

COMMUNIGATE TECHNOLOGIES, INC.,
Petitioner,
- versus -

Inter Partes Case No.11-2009-00219

Petition for Cancellation:
Date Issued: 05 March 2009
Title: "SYSTEM AND METHOD FOR
EXECUTING & CONSUMATING CREDIT
CARD TRANSACTION USING A
CELLPHONE OR THE LIKE"

RAYMUNDO V. NOCON III,
Respondent-Patentee.
X-----X

Decision No. 2012-16

DECISION

Communigate Technologies, Inc. ("Petitioner") filed a Petition for Cancellation of Letters Patent No. 1-2005-00180, issued to Raymundo V. Nocon III ("Respondent-Patentee") on 05 March 2009, entitled "*System and Method of Executing & Consumating Credit Card Transactions Using a Cellphone or the like*". The petitioner alleges, among other things, that the invention covered by the subject patent is not novel and does not involve an inventive step within the meaning of Section 23 and 26 of Rep. Act No. 8293, also known as the Intellectual Property Code of the Phillippines ("IP Code"). Also, according to the Petitioner, the granted claims have no antecedent basis pursuant to Sec. 36 of the IP Code.

The Petitioner cites and contends that Appl. No.: 10/983,269 entitled "*Method and System for Credit Card Purchases*" of Robert E. Beard and Appl. No. 10/357,164 entitled "*Method for Processing Transactions by Means of Wireless Devices*" of Ali Hassan Al-Khaja, both filed in the United States Patent and Trademark Office ("USPTO"), are prior arts in respect of the invention covered by Letters-Patent 1-2005-00180. The evidence for the petitioner consists of a certified true copy of Letters Patent Ni. 1-2005-00180, a certified true copy of Patent Application No. 1-2005-00180, the Affidavit of Andres B. Quides executed on 28 August 2009 and the annexes thereto, a copy of the Petitioner's Third Party Observation filled in the Bureau of Patents on 06 August 2008 and the annexes thereto, and the Affidavit of Dr. Luis G. Sison executed on 02 September 2009.

In his Answer filed on 21 January 2010, the Respondent-Patentee alleges that the Petitioner has no cause of action against him and is barred by contract, public policy and *estoppel* in filing the suit. According to the Respondent-Patentee, the validity of a patent is decided on the basis of factual inquiries and that the presumption of validity is based on the presumption of administrative correctness of actions of the agency charged with examination of patentability. The Respondent-Patentee points out that the foreign patent applications cited in the petition were abandoned as disclosed in the USPTO website and therefore have lost their probative value. Also, says the Respondent-Patentee, his patent possesses distinctive and practical systematic features not present in the abandoned prior art, the security components and features underscore the invention's distinctive novelty and utility, and that his patent is adaptable to less sophisticated user of wireless devices.

The Respondent-Patentee submitted copies of the USPTO webpages showing the Application Data and Transaction History of the cited foreign patent applications, and the affidavit of Dr. Susan Pancho-Frestin executed on 20 January 2010, as evidence.

Should Letters Patent No. 1-2005-00180 be cancelled?

Sec. 21 of Rep. Act No. 8293, also known as the Intellectual Property Code of the Philippines ("IP Code") defines a patentable invention as "*Any technical solution of a problem in any field of human activity which is new, involves an inventive step and is industrially applicable shall be patentable. It may be, or may relate to, a product, or process, or an improvement of any of the foregoing.*" Corollarily, Sec. 23 of the IP Code provides that an "*invention shall not be considered new if it forms part of the prior art*". Sec. 24 of the IP Code in turn states that prior art shall consists of:

24.1 Everything which has been made available to the public anywhere in the world, before the filing date or the priority date of the application claiming the invention; and

24.2 The whole contents of an application for a patent, utility model, or industrial design registration, published in accordance with this Act, filed or effective in the Philippines, with a filing or priority date that is earlier than The filing or priority date of the application: Provided, That the application which has validly claimed the filing date of an earlier application under Section 31 of this Act, shall be prior art with effect as of the filing date of such earlier application: Provided further, That the applicant or the inventor identified in both applications are not one and the same.

Under the law, even if the foreign patent applications cited by the Petitioner were already abandoned, these applications may still be considered prior art. Prior art is not limited to patents which have been actually granted.

The question is: Are the cited foreign patent applications considered prior art? If they are, then the invention covered by Letters Patent No. 1-2005-000180 is not novel, and the patent therefore should be cancelled. Records and evidence show that Appl. No.: 10/983, 269 entitled "Method and System for Credit Card Purchases" of Robert E. Beard ("*Beard Application*", for brevity) was filed on 05 November 2004 and subsequently published in the United States Patent Application on March 24, 2005. On the other hand, Appl. No. 10/357, 164 entitled "*Method for Processing Transactions by Means of Wireless Devices*" of Ali Hassan Al-Khaja (" *Al-Khaja Application*", for brevity) was filed on 31 January 2003 with foreign application priority date of 28 February 2002, and subsequently published on 28 Aug. 2003. The cited foreign applications therefore were made available to the public before the filing or priority date of the Respondent-Patentee's Patent Application No. 1-2005-000180.

In this regard, the abstract of the Nocon patent states that the invention involves a system and method of enabling mobile device to initiate, execute and consummate a credit card transaction, where the good purchased are delivered to the customers, the merchants are notified of the payment and the amount charged to the card is billed to the customer forming a complete transaction. The system has the advantage of transforming mobile phones into points of sale using the credit card as means of payment without the need for cash or physical swiping of the credit card. It provides a means to carry out the advantages securely, in a user friendly manner, within a few seconds and facilitates the delivery of goods automatically.

A scrutiny of the details shows that Letters Patent No. 1-2005-00180 contains 16 claims, to wit:

"1) A system for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer, where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder a plurality of linked components, comprising:

a Mobile Device capable of sending an instruction to initiate a transaction a Message Center hosted by the telephone company in communication with the said Mobile Device responsible for sending and receiving information to and from said Mobile Device, a Transaction manager A in communication with said

a Message Center which receives the instruction from said Mobile Center and which decodes and interprets the instructions coming from said Mobile Device,

a Merchant Server in communication with said Transaction Manager A that receives payment notifications and instructions to deliver items paid for, and send information regarding the status of delivery, and

a Bank Transaction Processor hosted by the credit card company/bank in communication with said Transaction Manager A that stores mobile device and credit card information, and provides credit card approval and disapproval for customers that initiate the transaction through said Mobile Device.

"2) A system for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer, where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of linked components in accordance with claim I, wherein said Bank Transaction Processor includes:

a Transaction Manager B in communication with said Transaction Manager A that receives instructions from the latter to execute a transaction initiated by said Mobile Device, extracts credit card information based on the mobile device identification, obtains credit approval, notifies said Transaction Manager A of credit Approval or disapproval,

a Database in communication with the said Transaction Manager B that stores and allows retrieval of credit card information mapped on said Mobile Device,

a Credit Authorization Platform in communication with said Transaction Manager B which is responsible for providing credit card approval, Systems Manager Tools in communication with said Transaction Manager B that provide for report generators, update managers, setting administrators, password administrators, and

Customer Service Agents in communication with said Transaction Manager B and said Mobile Device that would be utilized among any other functions, to enroll and positively identify enrollees in the system, ensuring that all users of the system are the genuine owners of the credit cards being used.

"3) A system for enabling a Mobile a Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer at where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of li.ked components in accordance with claim 1 and 2, wherein said Transaction Manager A and Transaction Manager B, Merchant Server, System Management Tools and Customer Service Agents are softwares.

"4) A system for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of linked components in accordance with claim 3, wherein said Customer Service Agents Software may be operated either through an electronically automated system or through manual human intervention that may perform, override and execute functions pertaining to the customer service agents software.

"5) A system for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of linked components in accordance with claim 1 and 2, wherein said plurality of linked components are joined together by Link #1 (person to person contact) between Mobile Device and Customer Service Agents, Link # 2 (network connection) between Message Center and Transaction Manager A, Link # 3 (network connection) between Transaction Manager A and Transaction Manager B, Link # 4 (network connection) between Transaction Manager B and Credit Card Authorization Platform, Link # 5 (network connection) between Transaction Manager B and System Management Tools, Link # 6 (network connection) between Transaction Manager B and Service Agents, Link # 7 (network connection) between Message Center and Mobile Device, Link # 8 (network connection) between Transaction Manager A and Merchant Server, Link # 4 (network connection) between Transaction Manager A and Database.

"6) A system for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality if linked components in accordance with claim 1 or 2, wherein said Mobile Device is not limited to only a cellular phone or any type of wireless device named otherwise, but which performs the same functions and use the same networks including but limited to #G, GSM, or CDMA.

"7) A system for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality if linked components in accordance with claim 1 or 2, wherein the method for sending information to and from the Mobile Device not only involves the use of said SMS, more commonly known as text messaging, but also designated to utilize other forms

of instruction data delivery such as but not limited to java applications, SIM Menus, WML pages, and HTML.

"8) A system for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of linked components in accordance with claim 1 or 2, wherein a Web tool in the form of a software is used to communicate with said Transaction Manager B for servicing, report generation, system parameter settings and username, passwords, and access level administration.

"9) A system for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of linked components in accordance with claim 1 or 2, wherein a transaction is automated using software, and wherein a transaction including the delivery of goods, can be completed efficiently within a few seconds.

"10) A system for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of linked components in accordance with system of claim 1, comprising the following steps:

a) Registering and/or enrolling of a Mobile Device and credit card information into the system by the would be customers prior to making a transaction with the Customer Service Agents, to be carried out through text messaging, a phone call, a face-to-face appointment, or by filling out a form for submission, to name a few;

b) Carrying out a transaction upon registration of the would-be customers by sending instruction from his/her Mobile Device using specific syntax to a Message Center that is interpreted by a transaction Manager A in communication therewith,

c) Transaction Manager A managing the data coming from the Message Center and sending the appropriate data to Bank Transaction Processor,

d) Bank Transaction Processor hosted by a credit card company/bank verifying registration information and password correctness from a data base using the Mobile Device number as identification of the would-be customers, and extracting the credit card information corresponding to the Mobile Device number,

e) Bank Transaction Processor hosted by a credit card company/bank obtaining credit approval;

f) Bank Transaction Processor hosted by a credit card company/bank sending data to the Merchant Server hosted by a merchant through said

Transaction Manager A to cause the delivery of goods and/or settlement of bills after obtaining credit approval;

g) Merchant Server hosted by a credit card company/bank through said Transaction Processor hosted the credit card/company bank through said Transaction Manager A (using Link #8 and Link #3) to cause corresponding/appropriate billing on credit bill of the customer;

h) Bank Transaction Processor hosted by a credit card company/bank triggering feedback back to said Mobile Device regarding transaction status by sending a notification to the Mobile Device of the success or failure of the transaction through Path A;

"11) A method for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of linked components in accordance with claim 10, wherein said registering and/or enrolling into the system establishes the mapping of the Mobile Device number to the credit card information, and saves the information in a Database, allowing the device number to substitute for the credit card information for future retrieval.

"12) A method for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of linked components in accordance with claim 10, wherein said registering and/or enrolling into the system establishes the mapping of the Mobile Device number to the credit card information, includes contacting by a supposed to be customer's Mobile Device number to his credit card information, allowing the device number to substitute for the credit card information, includes contracting by a supposed to be customer's Mobile Device number to his credit card information by the system, and the saving completion of registration, a welcome message is sent to the customer's Mobile Device notifying the customer that the registration was successful, and bearing a randomly generated password issued to the customer as his/her default password.

"13) A method for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of linked components in accordance with claim 10, wherein one of the functions already available to a customer completion of said registration is the option of changing his default password by sending appropriate instruction through said Mobile Device.

"14) A method for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of linked components in accordance with claim 10, wherein for every mentioned step in claim 10, all related data movement are simultaneously recorded in a Database for future

retrieval for the purpose of activities such as but not limited to customer service, report generation, statistical analysis, data mining and data archiving.

"15) A method for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of linked components in accordance with claim 10, wherein Bank Transaction Processor may limit amount of transactions as may be defined by the terms and conditions between the enrolled cardholder and credit card company.

"16) A method for enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer; where merchants are notified of payments made and where the amount charged to the card is billed to the credit card holder through a plurality of linked components in accordance with claim 10, wherein the Bank Transaction Processor may send credit card account information to the Mobile Device resulting from the success (or failure) of the transaction."

Claims 2 to 10 appear to be independent on Claim 1 or Claims 1 and 2. Claims 11 to 16, meanwhile, appear to be dependent on Claim 10. Under Claim 1, the system consists of a mobile device sending an instruction, a "message center" hosted by a telephone company in communication with the mobile device responsible for sending information to and from the device, "Transaction Manager A" in communication with the "message center" that decodes and interprets instructions, a "merchant server" in communication with "Transaction Manager A" that receives payment notification and instructions to deliver items; and a "bank transaction processor" hosted by the credit card company in communication with "Transaction Manager A" that stores mobile device credit card information. Of these the mobile device, the "merchant server", and the credit card company would be the three major components of the system. The "message center" and "Transaction Manager A" are hosted by the telephone company and perform functions inherent to the use of a mobile device which sends messages or information to be processed and interpreted. The "bank transaction processor" is hosted by the credit card company/bank. It could be implied from a reading of a Claim 2 that "transaction manager B", the database, the "credit card authorization platform", and the customer services agents are included in the "bank transaction processor". These perform acts such as credit card information storage, extraction, credit approval and disapproval which are inherent services or functions of a credit card company/bank. The links between them are enumerated in Claim 5. In Claim 3, these components in Claim 1 can be in the form of software. In Claim 4, the software can be operated through electronic automated system or manually. All these methods have been contemplated in the prior art.

Comparing the cited foreign patent applications on one hand and the Nocon Patent on the other, the abstracts show that these belong in the same field of invention with similar preamble and are essentially the same. The Beard application states:

"A user utilizes a wireless communication device, such as cellular telephone, capable of establishing a connection with a credit card server located at the credit card service center associated with the issuer of the credit card held by the user. Stored within the wireless communications device is the information on the credit card including the credit card number, expiration date, and credit card service center

phone number and/or IP address. Using a user interface in the wireless communication device, the user, when presented with the bill, enters the bill amount and the merchant ID number, and optionally a transaction number. The wireless communication device dials up the credit card service center and sends the transaction information. After authentication and approval, the credit card service center debits the user account, credits the merchant's accounts, and sends approval messages to the user and merchant in real time. "

In the Beard application, the invention is described as a credit card purchase between a user and a merchant with the credit card purchase approved by the credit card server from whom a confirmation message is received through the use of wireless communication device. All the elements of Claim 1 of the Nocon Patent are met in the Beard application. Under par.[0012] of the published Beard application, the mobile device and its link to the credit card company described in claims 1 and 5 of the Nocon are contemplated, to wit:

"[0012] Referring now to FIG. 1, within Hardware/Communications System 100, a credit card holder, also referred to as the 'user' in this description of the invention, utilizes a Wireless Communication Device 102 that is capable of connecting to a Credit Card Server 108, typically Located at a credit card service center associated with the issuer, or an agent or a service provider of the issuer, or an agent or a service provider of the issuer, of the credit card held by the user. A large number of Wireless Communication Devices 102 held by individual users located in diverse geographic locations, as well as credit card service centers in diverse geographical locations, may utilize the present invention."

The Nocon patent describes the "message center" as being hosted by the telephone company and the "Transaction Manager A" is in communication with the "message center". The function of the "message center" which is to receive messages from the mobile device and the function of "Transaction Manager A" to receive messages from the message center and decode and interprets instructions from the mobile device are compatible if not merely inherent communications functions of the mobile device or the telephone company that service said mobile device.

Also, in par. [10013] of the beard application, the "merchant server" and the mobile device under Claim 1 of the Nocon patent is described and the links describe in Claim 5 are contemplated:

"[0013]Wireless Communications Devices 102 may be cellular phone, a or personal Digital Assistant ('PDA') having embedded cellular telephone technology and wireless modern, Personal Communications Service('PCS') telephone, or any other comparably equipped communications device, whether is analog cellular, digital cellular, or other suitable type of wireless service. Wireless Communications Device 102 may also contain other form s of wireless technology such a Bluetooth, 802,11 or IrDa. In utilizing one of these other forms of technology, a user would establish a connection to a local communications gate away (not shown FIG.I) provided by the merchant at the merchants place of business."

Likewise, claims 3 and 8 of the Nocon patent which claims the use of software in the invention, and Claim 4 which mentions electronically automated system are contemplated under the preceding paragraph by its mention of forms of technology and its connection to a

communications gateway. Moreover, the use of software is implied by the use of an interface by the Beard application which is seen in par. [0016] of the Beard application.

Meanwhile, par. [0016] of the Beard application contemplates the mobile/"message center" and its transactions with the "bank transaction processor" or the Credit card company. Claims 1, 4, 6 and 7 of the Nocon patent can be conceptualized from this paragraph:

"[0016] Wireless Communications Channel 116 may be General Packet Radio Service (GPRS) on Global System for Mobile Communications (GSM) based network. Other wireless transmission system may also utilized, such as Frequency Division Multiple Access('FDMA'), Time Division Multiple Access ('TDMA') , Code Division Multiple Access('CDMA'), and Cellular Digital Packet Data('CDPD'). Instead of, or in addition to, a packet based network connection, a properly equipped Wireless Connection Device 102 could be use wireless Short Message Service Center ('SMSC')(Not shown in FIG.1) at the network operator's facility to the receiving Credit Card Server 108. This would require an interface to wireless packet switched and circuit switched data communication."

Claim 9 of the Nocon patent refers to the system wherein the transaction can be completed efficiently within a few seconds. The Beard application reads."Claim 28.A method according to claim 27 wherein steps (a),(b),and (c) are performed in real time."

This Bureau also finds that Claim 10 if the Nocon patent is also in accordance with Claim I and begins with the registration and enrollment of the mobile device and steps to execute the credit transaction. Claim 10 appears to have been suggested under paragraphs [0020] and [0033] of the Beard application. It reads:

"[0020] In addition , the present invention utilizes the existing financial institutions and infrastructures currently utilized for credit card transactions, including the credit card readers merchants utilize. Only modifications to the programming of the Wireless Communications Device 102 are required to support the credit card transaction processing and the credit information storage.

In an alternative embodiment of the invention, Wireless Communication Devices 102 utilizing GSM cellular network that support Subscriber Information Module ("SIM") Toolkit can be remotely information storage.

x x x

"[0033] xxx Step 408 authenticate the credit card holder's identification. This may be accomplished by comparing the pertinent information received against the records if valid credit card holders maintained by the credit card service center. x x x"

Claim 10 (d) if the Nocon patent has been further suggested in par. [0023] of the Board application, to wit: "[0023] In step 208, after being prompted through the users interface for a PIN or pass Code, the users enters through the user interface the security code set up in step 304 (Fig.3). Step 210 determines if the security code entered in step 208 is valid. This steps prevents the fraudulent use of the credit card information should Wireless Communication Device 102 be lost or stolen. If step 210

determines that the security code entered un step 208 is invalid, then in step 213 user interface outputs an error message and prompt the user to try again. x x x"

while Claim II of the Nocon patent describes the system where the amount charged is billed to the customer after the system has b mapped the mobile device number to the credit card information finds reference to par. [0017] of the Beard application:

"[0017] xxx The digital data arrives at Credit Card Server 108, which is a secure server, over Communications Channel 118 at the CCSC. The credit Card Server 108 authenticates the user and checks the credit card transaction against the users credit limit, expiration date of the credit card, etc., and sends approval or a denial message back to the users Wireless Communication Device 102 indicating whether the transaction has been approved or denied. If approved, Credit Card Server 108 sends an approval message via Communications Channel 117 and the Public Switched telephone Network ('PSTN') 110 to Merchant Credit Terminal 112 which is typically a credit card reader of transaction via Communications Channel 118 to merchant Financial Institution 114 and debits the users account."

The Nocon patent allows under Claim 12 the device number to substitute for credit card information. This, however, can be read from par. [0033] of the Beard application:

"[0033] xxx Referring now to FIG. 4, the method begins in step 402 when Credit Card Server 108 at the CCSC receives transaction information from a user Wireless Communication Device 102. Step 404 authenticates the credit card holder's identification. This may be accomplished by comparing the pertinent information received against the records of valid credit card holders maintained by the credit card service center.xxx"

A customer under Claim 13 of the Nocon patent has the option to change his password. The cited prior art teaches the availability of a security code and the establishment of other security codes for other credit cards. Parts of par. [0032] read, in conjunction with par. [0030], of the Beard application, as follows:

"[0030] In step 304, for the first credit card, the user in response to a prompt from the user interface enters a security code, such as PIN or pass code, to be associated with first credit card. A PIN typically has a numeric digits only, where as a pass code may be combination of alphanumeric characters.

x x x

"[0032] xxx The user may use the same security code for each credit card, or establish a different security code for each credit card." Claim 14 of the Nocon patent, which provides the possibility of generating a report of the transaction can also be read from par. [0039] of the Beard application:

"[0039] xxx after the user utilizes Wireless Communication Device 102 to initiate the transaction, the merchant in step 604 receives a message of Merchant Credit Card Terminal 112 from the Credit Card 108. A credit memo may also be received at Merchant Terminal 112 from Merchant Financial Institution 114.xxx"

With respect to claims 15 and 16 of the Nocon patent, which allows the "bank transaction processor" to limit the amount of transactions, and describes that the "bank transaction processor" may send information on the success or failure of the transaction, respectively, these are particularly described in paragraphs [0039] and [0040] of the *Beard application* which state:

"[0039]. The approval message may include, but it is not limited to, the total dollar amount approved, the amount of the purchase, the tip amount, if any, the name of the credit card service center. The date, the time, the merchant ID, the transaction number, etc. Step 616 determines if there are more users for the merchant to present bills. If yes, the control returns to step 602. Otherwise, the method ends."

"[0040] If step 606 determines that a denial message is received, then in step 608 the merchant presents a copy of the denial message generated at the Merchant Credit card Terminal 112 and represents the bill and merchant ID number to the user to try another credit card or to play in cash.xxx"

Indeed, for anticipation to occur, the prior art must show that each element is found either expressly or described or under principles of inherency in a single prior art reference or that the claimed invention was probably known in a single prior art device or practice. The evidence gives credence to the Petitioner's allegations. "

(b) Claim 1 also identifies the linked components of the system as follows: a 'Mobile Device', a 'Message Center', a 'Transaction Manager A', a 'Merchant Server', and a 'Bank Transaction Processor.'

- i. The '*Mobile Device*' contemplated on the subject invention is disclosed in the *Detail Description of D1 (paragraph 0013, page 1, Annex 'B', Exhibit "C")*.
- ii. The '*Message Center*' contemplated on the subject invention is disclosed in the *Detail Description of D1 (paragraph 0016, page 2, Annex 'B', Exhibit "C")*; and being described as hosted by a telephone company supporting the '*Mobile Device*', the '*Message Center*' is inherent in the use of a '*Mobile Device*' as a component of the subject invention.
- iii. The '*Transaction Manager A*' which decodes and interprets instructions from the '*Mobile Device*' is inherent in the use of such '*Mobile Device*' as a component of the subject invention.
- iv. The '*Merchant Server*' contemplated on the subject invention is disclosed in the *Detail Description of D1 (paragraph 0013, page 1, Annex 'B', Exhibit 'C')*.
- v. Lastly, the '*Bank Transaction Processor*' described in the subject invention is disclosed in the *Detail Description of D1 (paragraph 0013, page 1, Annex 'B', Exhibit "C")*. "

(c) Claim 10 of the subject patent enumerates the method steps are entailed in the system described in Claim 1 of the subject patent. All method steps are disclosed in the specifications and claims of D1 and/or are embodied inherently under D1. For one, *Claim*

10 is disclosed in Claim 14 and 50 of D1. The disclosure in D1 vis-a-vis the method steps in Claim 10 are noted as follows:

- i. Step a) on registration and/or enrollment of a 'Mobile Device' is disclosed and embodied in Claim 2 and 57, and in the Detailed Description of D1 (paragraph 0015, page 1, Annex 'B', Exhibit 'C').
- ii. Step b) on sending of instructions from 'Mobile Device' to 'Message Center' and interpretation by 'Transaction Manager A' is disclosed expressly and inherently in the Detailed Description of D1 (paragraph 0014, page 1, Annex 'B', Exhibit 'C').
- iii. Step c) on the management of data by 'Transaction Manager A' from the 'Message Center', and sending on data to 'Bank Transaction Processor' is disclosed expressly and inherently in the Detailed Description of D1 (paragraph 0016, page 1, Annex 'B', Exhibit 'C').
- iv. Step d) on the verification of registration by the 'Bank Transaction Processor' is disclosed expressly and inherently in the Detailed Description of D1 (paragraph 0026 and 0033, page 3, Annex 'B', Exhibit 'C').
- v. Step e) on the approval of the transaction via 'Bank Transaction Processor' is disclosed expressly and inherently in the Detailed Description of D1 (paragraph 0035, page 4, Annex 'B', Exhibit 'C').
- vi. Step f) in the sending of data from the 'Bank Transaction Processor' to the 'Merchant Server' is disclosed expressly and inherently in Claim 15 (d3) and in the Detailed Description of D1 (paragraphs 0035 and 0038, page 4, Annex 'B', Exhibit 'C').
- vii. Step g) in the sending of data from 'Merchant Server' to the 'Bank Transaction Processor' is disclosed expressly and inherently in Claim 14 of the D1 and in the Detailed Description of D1 (paragraph 0035 and 0038, page 4, Annex 'B', Exhibit 'C').
- viii. Step h) the triggering of transaction status by 'Bank Transaction Processor' to the 'Mobile Device' is disclosed expressly and inherently in Claim 17 and in the Detailed Description of D1 (paragraph 0035, page 4, Annex 'B', Exhibit 'C').

The inevitable conclusion therefore is that the Beard application anticipates the Nocon patent. The Beard application has met every element of the Nocon patent, to wit:

Components	Nocom Patent	Beard Application
Mobile Device	Present	Present
Message Center	Present	Present
Transaction Manager A	Present	Present
Merchant Server	Present	Present
Customer Service Agent	Present	(Credit Card Server)
Bank database	Present	Present(Credit Card Server)
System Management tools	Present	Present(Credit Card Server)
Card Networks	Present	Present(Credit Card Server)

The Respondent-Patentee submitted the affidavit of Susan Pancho-Festin, Associate Professor at the Department of Computer Science, College of Engineering, University of the Philippines ("U.P."). According to her,

"there are substantial differences between Nocon's patent and Beard's Al-Khaja's applications that do not follow for anticipation:

5.1. Nocon's patent describes the use of Short Message Services (SMS) as the primary transmission mode. Beard's primary transmission mode is Internet Protocol ('IP') and Short Socker Layer ('SSL'); while the Al-Khaja patent describes a SIM-based mode, it is not specific in this regard.

"5.2. In Nocon's patent, the credit card information is required at the pre-enrollment phase, which is then subsequently stored at a database server. Thus, the credit card information need not to be stored in the mobile phone (and ideally should not be). In the Beard patent, the credit card information is stored in the wireless device itself while in the Al-Khaja patent, the credit card information is relayed for every transaction. Al-Khaja even suggests that the mobile device would ideally have an internal or external credit card reader to facilitate the entry of the credit card information details.

"6. Given the foregoing differences, the implementation of Nocon's system will differ from that of Beard's or Al-Khaja's.

6.1. The information that should be stored in the database for Nocon's system is substantially different from Beard's or Al-Khaja's system.

6.2. Beard's system requires the credit card information to be stored in the device itself (in non-volatile memory) and that there be a customized user interface for the user to access information. Nocon's system utilizes the standard SMS interface of GSM phones

6.3. Al-Khaja's system ideally requires an internal or external credit card reader, since the credit card information is not stored at a database server (such as in Nocon's case) or on the device itself (as in Beard's case).

6.4. Beard's described system requires a phone capable of connecting to the Internet. Nocon's system may be used in lower-end phones without Internet connectivity. Al-Khaja's description was unclear as to the main transmission mode that would be used."

However, the Bureau agrees with the Petitioner in its argument that:

"16. Further, the anticipation is not a matter of ipsissimis verbis. (Akzo N.V v. United States ITC, 808 F.2d 1471, 1 USPQ2d 1241 [Fed. Cir. 1986]), hence, an anticipatory reference need not duplicate word for word what is in the claims (Standard Havens prods., Inc. v. Gencor Indus, Inc. 953 F. 2d 1360,21 USPQ2d 1321 [Fed. Cir.1992])". and thus, finds merit in the following views of Luis G. Sison, the Vice-Chancellor for Research and Development, and Associate Professor of Electrical and Electronics Engineering at the Department of Electrical and Electronics Engineering, College of Engineering, U.P., in his Affidavit:

"the invention taught by Letters Patent No. 1-2005-00180, and is not novel. In fact, the system taught by Letters Patent No. 1-2005-00180, and the elements of such system, are fully anticipated by and are well within the ambit of the claims and specifications of Beard which was published by and are to the filing of Application for Letters Patent No. 1-2005-00180. For instance:

(a) Independent Claim 1 of Letters Patent No. 1-2005-00180 which teaches 'a system of enabling a Mobile Device to initiate, execute and consummate a credit card transaction, where goods purchased are delivered to the customer, where merchants are notified of payments and where amount charged to the card are billed to the credit card holder through a plurality of linked components' is clearly disclosed in Claims 1 and 14 of Beard.

(b) The linked components (a 'Mobile Device', a 'Message Center', a 'Transaction Manager A,' a 'Merchant Server,' and a 'Bank Transaction Processor') of the system identified in independent Claim 1 of Letters Patent No. 1-2005-00180 is disclosed in the Detailed Description of Beard.

(c) The method steps enumerated in Claim 10 of Letters Patent No. 1-2005-00180 are all disclosed in the specifications and claims of Beard and/or are embodied inherently under the same patent reference."

A study of the elements of the challenged patent show a corresponding equivalent or similarity with the method demonstrated in the earlier Beard application. The presence of minor additions do not detract from the range of the earlier disclosed prior art references. Anticipation of a patented method is shown by knowledge of the method, and use with operative success, although without full and precise knowledge of the scientific principles involved, as outlined in the patent. In determining anticipation of a patent method, it is immaterial that the structure employed in the earlier case was neither the best possible nor as skillfully designed or used as that later employed by the patentee. Moving on to the issue of "obviousness", the subject patent takes away features implicit to a person skilled in the art in what was expressly maintained in the Beard application and the Al Khaja application. The features of registration and the use of mobile device as a point of sale are subject matters derivable directly and unambiguously from the two applications. In the determination of the element of inventiveness, the law provides that an invention involves an inventive step if, having regard to a prior art, it is not obvious to a person skilled in the art at the time of the filing or priority date of the application claiming the invention.

The Respondent-Patentee posits what he perceives to be distinct differences between the subject patent and that foreign applications, suggesting for one his use of the Short Messaging System ("SMS") as the primary mode of transaction. The use of the SMS, however, has been categorically mentioned in par.[0016] of the Beard application and implied in the last sentence of par.[0026] of the Al-Khaja application.

This Bureau also took note of the Respondent-Patentee mentioning that his patent has a pre-enrollment phase and credit card information is subsequently stored at the database server. According to him, this system is unlike the Al-kaka application which uses the internal or external card reader or the storage of reader or the storage of the credit card information in the device itself. But this argument is self-serving and leading astray considering that "database" is described in Claim 2 "as a database in communication with said transaction Manager B that

stores and allows retrieval of credit card information mapped to said Mobile Device". Verily, the credit card issuer or bank possesses such credit card information or database, which will be accessed during the transaction, precisely to be able to allow authorization, approval or disapproval of an instruction originating initially from the mobile device. The element of registration or pre-enrollment has been taught in the *Al-kaka* application, particularly, un paragraph [0035] and [0036] states:

"[0035] alternatively, it is possible to obtain a unique subscriber number following a one-off registration with a service provider or a service provider network. In this way, a first transaction partner can enter the subscriber number of the second transaction partner for example alter the entry of the transaction data.xxx"

"[0036] In order to simplify transaction processing, relevant data of the user can be stored by the service provider. Such data can be made available or used after the establishment of a connection and authentication by means of a PIN and/or digital signature.

All in all, the elements are found throughout the two foreign patent applications documents. For instance, Claim 14 of the *Nocon* patent which suggests that related data movement is simultaneously recorded in the database can also be read from claims 13 and 14 of the *Al Khaja* application, to wit:

"13. A method as recited in Claim 1, wherein relevant data of the transaction partners are restored by the service provider, which data are made available to the transaction partner after the establishment of a connection and an authentication by means of least one of a digital signature or PIN.

"14. A method recited in Claim 1, further comprising the step of displaying a transaction confirmation, with all or a part of the transaction data, on thwating wireless device on the first transaction."

The service provider as mentioned in par. [0043] of the *Al Khaja application* refers to the bank, credit card company or the like.

This Bureau also finds untenable the Respondent-Patentee's assertions that in the *Nocon* patent, the user is never in control of the selection of the credit cards number to be used while the user nominates the credit card information to be used in *Beard application* and *Al khaja* application. There is also no merit in his argument that in the *Nocon patent*, the credit card information is not transmitted outside the control zone of the processing bank or card issuer. Essentially, the systems described instructions originating from the user/mobile device to the credit company which holds information about the user's mobile device and credit card information which is how the verifications, authorizations are irritated and transactions completed. Necessarily, the credit card company needs the initial instruction that carries information about the mobile device /user. Neither should this Bureau favorably consider the Respondent-Patentee's argument that the *Al khaja application* requires two transactions partners while his entails only one step. The two transaction partners is merely another embodiment of the invention in the *Al khaja application* where a parent, first transaction partner can allow a child, second transaction partner with a unique transaction number to obtain credit approval.

Significantly, prior art references used as basis for an anticipation attack may also form a good basis for an "obviousness attack".

Clearly, the subject of the invention is described in the two cited references. If the invention is different from what is disclosed in one reference, but the difference are such that combination with other reference would lead to what is claimed, the obviousness question then requires inquiry into whether there is reason, suggestion or motivation to make a combination. Such suggestion may come expressly from the reference themselves. It may come from knowledge of those skilled in the art that certain references, or disclosures in the references, are known to be of especial interest in the particular field.

Through gist of the invention which is the use of a mobile phone as a point of sale instead of the physical swiping of the card has been described in the prior art references. The use of a registration was already contemplated and suggested in the *Al-khaja application* in 2003. The use of a registration was process especially for those with ordinary cellular phones was mentioned *in Al-khaja application*. A person skilled in the art can arrive at the Nocon patent by the exercise of ordinary logic and skill given that the art has already been taught in the previous applications.

The prior publication contains clear and unmistakable directions capable of being carried out by a person skilled on the art. Any improvement or variation on the prior art could merely be achieved through the exercise of logic by persons skilled in the art and did not require any ingenuity. This Bureau therefore agrees with Luis G. Sison in his statement in his Affidavit, to wit:

"7. Further, the system covered by Letters Patent No.1-2005-00180 is not inventive and is obvious to a person skilled in the art in view of Beard and Al-Khaja.

"8. Measured against the combination of the above-mentioned prior art references (Beard and Al-Khaja), Claims 1 to 16 of Letters Patent No. 1-2005-00180 are considered not to involve an inventive step. The system of suing mobile devices, such as cellular phones, in credit card transactions, as described in the Patent, can be easily be deduced by combining the elements of the inventions taught in the prior art references (i.e. Beard and Al-Khaja), such as being within the discretion of a person skilled in the art.

"9. It is clearly taught, based on prior art and common general knowledge in the art, that 'the use of mobile phones and devices into points of sale using the credit card as the payment' is already obvious and achievable without the performance of any inventive activity.

"10. A person skilled in the art would have been motivated to adopt the teachings laid out by the prior art (Bureau and Al-khaja) to address the problem that Letters Patent No. 1-2005-00180 seeks to address. Given what is available from prior art and based on my professional skills and academic know-how, I could easily formulate the invention taught in Letters Patent No. 1-2005-00180.

"11. In particular, I would know how and be capable of addressing the problem of providing a more efficient means of conducting credit card transactions by using a system involving the interplay of telecommunications company, a credit company, a

bank and commercial entity. I could also think of using a mobile or wireless device, such as cellular phone, as an essential element of such system."

WHEREFORE, premises considered, the petition for Cancellation of Letters Patent No.1-2005-00180 is hereby GRANTED. Let the filewrapper of the subject patent be returned, together with a copy of this Decision, to the Bureau of patents for Information and appropriate action.

SO ORDERED.

Taguig City 06 February 2012.

ATTY. NATHANIEL AREVALO
Director IV
Bureau of Legal Affairs