Trials@uspto.gov
571.272.7822

Paper No. 54
Filed: March 11, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ASKELADDEN LLC,
Petitioner,

v.

SEAN I. MCGHIE and BRIAN K. BUCHHEIT,
Patent Owner.

Case IPR2015-00125
Patent 8,540,152 B1

Before SALLY C. MEDLEY, JONI Y. CHANG, and
GEORGIANNA W. BRADEN, *Administrative Patent Judges*.

BRADEN, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
Inter Partes Review
35 U.S.C. § 318(a) and 37 C.F.R. § 42.73

I. INTRODUCTION

We have jurisdiction to hear this inter partes review under 35 U.S.C. § 6(c), and this Final Written Decision is issued pursuant to 35 U.S.C. § 318(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1–20 of U.S. Patent No. 8,540,152 B1 (Ex. 1001, "the '152 patent") are unpatentable.

A. Procedural History

Petitioner, Askeladden LLC[1] filed a Petition to institute an *inter partes* review of claims 1–20 of the '152 patent. Paper 1 ("Pet."). Patent Owner, Sean I. McGhie and Brian K. Buchheit,[2] filed a Revised Preliminary Response. Paper 14 ("Prelim. Resp."). Upon consideration of the Petition and Preliminary Response, pursuant to 35 U.S.C. § 314(a), we instituted an

[1] The Real Parties-in-Interest also includes The Clearing House Payment Company. *See* Paper 36.

[2] Patent Owner is represented by inventor Brian Buchheit, who is an attorney and registered to practice before the Office. At times during the proceeding, Mr. Buchheit indicated that he was representing "Patent Owners" (Mr. Buchheit and Mr. McGhie), while at other times Mr. Buchheit indicated that he was not representing Mr. McGhie, but rather acting *pro se*. Papers 4, 14, 37, 47, Ex. 2054. Over the course of the proceeding, we have provided instructions to Patent Owner on filing papers, authorized Patent Owner leave to refile papers and file papers beyond due dates, and expunged other Patent Owner papers that were not authorized, not in compliance with Board rules, and/or contained arguments beyond what was authorized. *See, e.g.*, Papers 8, 9, 11, 15, 37, 38 (and Exhibit 3001), 49, and 51.

inter partes review of claims 1–20 under 35 U.S.C. § 103 as obvious in view of Postrel,[3] Sakakibara,[4] and MacLean[5]. *See* Paper 34 ("Dec. to Inst."), 31.

In the Scheduling Order, which sets times for taking action in this proceeding, we notified the parties that "any arguments for patentability not raised in the [Patent Owner] response will be deemed waived." Paper 35, 3; *see also* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,766 (Aug. 14, 2012) (a patent owner's "response should identify all the involved claims that are believed to be patentable and state the basis for that belief"). Patent Owner, however, did not file a Patent Owner Response. To ensure clarity in our record, we required Patent Owner to file a paper, indicating whether it had abandoned the contest.[6] Paper 51. Patent Owner indicated that it had not abandoned the contest. *See id.* Patent Owner, however, did not seek authorization to belatedly file a Patent Owner Response, nor indicated that it wished to file such a Response. We have, therefore, the Petition before us with no Patent Owner Response. Nonetheless, Petitioner

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[3] US Patent Publication No. 2005/0021399 A1, iss. Jan. 27, 2005 (Ex. 1003, "Postrel").

[4] US Patent No. 6, 721,743 B1, iss. Apr. 13, 2004 (Ex. 1005, "Sakakibara").

[5] US Patent Publication No. 2002/0143614 A1, iss. Oct. 3, 2002 (Ex. 1004, "MacLean").

[6] An abandonment of the contest is construed as a request for adverse judgment. 37 C.F.R. § 42.73(b)(4). A request for adverse judgment, on behalf of a Patent Owner, would result in the cancellation of the involved claims of a challenged patent, e.g., without consideration of the Petition, etc. On the other hand, when a Patent Owner does not abandon the contest, but chooses not to file a Patent Owner Response, the Board generally will render a final written decision, e.g., based on consideration of the Petition, etc.

bears the burden to show, by a preponderance of the evidence, that the challenged claims are unpatentable.

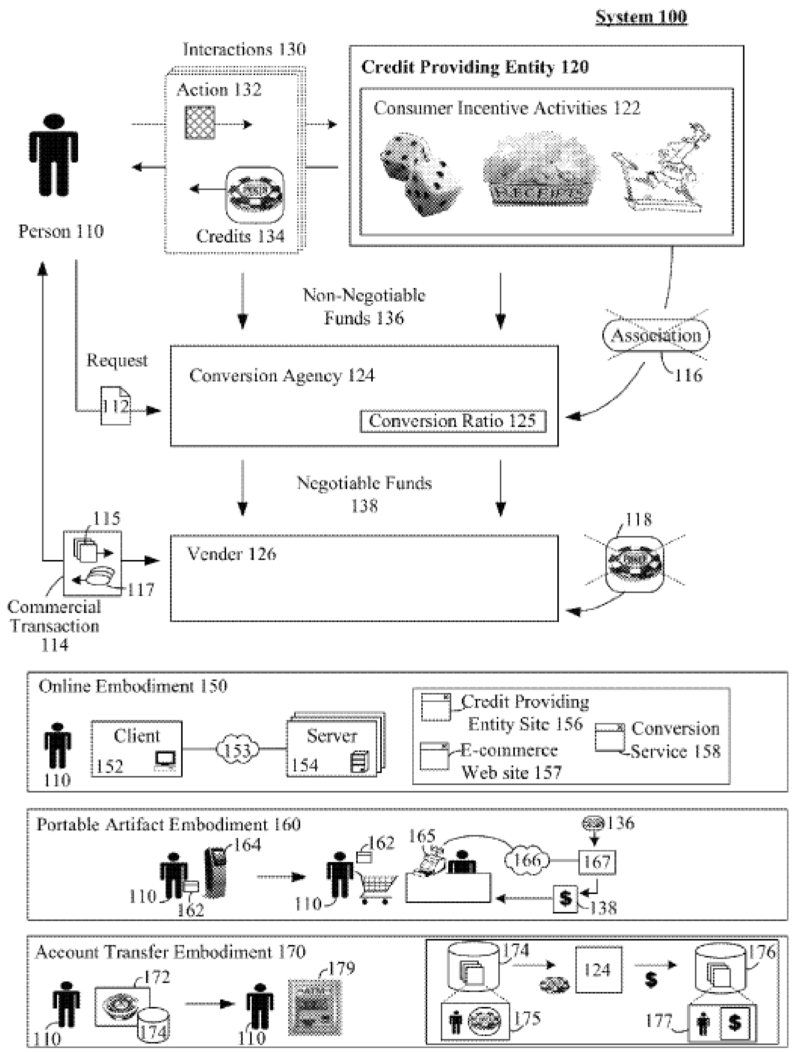
For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1–20 of the ’152 patent are unpatentable.

B. Related Proceedings

Petitioner informs us that the ’152 patent is the subject of a concurrently-filed petition for *inter partes* review. Pet. 1; *see* IPR2015-00124. Petitioner also informs us that related U.S. Patent Nos. 8,313,023 B1 and 8,511,550 B1 (“’023 patent” and “’550 patent,” respectively) are the subjects of covered business method review proceedings, cases CBM2014-00095 (“’023 CBM”) and CBM2014-00096 (“’550 CBM”). Pet. 1

C. The ’152 Patent

The ’152 patent discloses systems and methods for converting points or credits from one loyalty program to a different loyalty program and redeeming the points or credits for services or merchandise. Ex. 1001, Abstract. One embodiment of the ’152 patent is illustrated in Figure 1, reproduced below.



As shown in Figure 1, non-negotiable points or credits 136 earned from a consumer incentive activity 122 (e.g., a frequent flyer loyalty program) are converted to negotiable funds 138 provided by conversion agency 136. *Id*. at 3:60–64; Fig. 1. According to the ’152 patent, consumer incentive activity 122 is sponsored by credit providing entities 120. Ex. 1001, 6:19–21. Examples of “[c]redit providing entities 120 []includes corporations such as airlines, hotels, credit card companies, casinos, cruise ships, States (for lottery, scratch off games, etc.), churches, race tracks, online gambling site providers, e-commerce sites, slot-machine houses, carnivals, gambling parlors, companies (for promotional sweepstakes), high schools (for raffles), and the like." *Id.* at 6:21–27.

The '152 patent discloses an "online embodiment," described as Embodiment 150 in Figure 1, where "person 110 can interact (130) with credit providing entity site 156 to participate in consumer incentive activity 122." Ex. 1001, 4:38–41; Fig. 1. According to embodiment 150, "commercial transaction 114 can be conducted via an e-commerce Web site 157." *Id*. at 4:41–42. "Additionally, conversion agency 124 can implement a software based conversion service 158, which performs conversion of non-negotiable funds 136 into the negotiable funds 138." *Id*. at 4:43–46. "Web sites 156, 157 and service 158 can run within one or more servers 154." *Id*. at 4:46–47. "[S]ervers 154 can be connected to client 152 via network 153, where client 152 is a computing device that user 110 interacts (130 and/or 114) with." *Id*. at 4:47–50.

The '152 patent discloses an "account transfer embodiment," described as Embodiment 170 in Figure 1, where user 110 participates in consumer incentive activity 122 (e.g., in this instance game of chance 172). *Id.* at 5:15–17; Fig. 1. "Earnings (134, 136) from the consumer incentive activity 122 are recorded within tangible data store 174 associated with credit providing entity 120." *Id.* at 5:18–20. Data store 174 can include account 175 for user 110, which tracks the amount of credits 134 (i.e., non-negotiable funds 136) belonging to user 110. *Id.* at 5:20–23. According to the '152 patent, conversion agency 124 can directly access account 175 of data store 174 and can convert a quantity of credits 134 into negotiable funds 138, which are recorded in tangible data store 176 (not directly associated with entity 120). *Id.* at 5:23–27. "[D]ata store 176 can include account 177 for the [user] 110, which contains an amount of negotiable funds 138 belonging to [user] 110." *Id.* at 5:27–29. User 110 can conduct commercial transactions 114 via machine 179, such as a kiosk, an ATM, etc., which can a can assess and dispense the funds in account 177. *Id.* at 5:29–31.

D. Illustrative Claims

As noted above, an *inter partes* review was instituted as to claims 1–20 of the '152 patent, of which claims 1, 7, and 13 are independent claims. Claim 1 is illustrative of the challenged claims and is reproduced below (with paragraphing):

1. A method comprising:

   an entity agreeing to permit transfers or conversions of non-negotiable credits to entity independent funds, wherein the entity agrees to compensate a commerce partner by paying an amount in cash or credit for each non-negotiable credit redeemed by the commerce partner, wherein said non-negotiable credits are loyalty points of the loyalty program possessed by a member, wherein the loyalty points are maintained in a loyalty program account owned or controlled by the entity, wherein the entity redeems the loyalty points for a set of entity services that the entity provides to the member, wherein said entity independent funds are different loyalty points of a different loyalty program of a commerce partner, wherein the different loyalty points are redeemable by the commerce partner for commerce partner services that the commerce partner provides to the member, wherein said entity independent funds are possessed by the member and are maintained in a funds account, wherein the funds account is neither owned or controlled by the entity or by any subsidiary or parent of the entity, wherein the entity does not accept the entity independent funds as payment for any of the entity services;

   the computer detecting a set of two or more interactions earning additional non-negotiable credits for the member in accordance with terms-of-use of the loyalty program, wherein the computer adds the additional non-negotiable credits to the loyalty program account; and

   responsive to an indication of a conversion operation occurrence, the computer subtracting a quantity of the non-negotiable credits from

> the loyalty program account, said subtracted quantity of non-negotiable credits comprising at least a quantity of non-negotiable credits that were converted or transferred to a new quantity of entity independent funds, wherein the conversion operation occurrence causes the subtracting of the non-negotiable credits from the loyalty program account to occur approximately concurrently with an addition of a corresponding quantity of entity-independent funds being added to the funds account per the conversion operation occurrence.

Ex. 1001, 16:5–45.

II. DISCUSSION

A. Claim Construction

In an *inter partes* review, claim terms in an unexpired patent are interpreted according to their broadest reasonable construction in light of the specification of the patent in which they appear. 37 C.F.R. § 42.100(b); *see In re Cuozzo Speed Technologies, LLC*, 778 F.3d 1271, 1279–83 (Fed. Cir. 2015), *cert. granted, Cuozzo Speed Techs. LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016). Under the broadest reasonable construction standard, claim terms are given their ordinary and customary meaning, as would be understood by one of ordinary skill in the art in the context of the entire disclosure. *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007).

Petitioner proposes constructions for the following claim terms: "entity," "non-negotiable credits," and "entity independent funds," which are recited at least in independent claims 1, 7, and 13. Pet. 6–9. In our Decision to Institute, we determined that Petitioner's proposed constructions are consistent with the broadest reasonable construction, and adopted them. Dec. to Inst. 7–10. We also construed "loyalty program of an entity / loyalty program of a commerce partner" to mean a program backed by the entity so that the value of the loyalty points of the entity's loyalty program is guaranteed or secured by the entity. *Id.* at 10–11. Neither party has indicated that our constructions are improper and we do not perceive any reason or evidence that now compels any deviation from our initial constructions. Accordingly, the following claim constructions apply to this Final Written Decision:

Claim Term	**Construction**
entity	an organization that has a rewards program for a consumer
non-negotiable credits	credits which are accepted only by the granting entity of the credits
entity independent funds	funds acceptable as payment by at least one entity different from the original granting entity of the non-negotiable credits
Loyalty Program of an Entity / Loyalty Program of a Commerce Partner	a program backed by the entity so that the value of the loyalty points of the entity's loyalty program is guaranteed or secured by the entity

Our analysis in this Decision is not impacted by whether we apply the broadest reasonable interpretation or the *Phillips* standard applicable to district court proceedings. *See Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

B. Principles of Law

A claim is unpatentable under 35 U.S.C. § 103(a) if the differences between the subject matter sought to be patented 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 skill in the art; and (4) objective evidence of nonobviousness, i.e., secondary considerations. *See Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

In that regard, an obviousness analysis "need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ." *KSR*, 550 U.S. at 418; *see Translogic*, 504 F.3d at 1259. A prima facie case of obviousness is established when the prior art itself would appear to have suggested the claimed subject matter to a person of ordinary skill in the art. *In re Rinehart*, 531 F.2d 1048, 1051 (CCPA 1976).

We analyze the instituted grounds of unpatentability in accordance with the above-stated principles.

C. Level of Ordinary Skill in the Art

The applied prior art reflects the appropriate level of skill at the time of the claimed invention. *See Okajima v. Bourdeau*, 261 F.3d 1350, 1355 (Fed. Cir. 2001).

D. Asserted Obviousness of Claims 1–20 in view of Postrel, Sakakibara, and MacLean

Petitioner contends claims 1–20 of the '152 patent are unpatentable under 35 U.S.C. § 103 in view of Postrel, Sakakibara, and MacLean. Pet. 14–60. To support its contentions, Petitioner provides detailed explanations as to how the combination of prior art meets each claim limitation. *Id*. Petitioner also relies upon a Declaration of Matthew Calman

(Ex. 1002) for support. For reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that the challenged claims of the ’152 patent would have been obvious in view of Postrel, Sakakibara, and MacLean.

1. *Overview of Postrel*

Postrel describes a system in which a user may redeem reward points earned with a merchant, or may redeem the points with another merchant through an exchange network. Ex. 1003 ¶ 9. The user additionally may aggregate reward points with those of other merchants into a central exchange account and then redeem the points for goods or services from any approved merchant on the network. *Id*. ¶¶ 10, 44.

One embodiment in Postrel discloses a system that is illustrated in Figure 4, reproduced below.

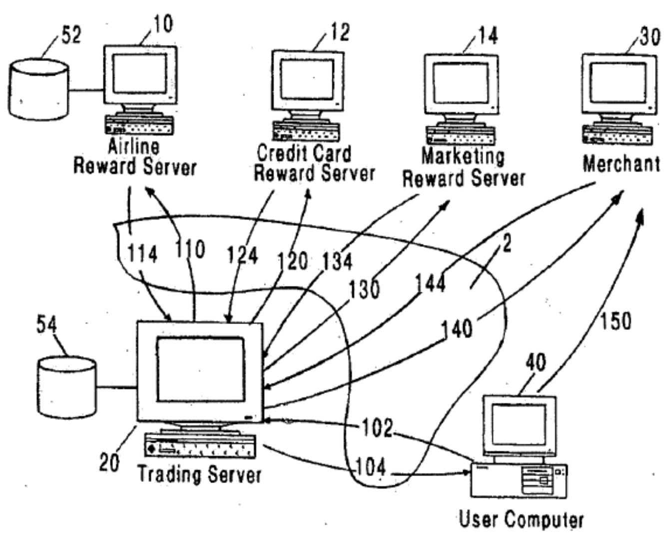


Figure 4 shows reward server computers 10, 12, 14, trading server 20, merchant computer 30 and user computer 40 in communication with network 40. *Id.* ¶ 59. According to Postrel, a user may acquire and accumulate reward points through any loyalty program and the points are posted in a user's reward account, which is accessible through reward server computer 10. *Id.* Postrel discloses that trading server 20 has both (i) a communication means to allow users to access the server and to allow the trading server to contact reward servers and (ii) a processing means to interpret the rules and coordinate the contact to the respective reward servers. *Id.* ¶ 68, Fig. 5. The processing means is adapted to allow the user to request and exchange consideration for rewards from reward servers, and coordinates the exchange of consideration and then can increase or decrease the user exchange accounts stored in memory in response to actions performed by the user computer, reward server, and/or merchants. *Id.* ¶ 68.

Another embodiment in Postrel discloses maintaining loyalty points by storing user and merchant account information in database 54, which is associated with trading server 20. *Id.* ¶ 32. This embodiment is shown in Figure 12, reproduced below.

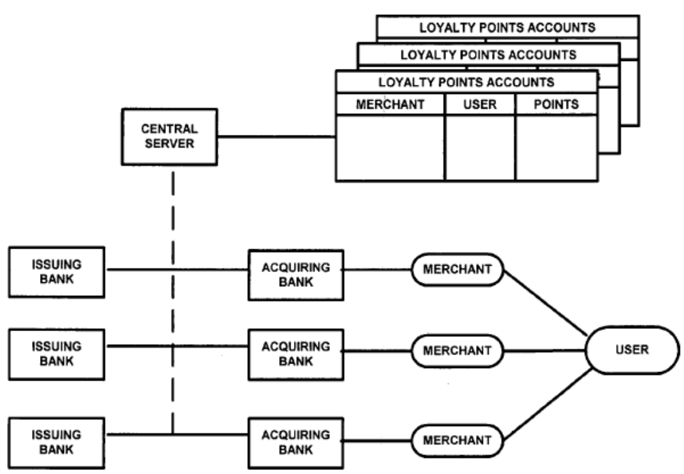
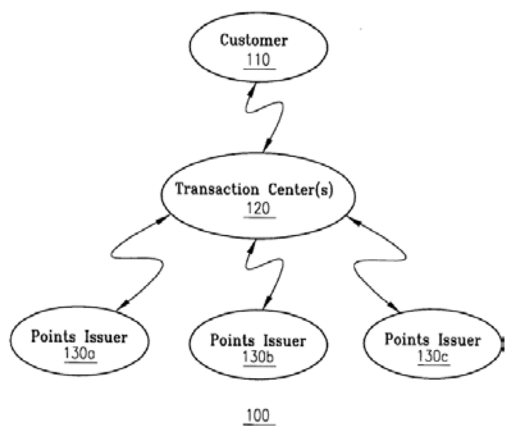


Figure 12 illustrates a simple database format wherein each merchant and user under that merchant has a record which indicates how many points are in the account, as well as other optional information (such as par value of points, restrictions on use, etc.). *Id.*

2. Overview of MacLean

MacLean discloses an apparatus and a method for facilitating the exchange of points between selected entities. Ex. 1004, Abstract. The method of MacLean specifically allows for tracking, managing, and exchanging points that are issued and redeemed in the context of a loyalty program. *Id.* ¶ 14. Figure 1, reproduced below, illustrates one embodiment of a point management system taught in MacLean.



In Figure 1, "point management system 100 facilitates interaction between customer 110, a transaction center 120 and a plurality of points issuers 130a–c." *Id.* ¶ 40. According to MacLean, point issuer 130 is any entity that (i) controls the disposition and distribution of a currency and (ii) operates a Loyalty Program that controls a private currency of points. *Id.* MacLean discloses that the points managed by system 100 may take the form of a variety of Loyalty Program ("LP") points such as those issued by airlines, hotels, financial entities, e.g., credit cards, and networks, e.g., portal web sites on the Internet. *Id.*

Another embodiment of the system taught in MacLean is illustrated in Figure 3, reproduced below.

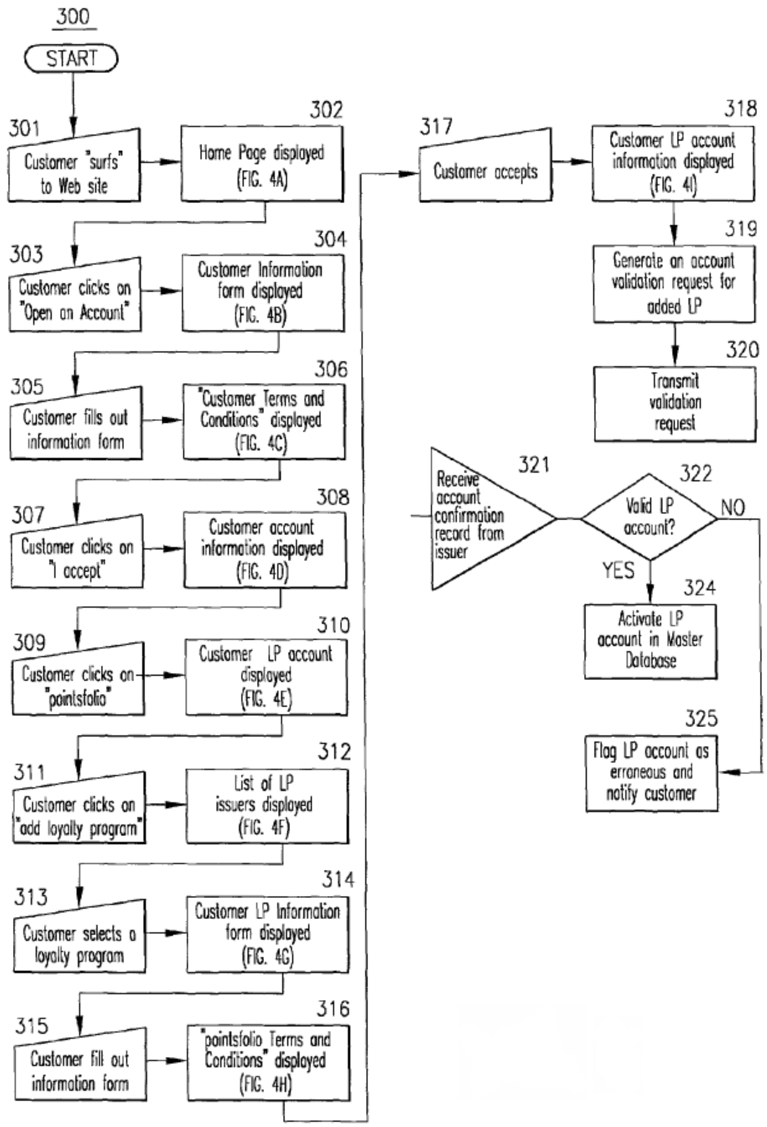


Figure 3 shows the steps that MacLean's point management system 100 uses to permit a customer to affect an exchange of points from one LP to another. MacLean teaches that customer 110 opens a portfolio with transaction center 120 and enters information regarding each points issuer 130 a–c with whom customer 110 has participated and has accumulated LP points. *Id.* ¶ 50; Figs. 4a–b. Transaction center 120 validates that customer 110 has an account with each points issuer 130 a–c. *Id.* A valid account confirmation record will include the current points balance for that LP account and transaction center 120 will add the account to customer 110's the portfolio. *Id.* ¶ 50; Fig. 4E.

MacLean discloses an embodiment that uses computer programs to implement the exchange of point from a first issuer LP (from which points are withdrawn) to a second issuer LP (to which points are deposited and received). *Id.* ¶ 52; Figs. 5A, 6A–I. This embodiment is illustrated in Figure 5A, reproduced below.

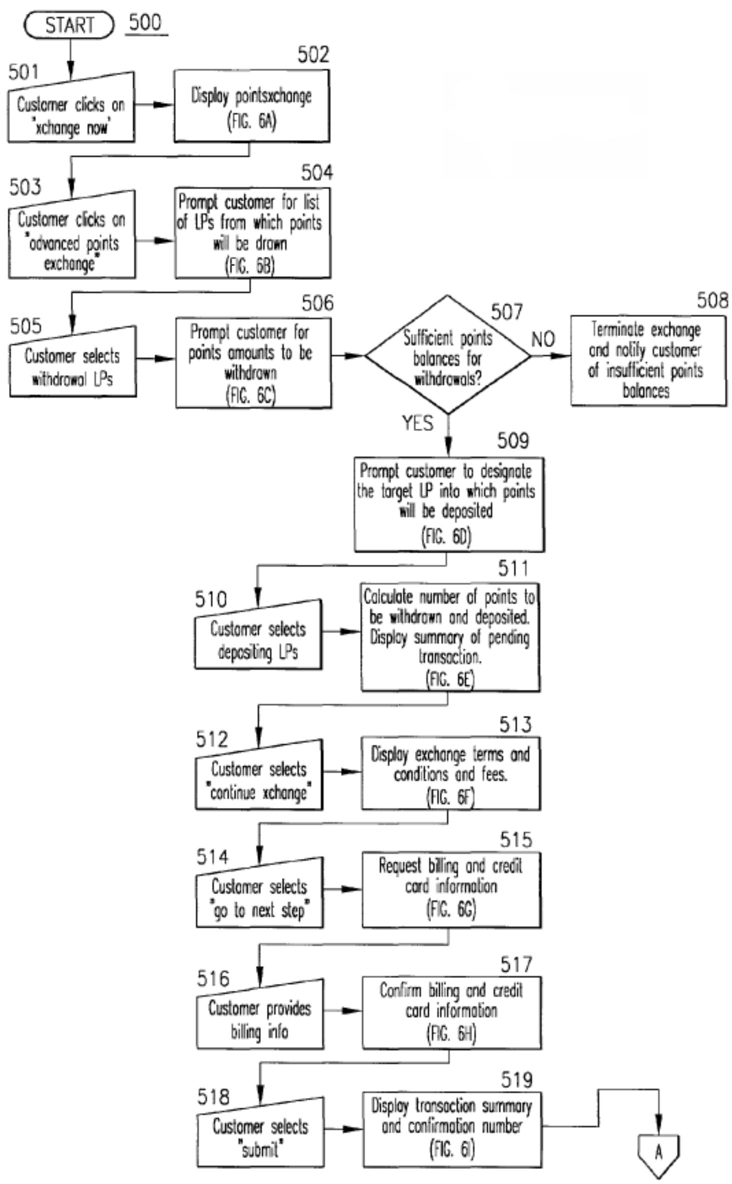


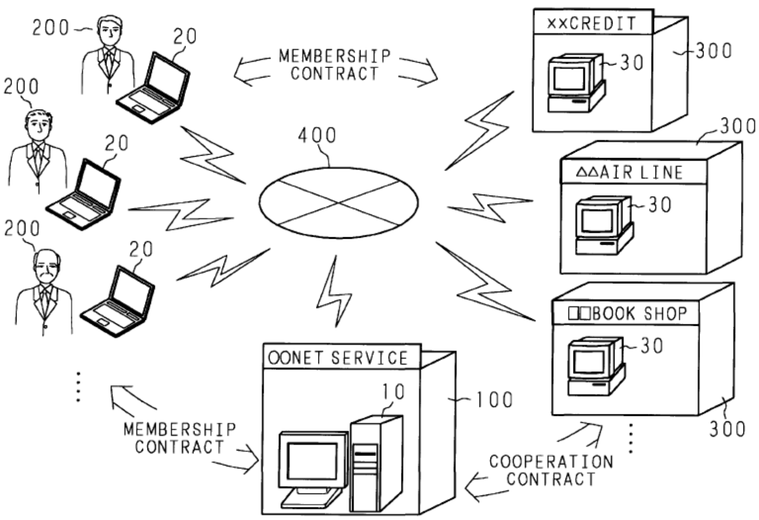
Figure 5A shows that once a customer has validated accounts in its portfolio, the customer can follow a series of steps to request that points be exchanged between two issuer LPs. According to MacLean, after the customer designates the withdrawing LPs, step 507 of Figure 5A compares the current point balances of the customer's accounts in the withdrawing LPs with the number of points requested in step 506 and if the requested points is greater than the assessed account balances, then step 508 terminates the point exchange carried out by the execution of the point exchange program 500 and a message is displayed to notify the customer that its current point balances are insufficient to complete the requested points exchange. *Id.* ¶ 52; Figs. 5A. On the other hand, MacLean explains that "if the points are available in the customer's LP accounts, then the point exchange program 500 moves to step 509, which displays web page 630." *Id.* ¶ 52; Figs. 5A, 6D. Web page 630 includes a box 632 for step 510, which permits the customer to designate the depositing LP to which the points are transferred. *Id.* ¶ 52; Fig. 6D. Step 511 in MacLean calculates the exchange rates for this points transaction and displays a summary of the withdrawal and deposit points. If the customer chooses to continue with the transaction, then in step 515 the customer enters any required payment information needed to affect the exchange. *Id.* ¶ 52; Fig. 6D–6I.

MacLean discloses that "[o]nce the details of the requested points exchange have been accumulated and confirmed by the web server 230", "points exchange program 500 is executed in a two-step procedure." *Id.* ¶ 53; Fig. 2. "The first step performs all of the points withdrawals from the designated withdrawing LPs and the second step performs the points deposit to the designated depositing LPs." *Id.* ¶ 53.

3. *Overview of Sakakibara*

Sakakibara discloses a system for managing and exchanging points received as rewards for purchasing products, or using various products or services. Ex. 1005, 1:10–29. The system in Sakakibara allows a user to convert points from one program into points from another program in accordance with a conversion ratio. *Id*. at 7:7–10.

Figure 1, reproduced below, illustrates one embodiment disclosed in Sakakibara.



As shown in Figure 1, a first business entity 100 provides on-lines services, as well as loyalty points that are used as virtual money but can only be used on communication network 400. *Id*. at 6:3–12. Another embodiment in Sakakibara discloses that the loyalty points issued by first business entity 100 are redeemable only by first business entity 100. *Id*. at 12:64–13:30.

According to the illustration in Figure 1, "customers 200 are connected to communication network 400 through customer-use terminal units 20 such as personal computers, and also have a membership to point services provided by various second business entities 300 that serve valuable points which are exchangeable for various products and services as a reward for consumption activity." *Id*. at 6:16–22. First business entity 100 and second business entities 300 enter business cooperation contracts with each other and the entities are connected to network 400 through cooperate-use terminal units 30. *Id*. at 6:25–29. According to Sakakibara, communication points database 101 records information related to loyalty points, while exchange database 102 records information related to an exchange rate of loyalty points and various valuable exchange points managed by second business entities 300, and customer information database 103 records information related to customers 200. *Id*. at 6:44–51.

Sakakibara provides an embodiment that allows customers 200 to authenticate their identities, confirm that they have memberships with first business entity 100 and respective second business entities 300, and then exchange loyalty points between the business entities. *Id*. at 7:40–8:10. Sakakibara discloses that in exchange database 102, data indicating the exchange rates between the valuable exchange points and the loyalty "points managed by respective second business entities 300 are recorded in the items showing the names of respective second business entities 300 (or the common names of provided services)." *Id*. at 7:1–6. Figure 4, reproduced below, illustrates an example of exchange rates established for second business entities 300 using Sakakibara's system.

NAME	RATE
××CARD	0. 42
△△AIR LINE	0. 66
□□BOOK SHOP	1. 00
⋮	⋮

Figure 4 shown exchange rates used to calculate the value of loyalty points and determine the appropriate exchange information. *Id*. at 8:36–8:40. "[T]he recorded exchange rates are values set according to the contents of the contracts made between first business entity 100 and respective second business entities 300." *Id*. at 7:7–10.

4. Analysis

Petitioner contends the disclosures of Postrel, Sakakibara, and MacLean, as summarized above, teach or suggest each limitation of claims 1–20 of the '152 patent. Pet. 14–60.

a. Independent Claims 1, 7, and 13

Petitioner contends that a person of ordinary skill in the art would be well versed in loyalty programs, loyalty points, and the conversion or exchange of loyalty points. *Id*. at 10–14. Postrel, Sakakibara, and MacLean are all in the same field (loyalty points management systems) and address the same problem – managing/controlling and exchanging/converting loyalty points. *Id.* at 15–19; *see* Ex. 1002 ¶¶ 54, 64, 74. Petitioner supports its position with the Declaration of Mr. Calman, who testifies that a person of skill in the art would have understood that Postrel, Sakakibara, and MacLean relate to general principles of loyalty programs and include well-known features (such as withdrawing points from one loyalty program and converting them to another loyalty program's points) that were widely practiced in loyalty programs, thereby rendering the challenged claims obvious. Ex. 1002 ¶¶ 54, 64, 74.

Petitioner contends that Postrel discloses agreeing to permit conversions (i.e., aggregation or exchange) because Postrel describes an agreement, in the form of an "exchange rate and fee structure . . . set amongst [i.e., agreed upon by] the merchants [e.g., Smith Pizzeria] and the exchange server operator [e.g., VISA]." Pet. 15–16 (citing Ex. 1003 ¶¶ 45, 56). Petitioner then contends that Postrel teaches the use of loyalty points as non-negotiable credits and such loyalty points may be subject to a "restriction on use." *Id.* at 16 (citing Ex. 1003 ¶¶ 8, 32, 41). According to Petitioner, Postrel's loyalty points are consistent with the general concept that loyalty points earned from one merchant could not be redeemed for services at another merchant, which Petitioner argues has long been the standard practice. *Id.* at 16 (citing Ex. 1002 ¶¶ 51–53, 98–100, 145–147).

Petitioner further contends that Sakakibara discloses the concept that loyalty points are non-negotiable credits. *Id.* at 16–17. According to Petitioner, Sakakibara describes a system that allows a user to convert loyalty points from one entity's program into points from another's in accordance with a conversion ratio and explicitly recognizes that, absent conversion, another entity (i.e., a commerce partner) does not accept the nonnegotiable credits as payment for services. *Id.* (citing Ex. 1005, Abstract, 7:7–10, 12:64–13:30); Ex. 1002 ¶¶ 56, 100, 147. Petitioner cites to claim 9 of Sakakibara as support for its position, because "[c]laim 9 recites that, prior to conversion, loyalty points issued by [one] entity are only redeemable at that entity (i.e., they are nonnegotiable)." Pet. 17 (citing Ex. 1005, 12:64–13:30).

Petitioner then contends that both Postrel and MacLean teach "real time" transactions. Pet. 18. Petitioner explains that MacLean discloses a transaction server that affects a points exchange (i.e., subtracting non-negotiable credits from the entity loyalty program fund, and adding entity-independent funds to the commerce partner loyalty program fund) via an application programming interface (API), i.e., a "real time" (approximately concurrent) protocol and immediately displays those points totals. Pet. 18 (citing Ex. 1004 ¶¶ 51, 57–59, Figs. 6E, 6F). Petitioner concludes that one of skill in the art would have been motivated to combine Postrel and MacLean in order to minimize any significant delay in completing a conversion operation, which would avoid a situation where a user's account reflects only a partially-complete conversion operation and thus, inaccurate information about points totals. *Id.* at 18–19; Ex. 1002 ¶¶ 72–74, 117–119, 169–171.

We agree with, and adopt as our own, Petitioner's position that the combined teachings of Postrel, Sakakibara, and MacLean, as summarized above, teaches or suggests each limitation of challenged claims 1, 7, and 13, specifically that the combined disclosures of Postrel, Sakakibara, and MacLean teach or suggest "wherein said non-negotiable credits are loyalty points of the loyalty program possessed by a member" and "wherein said entity independent funds are different loyalty points of a different loyalty program of a commerce partner." We credit the testimony of Mr. Calman, who states that "Postrel describes that the non-negotiable credits are loyalty points of a loyalty program possessed by a member (i.e., a user)." Ex. 1002 ¶ 105 (citing Ex. 1003 ¶¶ 9, 25, 30, Fig. 14). Mr. Calman further testifies that "Postrel also describes an acquiring bank that maintains the loyalty points in a loyalty program owned and controlled (contractually) by the entity (i.e., a merchant)." *Id.* With respect to the loyalty points and the loyalty program being different as required by the claims, Mr. Calman explains that "Postrel describes that entity independent funds are loyalty points of the central or exchange server operator (such as MasterCard, VISA, or American Express) loyalty program [which] is different than the merchant's, such as the Pizzeria's, loyalty program", and "a user instructs the central exchange server to exchange points into his exchange account from selected merchant loyalty accounts." Ex. 1002 ¶ 108 (citing Ex. 1003 ¶¶ 30, 43, 59). We give Mr. Calman's testimony substantial weight in that regard because it is supported by Postrel's disclosure and what Postrel would have conveyed to a person of ordinary skill in the art at the time of the invention.

We also agree with, and adopt as our own, Petitioner's position that loyalty points, prior to conversion, are non-negotiable credits. *See* Pet. 16–18. Postrel recognizes that, absent an exchange system, redeeming loyalty points is restricted to goods or services of the entity that issued the points. Ex. 1003 ¶¶ 5, 41. Furthermore, we credit the testimony of Mr. Calman that it was well known in the art that loyalty points, prior to conversion, are non-negotiable credits, as evidenced by Sakakibara. Ex. 1002 ¶ 53 (citing Ex. 1005, 12:64–13:30); *see also id.* ¶¶ 46–48 (discussion of the knowledge of one of skill in the art at the time of the alleged invention). Mr. Calman's testimony is consistent with the description in the '152 patent regarding the state of the art at the time of the invention, which indicates that "[e]ntities often reward consumers for utilizing their services with certain credits. These *non-negotiable credits*, can often be applied towards products and/or services provided by a granting entity or its affiliates." Ex. 1001, 1:32–35 (emphases added). Therefore, we are satisfied one of ordinary skill in the art would have recognized that, in light of Sakakibara, Postrel's loyalty points, prior to conversion, are non-negotiable credits.

We also determine that Petitioner has identified sufficient reasoning for the proposed combination of Postrel, Sakakibara, and MacLean with respect to claims 1, 7, and 13. Pet. 18–19; Ex. 1002 ¶¶ 54, 65, 72–74, 117–119, 169–171. For example, Petitioner argues that because both Postrel and MacLean relate to conversion of loyalty program points via a web site interface, one of ordinary skill in the art would have appreciated that MacLean's teachings are applicable towards the system of Postrel. Pet. 19. We agree with, and adopt as our own, Petitioner's rationale, because "if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill." *KSR*, 550 U.S. at 417. Therefore, we are satisfied that one of skill in the art would have understood that Postrel, Sakakibara, and MacLean teach the limitations as recited in challenged claims 1, 7, and 13. *See id*. at 420 (A challenge to patentability under 35 U.S.C. § 103 requires that all the claim limitations must be taught or suggested by the prior art as gauged in view of the creativity of an ordinarily skilled artisan.).

In summary, we have reviewed the Petition and the supporting evidence, and adopt as our own Petitioner's findings, as well as its rationale for combining Postrel, Sakakibara, and MacLean, and conclude that Petitioner has shown by a preponderance of the evidence that claims 1, 7, and 13 would have been unpatentable over the combination of Postrel, Sakakibara, and MacLean.

b. Dependent Claims 8–11

Claims 8–11 depend from claim 7, and Petitioner contends that Postrel, Sakakibara, and MacLean, as summarized above, teaches or suggests aspects of each dependent claim. Pet. 44–47. Petitioner cites to the Declaration of Mr. Calman who explains that, at the time of the invention, a person of ordinary skill in the art would have understood that Postrel's point exchange system demonstrates transfers or conversions of loyalty points between the entity's loyalty program and a commerce partner's computer as claimed. Ex. 1002 ¶¶ 124–136; *see also id.* ¶¶ 46–48 (discussion of the knowledge of one of skill in the art at the time of the alleged invention). We give Mr. Calman's testimony substantial weight in that regard because it is supported by Postrel's disclosure and what Postrel would have conveyed to a person of ordinary skill in the art at the time of the invention.

We also determine that Petitioner has identified sufficient reasoning for the proposed combination of Postrel, Sakakibara, and MacLean with respect to claims 8–11. Pet. 20, 44–47; Ex. 1002 ¶¶ 54, 65, 72–74, 117–119, 169–171. For example, Petitioner argues that because both Postrel and MacLean relate to conversion of loyalty program points via a web site interface, one of ordinary skill in the art would have appreciated that MacLean's teachings are applicable towards the system of Postrel. Pet. 19. We agree with, and adopt as our own, Petitioner's rationale, because "if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill." *KSR*, 550 U.S. at 417. Therefore, we are satisfied that one of skill in the art would have understood that Postrel, Sakakibara, and MacLean teach the limitations as recited in challenged claims 8–11. *See id*. at 420 (A challenge to patentability under 35 U.S.C. § 103 requires that all the claim limitations must be taught or suggested by the prior art as gauged in view of the creativity of an ordinarily skilled artisan.).

c. Dependent Claims 2, 3, 14–16, and 19

Claims 2, 3, 14–16, and 19 depend from claims 1 and 13 respectively, and Petitioner contends that Postrel, Sakakibara, and MacLean, as summarized above, teach or suggest aspects of each dependent claim. Pet. 20, 29–31 (claims 2–3), 57 (claims 14–16), and 59 (claim 19). Petitioner cites to the Declaration of Mr. Calman who explains that, at the time of the invention, a person of ordinary skill in the art would have understood Postrel to disclose both (1) levying a transaction fee calculated as a percentage of the cost of the withdrawal, which leaves a reduced amount for buying points from the second (depositing) issuer and a fixed credits-to-funds ratio is a conversion ratio (Ex. 1002 ¶¶ 76, 78, 173–175, 177–179), and (2) that a customer may exchange loyalty program points issued by an airline, such as American Airlines for those issued by a credit card loyalty program, such as the American Express Card (*id.* at ¶¶ 80, 181, 187). We give Mr. Calman's testimony substantial weight in that regard because it is supported by Postrel's disclosure and what Postrel would have conveyed to a person of ordinary skill in the art at the time of the invention.

We also determine that Petitioner has identified sufficient reasoning for the proposed combination of Postrel, Sakakibara, and MacLean with respect to claims 2, 3, 14–16, and 19. Pet. 18–20; Ex. 1002 ¶¶ 54, 65, 72–74, 117–119, 169–171. For example, Petitioner argues that because both Postrel and MacLean relate to conversion of loyalty program points via a web site interface, one of ordinary skill in the art would have appreciated that MacLean's teachings are applicable towards the system of Postrel. Pet.

18–19. We agree with, and adopt as our own, Petitioner's rationale, because "if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill." *KSR*, 550 U.S. at 417. Therefore, we are satisfied that one of skill in the art would have understood that Postrel, Sakakibara, and MacLean teach the limitations as recited in challenged claims 2, 3, 14–16, and 19. *See id*. at 420 (A challenge to patentability under 35 U.S.C. § 103 requires that all the claim limitations must be taught or suggested by the prior art as gauged in view of the creativity of an ordinarily skilled artisan.).

d. Dependent claims 4, 5, 17, and 18

Claims 4, 5, 17, and 18 depend from claims 1 and 13 respectively. Dependent claims 4, 5, 17, and 18 require specific computers to perform an operation. For example, claim 4 requires an operation to be performed by an entity's computer.

Petitioner contends that Postrel, Sakakibara, and MacLean, as summarized above, teach or suggest aspects of each dependent claim. Pet. 20 (claims 4–5), 57–58 (claim 17), and 58–59 (claim 18). According to Petitioner, Postrel discloses a computer to perform loyalty point conversion and redemption operations. Pet. 31 (citing Ex. 1003 ¶¶ 9, 41, 65–81, Figs. 4, 5). According to Petitioner, Postrel specifically discloses a computer, in the form of an acquiring bank administering the exchange account and acting "on behalf of" (i.e., for) the merchant (entity), and its loyalty program. *Id.* at 20 (citing Ex. 1003 ¶¶ 9, 43; claim 9, Figs. 4–5). We have considered the

Petitioner's arguments, and we agree that Postrel, Sakakibara, and MacLean teach or suggest the limitations of claims 4, 5, 17, and 18.

Petitioner cites to the Declaration of Mr. Calman to support its position. Mr. Calman explains that, at the time of the invention, it was known in the art that a computer, such as an entity's computer of the entity's loyalty program, could perform an operation, as evidenced by Postrel and Sakakibara. Ex. 1002 ¶¶ 82–84, 86–91, 183, 187. Mr. Calman further testifies that:

> one of ordinary skill in the art would have had reason to combine the teachings of Postrel and Sakakibara in this manner to protect brand value, which could be diminished with entity independent funds redeemable at both the commerce partner and the entity. (*See* Postrel, ¶¶ [0035] (discussing branding issues associated with loyalty points).) Since Postrel and Sakakibara both involve coordinating between loyalty point programs in a points exchange process, one of ordinary skill in the art would recognize that the loyalty programs described in Sakakibara are also applicable towards Postrel.

Id. ¶ 84. We give Mr. Calman's testimony substantial weight in that regard because it is supported by (1) the disclosure in Postrel and Sakakibara, and (2) what Postrel and Sakakibara would have conveyed to a person of ordinary skill in the art at the time of the invention. *See id.* ¶¶ 82–84, 86–91, 183, 187.

Therefore, we agree with, and adopt as our own, Petitioner's arguments regarding 4, 5, 17, and 18, because we are satisfied that MacLean, Sakakibara, and Postrel teach the limitations of claims 4, 5, 17, and 18.

e. Dependent claims 6, 12, and 20

Claims 6 and 20 depend from claims 1 and 13 respectively, while claim 12 depends from claim 7. Dependent claims 6, 12, and 20 require several functions to be performed "within a single human-to-machine interaction session."

Petitioner contends that Postrel and MacLean teach the functions recited in claims 6, 12, and 20 (the detecting of a communication, the granting of the new quantity of entity independent funds, the subtracting of funds, and the redemption of entity independent funds) can be performed in a single human-to-machine interaction session. Pet. 20–21, 35 (claim 6), 47–48 (claim 12), 59–60 (claim 20). Petitioner explains that, for example, Postrel teaches that, subsequent to aggregating loyalty points (i.e., new quantity of entity independent funds), a user may "execute a purchase transaction with those points," e.g., by purchasing items off a VISA catalog, in the same web session. *Id.* at 20–21 (citing Ex. 1003 ¶ 47); Ex. 1002 ¶ 93. Petitioner also argues that MacLean teaches that computers can detect a communication and grant new entity independent funds in a single session. *Id.* at 21, 35 (citing Ex. 1004 ¶¶ 49, 50, 57); Ex. 1002 ¶ 93.

Petitioner supports its position with the Declaration of Mr. Calman, who testifies that it would have been obvious to combine MacLean's points exchange web site with a web-based redemption option such as the VISA catalog link from Postrel, and to thereby enable all the mentioned functions to be performed in a single web browsing session, because the resulting combination would provide users with a more convenient and efficient experience and with the greater/more convenient redemption options by virtue of the linked catalog. Ex. 1002 ¶¶ 93, 94, 140, 190–191. We give Mr. Calman's testimony substantial weight in that regard because it is supported by (1) the disclosure in Postrel and MacLean, and (2) what Postrel and MacLean would have conveyed to a person of ordinary skill in the art at the time of the invention. *See id.*

Therefore, we agree with, and adopt as our own, Petitioner's arguments regarding 6, 12, and 20, because we are satisfied that Postrel, Sakakibara, and MacLean teach or suggest the limitations of claims 6, 12, and 20.

III. CONCLUSION

For the foregoing reasons, we conclude Petitioner has shown by a preponderance of the evidence that claims 1–20 of the '152 patent would have been obvious under 35 U.S.C. § 103 in view of the disclosures of Postrel, Sakakibara, and MacLean.

IV. ORDER

For the reasons given, it is

ORDERED that, by a preponderance of the evidence, claims 1–20 of the '152 patent are unpatentable;

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

FOR PETITIONER:

Robert H. Fischer
Frank A. DeLucia
Stephen Yam
Justin Oliver
FITZPATRICK, CELLA, HARPER & SCINTO
AskeladdenIPR@fchs.com
AskeladdenIPR@fchs.com
AskeladdenIPR@fchs.com
joliver@fchs.com

FOR PATENT OWNER:

Brian Buchheit
bbuchheit@gmail.com

Sean McGhie
sean.mcghie@me.com