read on this Court's construction of the "single merchant" limitation if a "certain store" means a pre-identified store.

But that is all that this phrase can possibly mean. In general, and certainly in the context of Cohen, a "certain store" is one that is fixed, settled and definitely known. This is the ordinary meaning of the term "certain." Appx10558-10568. Cohen never suggests otherwise. The Board incongruously believed that "certain store" means "indeterminate store." Yet if that were what Cohen intended, Cohen's own disclosure would have said so. Cohen describes multifarious variations on his core idea, and did not appear to hold any back that he felt to be within the scope of his disclosure.

Even if there were ambiguity in the "certain store" phrase, that still does not support the Board's outcome. If "certain store" could sometimes mean a fixed and pre-identified store, yet other times could mean the Board's notion of an indeterminate store, that just sets up (and simultaneously answers) the question of whether Cohen ***inherently*** anticipates. It does not. For a disclosure to inherently anticipate, it must convey to one of ordinary skill in the art that the suggested matter is "necessarily and always present." *Cont'l Can Co. v.*

"type" and "types"). Given the full context, it is clear that Cohen used the term "certain" to denote "pre-identified."

Monsanto Co., 948 F.2d 1264, 1268 (Fed. Cir. 1991); MPEP 2112. Under the most generous view, Cohen fails that test. A "certain store" can, at a bare minimum, sometimes mean a pre-identified store, and when it does it falls outside the claim scope – regardless of whether other times it might fall within it. *See In re Rijckaert*, 9 F.3d 1531, 1534, 28 USPQ2d 1955, 1957 (Fed. Cir. 1993) (rejection reversed because inherency was based on what would result due to optimization of conditions, not what was necessarily present in the prior art).

For these reasons, the Board's interpretation of Cohen did not rest on substantial evidence. But even if there were some merit to the Board's interpretive "finding," that still would not support the Board's decision. That is because at worst, if a Cohen "certain store" sometimes means an "indeterminate store," such an ambiguity would fail the test of anticipation by inherency for not being "necessarily and always present."

3. The Claims Exclude Cohen's "Group" and "Type" of Store Disclosures

The Board also erred in its third and final conclusion siding with MasterCard. This conclusion applies solely to claims with the "one or more merchant" limitations. The Board found that the "group" and "type" of store disclosures within Cohen fall within their scope. However, the Board failed to address (much less rationalize away) the contrary evidence of record, and in any case erred to assign the burden of persuasion on this point to Mr. D'Agostino.

No substantial evidence of record contradicted two points made by Mr. D'Agostino and his expert: (1) the "group" or "type" limitations in Cohen do not communicate a set number of merchants to an authorizing entity; and (2) regardless of whether they did, they impute labels which have already pre-identified who those merchants are (in violation of the Court's time sequencing requirement). *See* Appx5637; Appx6008-6010; Appx6013-Appx6015; Appx9432; Appx9761-9763; Appx9766-9768. The Board did not cite any evidence that these Cohen disclosures communicate a set number of merchants. That is because MasterCard presented none. Nor did the Board cite any evidence that using these Cohen disclosures would avoid pre-identification in violation of the claim construction. Again, MasterCard presented none. This Court's rulings hold that omitting a set number, or pre-identifying merchants, each require a finding of no anticipation. *D'Agostino*, 844 F.3d at 949-50.

Concerning no pre-identification in particular, Mr. D'Agostino presented evidence that "it is simply not possible to create a use restriction to a group [or type] of stores without identifying the stores that form the group [or type]." Appx6013-6014; Appx9766-9767 (quoting Mr. D'Agostino's remand response and expert declaration at Appx5637 ¶ 53). This expert testimony explained that the authorizing entity must have already linked the group or type with the particular authorized stores, which means that naming the group or type amounts to naming (pre-identifying) each of the "one or more merchants." Appx6013-6014; Appx9766-9767 (quoting Appx5637 ¶ 53). The Board's only ground for rejecting this showing was to state a conclusory assertion that "identifying the 'type' or 'group' of stores is not the same as identifying the store or merchant itself. For example, identifying 'clothing stores' is not the same as identifying Target as a merchant." Appx25; Appx55. This statement does not confront Mr. D'Agostino's reasoning. It merely assumes the conclusion, and uses that assumption to reject Mr. D'Agostino's analysis. That is insufficient to sustain the decision. *In re NuVasive*, 842 F.3d at 1383 (conclusory Board analysis insufficient).

For these reasons, no sound rationale supports the Board's conclusion on this third ground related to the "one or more merchant" limitation claims. The record lacked substantial evidence. Nor was it proper for the Board to shift the burden of proof onto Mr. D'Agostino to prove patentability. *In re Magnum Oil Tools International, Ltd*, 829 F.3d 1364, 1375 (Fed. Cir. 2016) (burden never shifts to the patentee).

C. The Board's Policy Change Under 35 U.S.C. § 315(d) / 325(d) Merits At Least a Remand With Instructions to Dismiss

At a minimum and regardless of the merits, based on new developments, the Court should remand with instructions to terminate. During this appeal, the Board changed a major policy on how it protects patentees from harassment by petitioners such as MasterCard. The facts of this case fall within the scope of that changed agency policy. Applying the new policy would unquestionably lead to the Board terminating the underlying IPR proceedings under 35 U.S.C. § 315(d) / 325(d).

"Generally, if an agency makes a policy change during the pendency of a claimant's appeal, the reviewing court should remand for the agency to determine whether the policy affects its prior decision." *Frantz v. Astrue*, 509 F.3d 1299, 1302 (10th Cir. 2007); *cf. NLRB v. Food Store Employees Union*, 417 U.S. 1, 10 (1974) (in case where retroactivity of the policy is in question, remand to decide retroactivity appropriate); *Williston Basin Interstate Pipeline Co. v. FERC*, 165 F.3d 54, 62-63 (D.C. Cir. 1999) (applying *Food Store* and remanding). It logically follows that when the agency already applies the policy retroactively, remand may not be necessary and the reviewing court should just apply the law as it exists now. *See Food Store*, 417 U.S. 1, 10 n.10 (noting the general rule that reviewing courts apply the law as it then exists).

On October 24, 2017 – during the pendency of this appeal – the Board issued a bulletin publicizing its designation of three earlier opinions addressing 35 U.S.C. § 325(d) as "informative." Appx10552-10553. An "informative" opinion is the second highest designation at the Board. It is lower than "precedential," but higher than "representative" or "routine." An "informative" decision is one that, while "not binding authority," either "[p]rovid[es] Board norms on recurring issues," "[p]rovid[es] guidance on issues of first impression," or "[p]rovid[es] guidance on Board rules and practices." Appx10556 (Board Standard Operating Procedure #2, rev. 9).

The October 24, 2017 designations fell under the first of these three standards. This is clear since the Board had frequently applied Sections 315(d) and 325(d) (*i.e.*, no "issue of first impression" existed), and since Sections 315(d) and 325(d) are statutory (*i.e.*, not a "rule" or "practice"). Thus the three opinions designated on October 24, 2017 embody the Board's publicized "norms on recurring issues." Such a "norm" statement is a statement of agency policy. That is because an "agency policy," by definition, is the agency's "position with respect to how it will treat – typically enforce – the governing legal ***norm***." *Envtl. Integrity Project v. EPA*, 425 F.3d 992, 997 (D.C. Cir. 2005) (citation omitted, emphasis added). Crucially, the October 24, 2017 "informative" designations were retroactive, since they did not limit application of the newly announced policy to future-filed petitions.

The most relevant of the three opinions designated "informative" on October 24, 2017 is *Cultec, Inc. v. Stormtech LLC*, Case IPR2017-00777 (PTAB Aug. 22, 2017) (Paper 7). (*Cultec* applied 35 U.S.C. § 325(d), but § 315(d) was likely intended since § 325(d)'s identical language concerns PGRs, not IPRs.) In *Cultec*, the Board refused to institute IPR proceedings because the examiner previously considered the asserted references – one raised in a third-party submission that the examiner discussed in rejecting the claims, and the other which the examiner cited and applied throughout prosecution. *Id.* at 8-13. The Board found that these facts embodied the scenario described in Section 315(d) / 325(d) – "the same or substantially the same prior art or arguments previously were presented to the [Patent and Trademark] Office." *Id.* at 7 n.6. Thus under the "norm" announced in *Cultec*, the Board will not institute IPR proceedings in such cases where the examiner previously considered the references. As of October 24, 2017, this became the Board's policy.

Cultec applies here, and justifies at least a remand. In Mr. D'Agostino's case, numerous examiners considered the prior art ultimately used by the Board – Cohen and Musmanno. This included reexamination examiners.

Those examiners concluded that the art did not render any claim unpatentable, even in the face of MasterCard's own arguments that it later recycled within IPR proceedings. Appx270-272; Appx1306-1308; Appx2385-2388; Appx2641-2651.

No distinction in *Cultec* exists that could harmonize the newly announced Board policy with continued existence of the underlying IPR proceedings. If anything, the facts here are stronger. *Cultec* did not involve reexamination as requested by the IPR petitioner itself. Though *Cultec* involved the IPR petitioner's counsel participating in a "Third Party Submission under 37 C.F.R. § 1.290," this submission did not trigger the rigorous process of *ex parte* reexamination, nor involve the Patent Office's most skilled team of examiners (the Central Reexamination Unit). If Board policy prevented the *Cultec* petitioner from trying to eek an inconsistent outcome from the same agency on the same prior art, it certainly prevents MasterCard from doing so.

For the foregoing reasons, if this Court does nothing else, it should at least remand with instructions for the Board to apply its current agency policy, and terminate proceedings under 35 U.S.C. § 315(d) / 325(d).

III. PRESERVATION OF UNCONSTITUTIONALITY ARGUMENT

The Supreme Court granted cert in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, No. 16-712, 2017 U.S. LEXIS 3727, at *1 (June 12, 2017). The Supreme Court will determine whether IPRs are unconstitutional. Mr. D'Agostino preserves his objection to IPR proceedings on the same grounds presently under review in *Oil States*: that they violate the Separation of Powers doctrine of the United States Constitution and infringe a Patent Owner's right to a jury trial on patent validity as enshrined in the Seventh Amendment. Mr. D'Agostino respectfully requests this Court to overturn the PTAB's patent invalidity decisions on this ground. Mr. D'Agostino hereby preserves all of his objections under the Constitution based on Separation of Powers and the Seventh Amendment, incorporating by reference the *Oil States* petitioner's merits brief.

CONCLUSION

In his previous appeal, Mr. D'Agostino argued that this case exemplifies the new plight of inventors under the AIA. As an individual inventor, Mr. D'Agostino did everything he reasonably could to secure clear title in the property rights surrounding his inventions. This included disclosing the Cohen prior art. In fact, he did so numerous times during original prosecution. Mr. D'Agostino took pains to build a clear prosecution record, unambiguously describing what his application claims actually meant, in a manner that does not read on the Cohen prior art.

But MasterCard threatened reexamination anyway if he refused their lowball offer for a license. Mr. D'Agostino did not yield. And the results justified his decision. Mr. D'Agostino won that reexamination over Cohen, not once but twice. Then when the first AIA attack came – CBM reviews using the Cohen prior art – he also won. Then when the Board issued its first faulty IPR decisions, this Court stepped in to make things right.

For the reasons discussed above, the IPRs under appeal – repeated follow-on filings – should never have been instituted, and if instituted should never have succeeded. With the decisions under appeal, the Board unnecessarily put the agency in conflict with itself, refusing to follow the sound logic and reasoning that led seven earlier expert Examiners to side with Mr. D'Agostino. In the process, the Board deployed unsound methodologies, reaching claim construction results that do not parse grammatically or semantically, making factual findings absent substantial evidence, and shifting the burden to Mr. D'Agostino to prove patentability.

For the reasons discussed above, this Court should remand with instructions to vacate or terminate the proceedings, or otherwise reverse the flawed Decision on Remand of the Board.

Respectfully submitted,

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