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FACILITATING TRANSACTIONS BETWEEN
PARTIES ON THE INTERNET USING E-MAIL****Publication Classification**(51) **Int. Cl.****G06Q 30/00**

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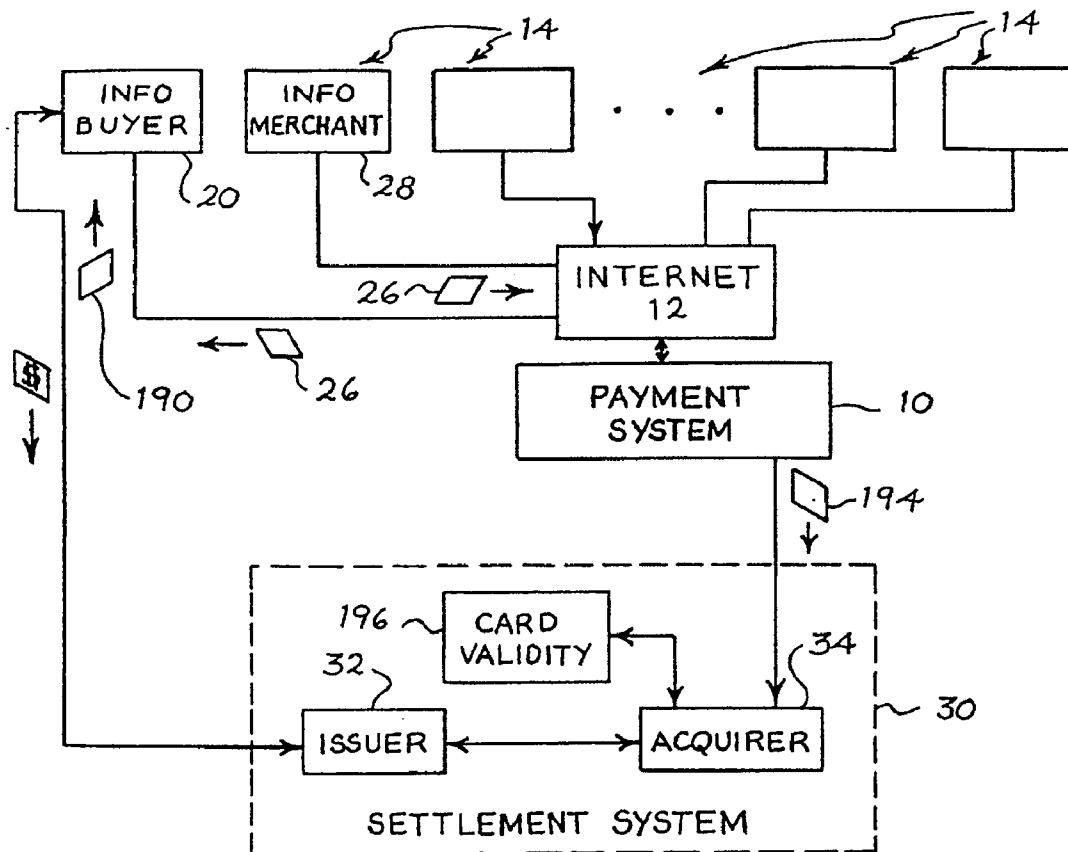
ABSTRACT

A payment system and method are disclosed for processing financial exchanges over a network between a merchant and a buyer. For example, receiving from a merchant, over the network, information associated with a financial transaction and non-financial data relating to a buyer involved in the financial transaction. Authorizing payment, associated with the financial transaction, to the merchant on behalf of the buyer using the non-financial data related to the buyer. A notification of the authorized payment on behalf of the buyer is sent to the merchant over the network. Upon notification from the merchant that the buyer has committed to completing the financial transaction, processing payment to the merchant on behalf of the buyer.

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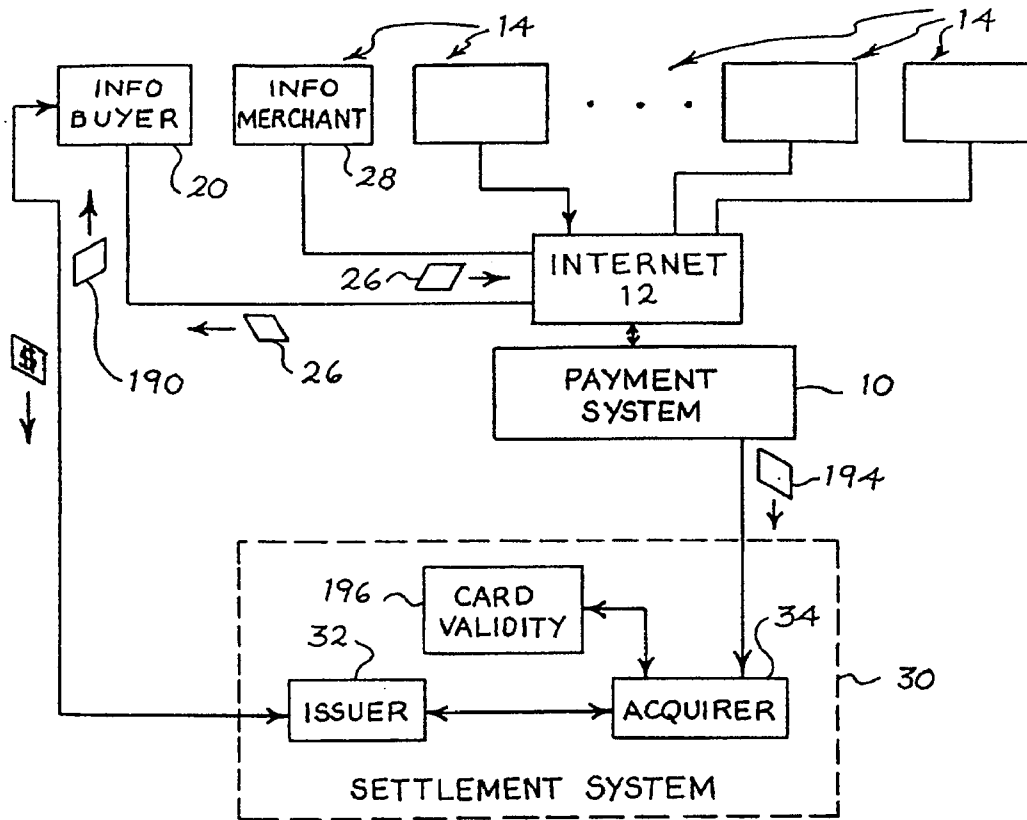


Fig. 1

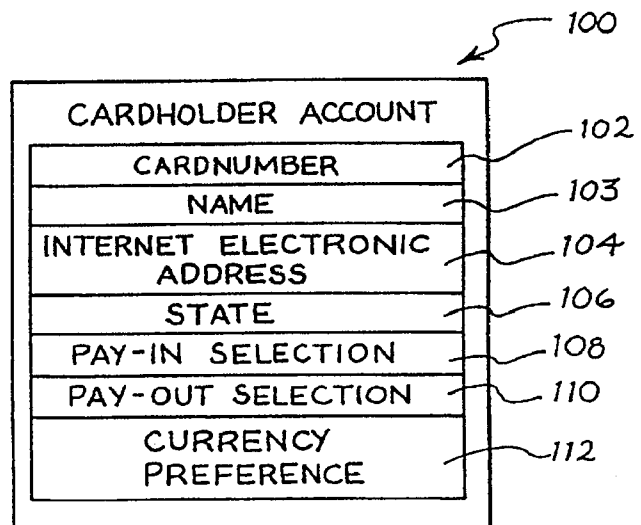
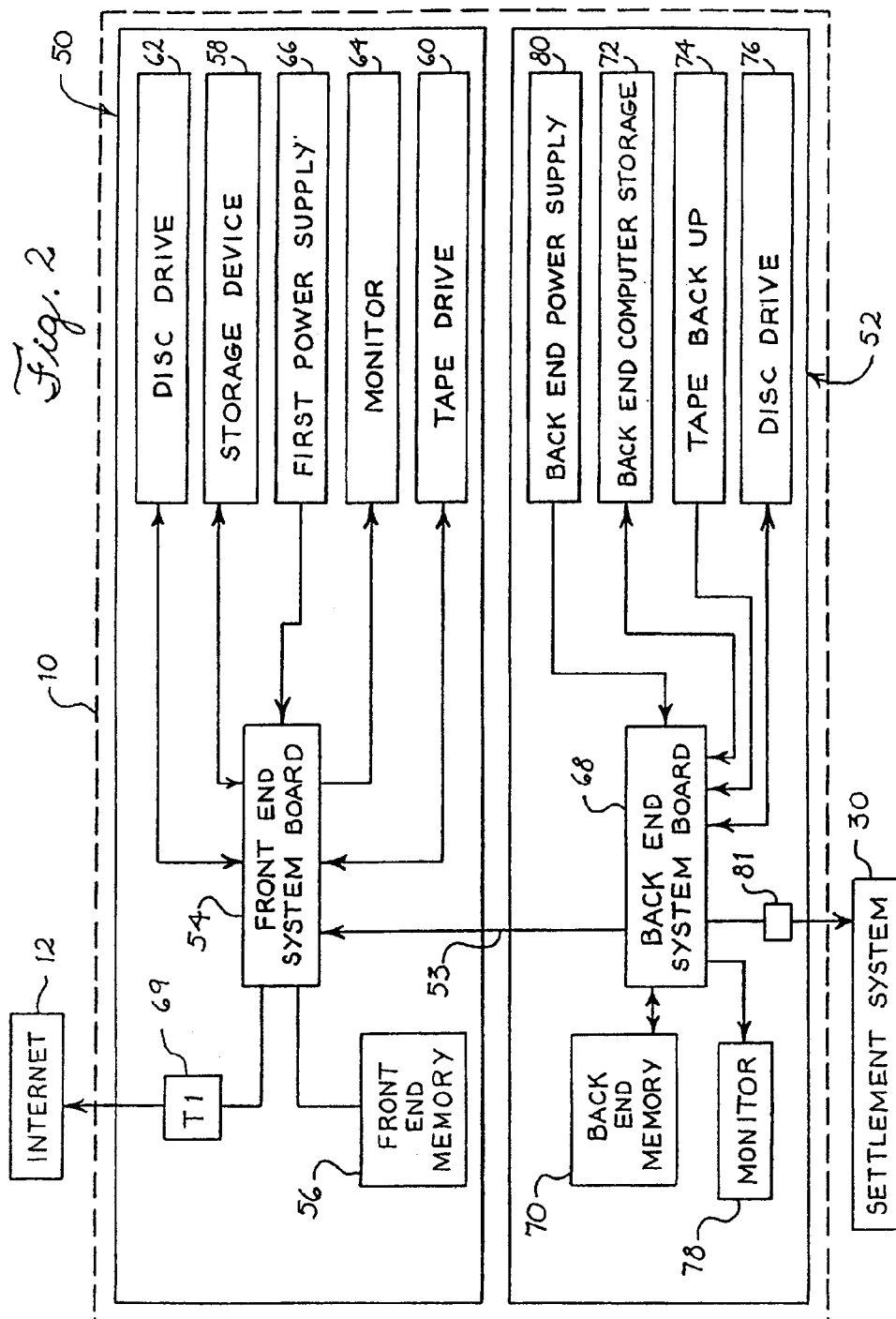
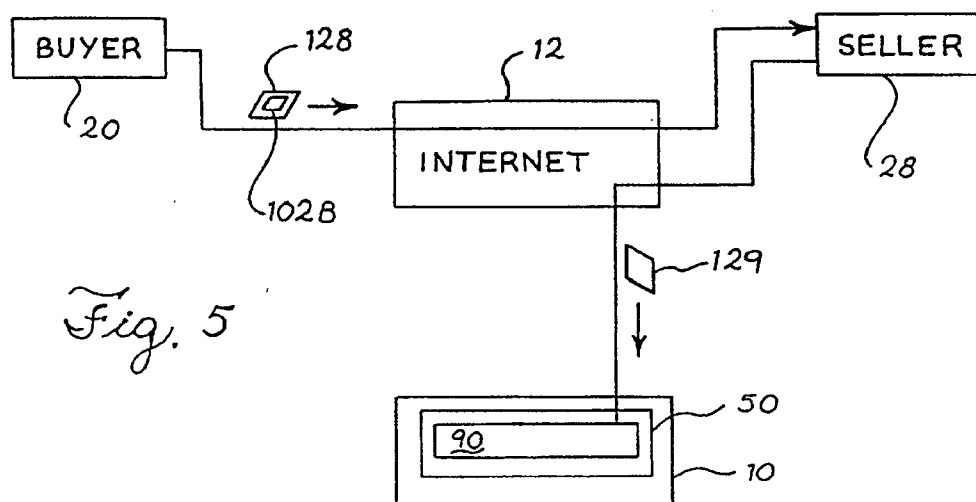
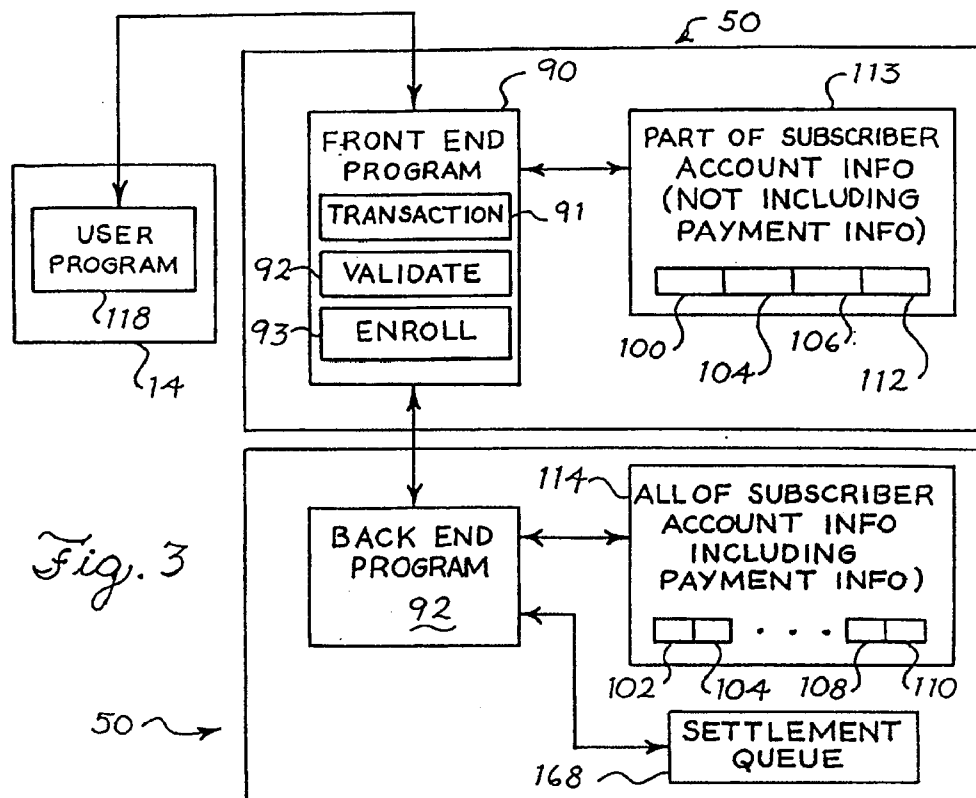
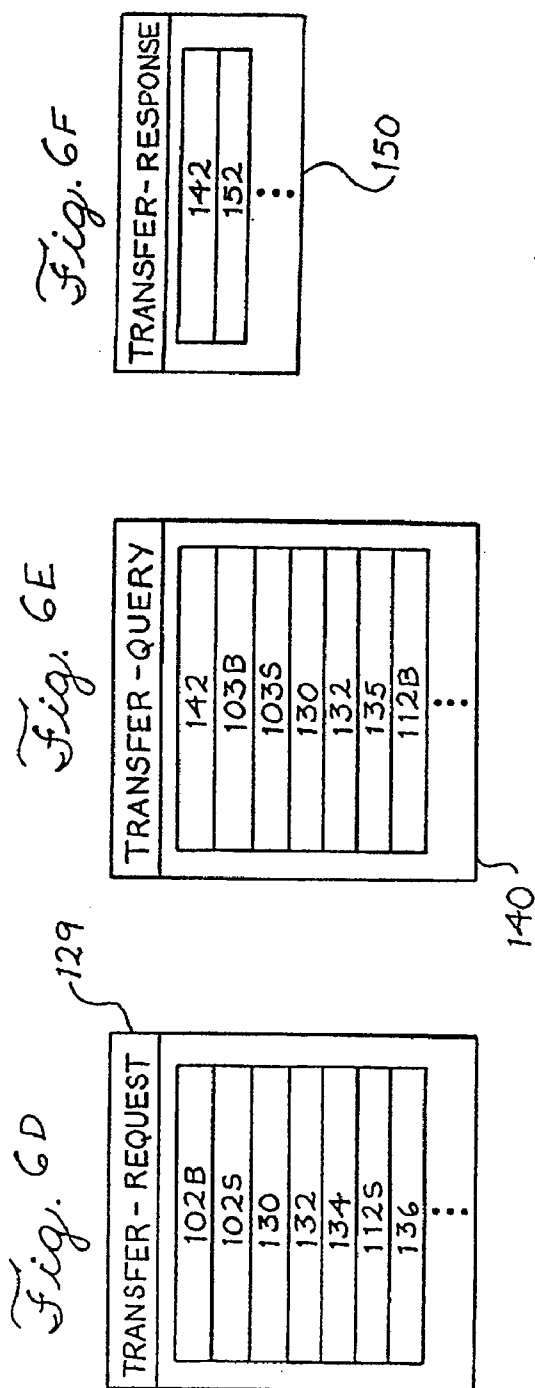
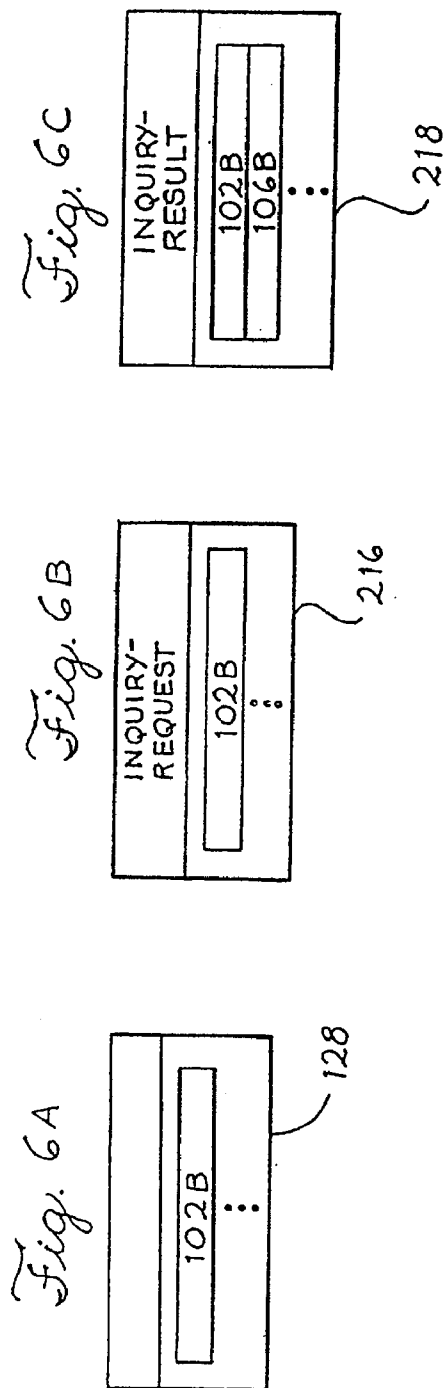


Fig. 4







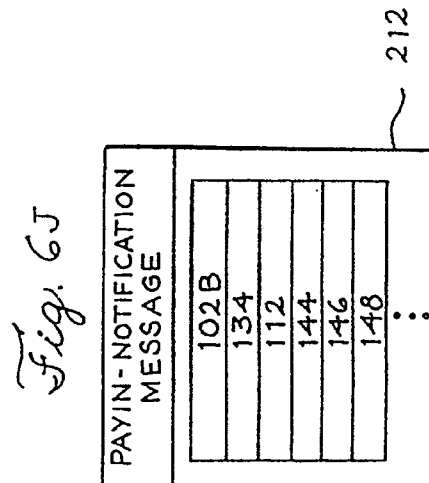
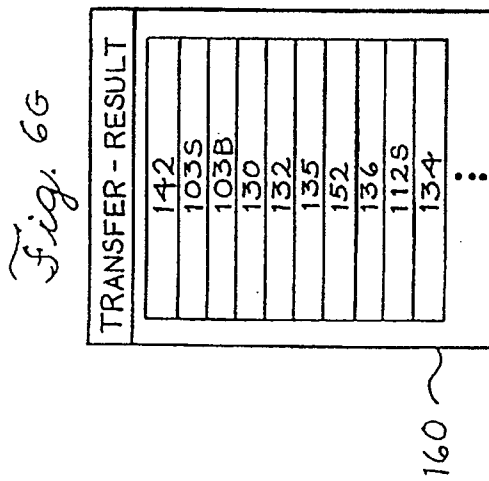
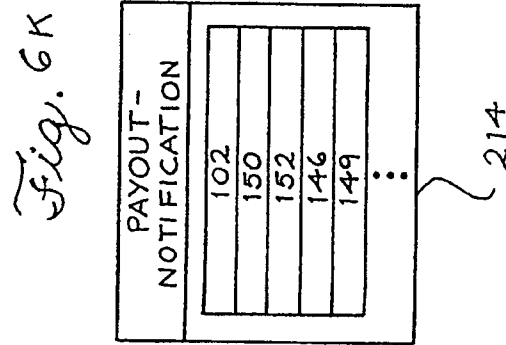
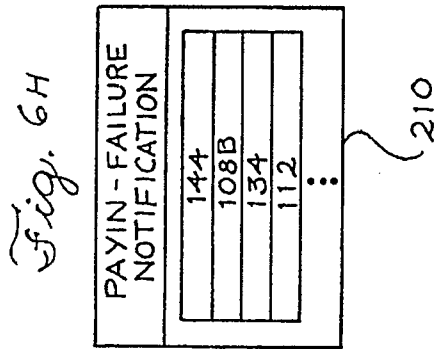
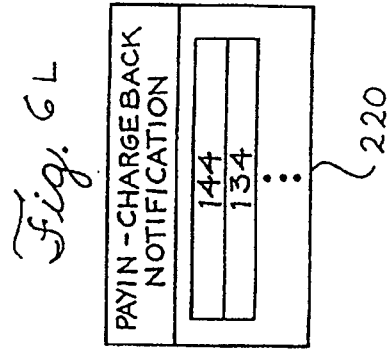
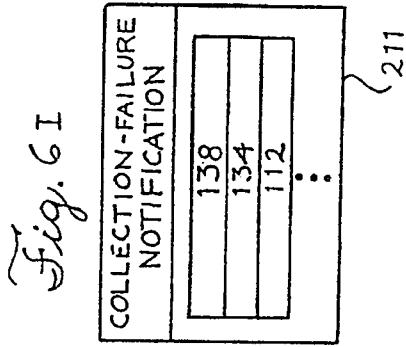


Fig. 6M

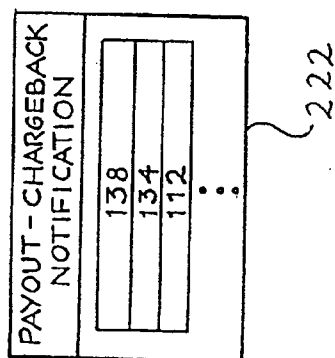


Fig. 6N

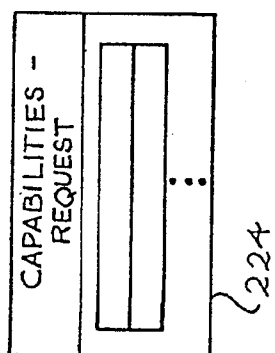


Fig. 6O

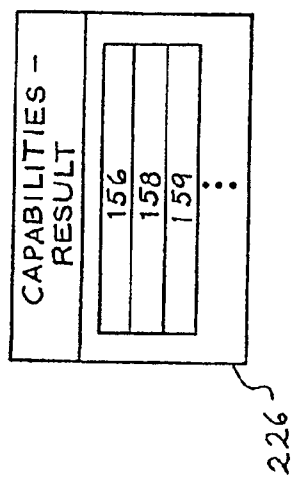


Fig. 6P

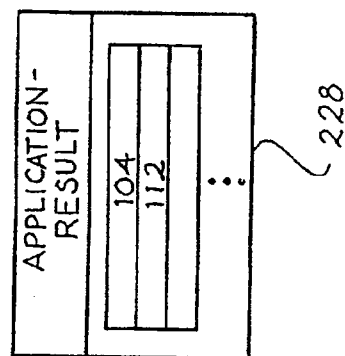
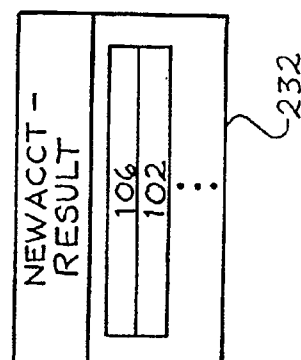
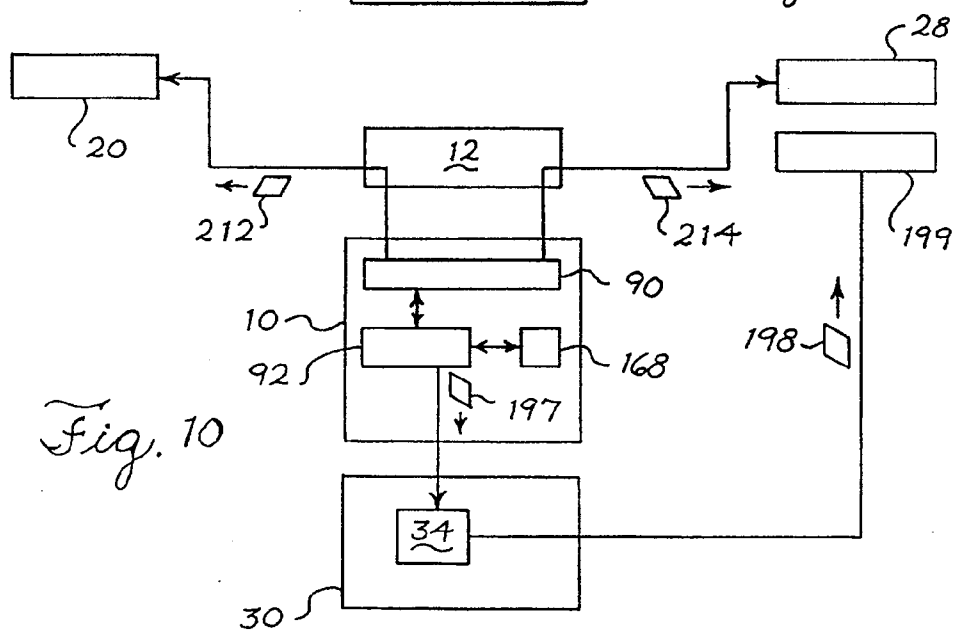
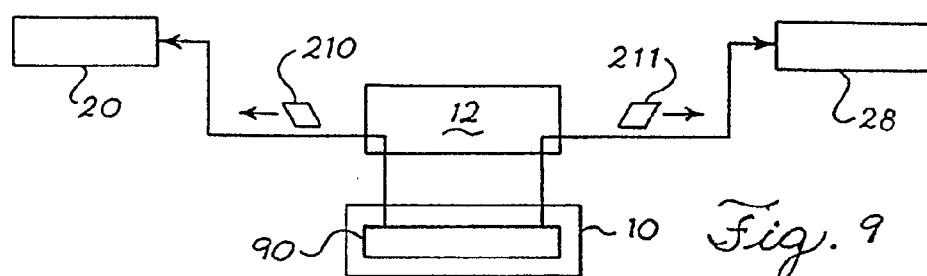
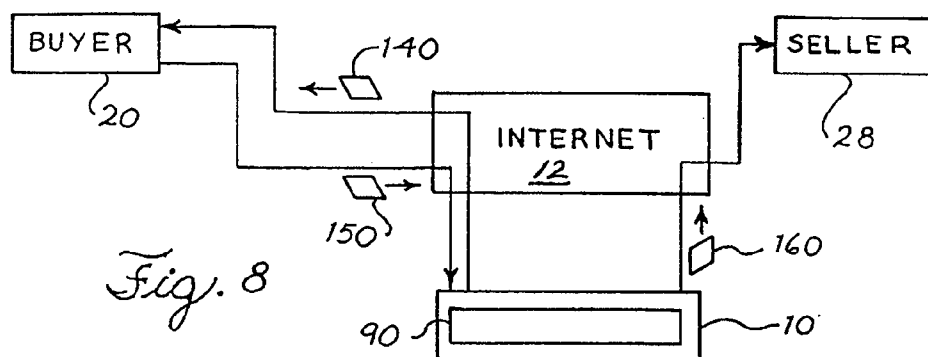


Fig. 6Q





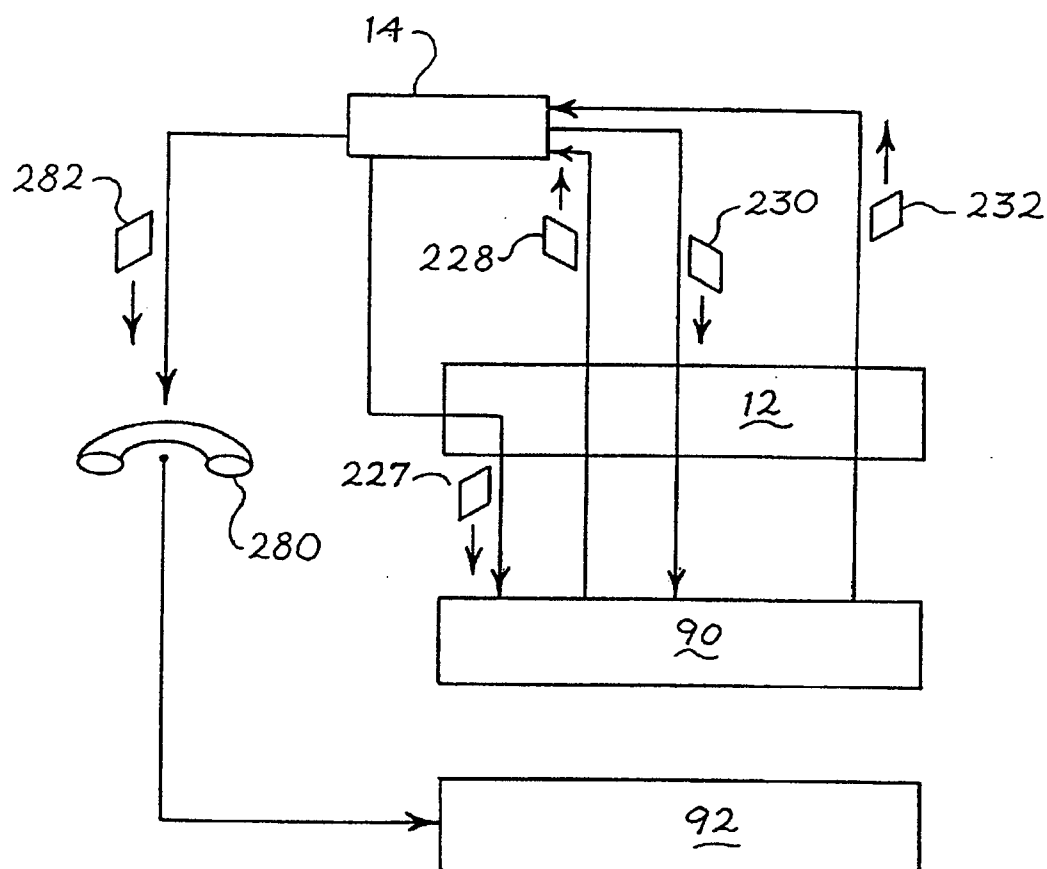


Fig. 13

COMPUTERIZED SYSTEM FOR FACILITATING TRANSACTIONS BETWEEN PARTIES ON THE INTERNET USING E-MAIL

RELATED APPLICATIONS

[0001] This application is a continuation of Reissue Application No. 10/461,604, filed Jun. 12, 2003, which is a Reissue of U.S. Pat. No. 6,246,996, issued Jun. 12, 2001, which is a continuation of U.S. Pat. No. 5,826,241, issued on Oct. 20, 1998, all of which are incorporated herein by reference in their entirety.

BACKGROUND OF THE INVENTION

[0002] The present invention relates to a system for enabling payment for information products that can be transferred electronically over a nonsecure network, and more particularly, the present invention relates to a payment system that can be used to enable an Internet user to make a payment to another Internet user for information products of value that can be electronically transferred over the Internet.

[0003] The Internet has emerged as a large community of electronically-connected users located around the world who readily and regularly exchange significant amounts of information. The Internet continues to serve its original purposes of providing for access and exchange of information among government agencies, laboratories, and universities for research and education. In addition, the Internet has evolved to serve a variety of interests and forums that extend beyond its original goals.

[0004] The Internet has been considered as a potential new marketplace for information products. It is now physically possible to transfer information products such as articles, software, cartoons, etc., via the Internet.

[0005] Using the Internet as a marketplace has several advantages. Information products can be delivered electronically without physical packaging. Because information is easily duplicated with the point and click of a mouse on a user's workstation, the cost of manufacturing and reproducing inventory closely approaches zero, leaving the cost of creating or synthesizing the information as the dominant cost. Once an information product has been developed, there may be little or no cost of manufacturing or inventory since a copy of the product can be shipped whenever a buyer makes a purchase given that the merchant has the bandwidth available. Given that the cost of inventory on the Internet is close to zero, there are potentially tens of thousands of information sellers, i.e. people with ideas or information products to sell, on the Internet. Another advantage of using the Internet as a marketplace is that, depending on the kind of information product involved, processing of a buyer's order can be automated, so there is no need for a worker to manually intervene to complete a transaction.

[0006] Although the Internet presently has the capability to serve as a marketplace for new information products, use of the Internet for this purpose has been slow to develop. One reason that accounts for this lack of development is that it is difficult to pay for information products using the Internet. A user cannot send cash or a check via the Internet and sending a check via physical delivery services is slow. Sending a credit card number over the Internet poses security problems. Moreover, even if it were reasonably safe to send credit card numbers, there are a lot of potential sellers of information products who do not have—and could not qualify for—the

required merchant accounts. Credit card companies require a seller who accepts credit card for payment, to have a merchant account. Conventional merchant accounts require a relatively high standard of credit worthiness and a financial guarantee. The need for a conventional merchant account impedes commerce in the Internet marketplace because an average Internet user may have a difficult time qualifying for a merchant account.

[0007] Accordingly, there is a need for a system that solves the payment problem on the Internet to enable development of a commercial market.

SUMMARY OF THE INVENTION

[0008] According to a first embodiment of the present invention, there is provided a method and payment system for enabling a first Internet user to make a payment to a second Internet user, typically for the purchase of an information product deliverable over the Internet. The payment system provides cardholder accounts for the first and second Internet users. When the second user sends the information product to the first user over the Internet, the second user also makes a request over the Internet to a front end portion of the payment system requesting payment from the first user. The front end portion of the payment system queries the first user over the Internet whether to proceed with payment to the second user. If the first user replies affirmatively, a charge to the first user is processed off the Internet; however if the first user replies negatively, the first user is not charged for the information product. The payment system informs the second user regarding whether the first user's decision and pays the second user upon collection of the charge from the first user. Security is maintained by isolating financial and credit information of users' cardholder accounts from the front end portion of the payment system and by isolating the account identifying information from the associated e-mail address.

BRIEF DESCRIPTION OF THE DRAWINGS

[0009] These and other features, aspects, and advantages of the present invention will become better understood with regard to the following description, appended claims, and accompanying drawings where:

[0010] FIG. 1 is a block diagram illustrating the relationship between a payment system of a first embodiment of the present invention to a large network.

[0011] FIG. 2 is a block diagram of a hardware configuration for the payment system of FIG. 1.

[0012] FIG. 3 is a block diagram of the program arrangement of the payment system of FIG. 1;

[0013] FIG. 4 is a diagram of data for a cardholder account for use with the payment system of FIG. 1;

[0014] FIG. 5 is a flow chart showing message flow for the initial steps of a funds transaction using the payment system of FIG. 1;

[0015] FIGS. 6A-6Q are diagrams of data messages used in connection with the payment system of FIG. 1;

[0016] FIG. 7 is a flow chart showing the message flow for a cardholder inquiry request using the payment system of FIG. 1;

[0017] FIG. 8 is a flow chart showing the message flow for a transfer query request and reply using the payment system of FIG. 1;

[0018] FIG. 9 is a flow chart showing the message flow for payment failure using the payment system of FIG. 1;

[0019] FIG. 10 is a flow chart showing the message flow for payment notification using the payment system of FIG. 1;

[0020] FIG. 11 is a flow chart showing message flow for a chargeback process using the payment system of FIG. 1;

[0021] FIG. 12 is a flow chart showing message flow for a capabilities request process using the payment system of FIG. 1; and

[0022] FIG. 13 is a message flow diagram showing messages for a new account transaction between a user and the payment system of FIG. 1.

DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

I. Overall System

[0023] FIG. 1 shows a block diagram of a first embodiment of the present invention for a payment system 10. The payment system 10 is shown in relation to the Internet network 12. The Internet network 12 is a large, quasi-public network having many users 14. The Internet network 12 is of a type that the users 14 can access by various means such as conventional commercial telephone systems. The network 12 provides numerous services for its users such as e-mail or World Wide Web (WWW). Although the payment system 10 is specifically useful for the Internet, it may be used in conjunction with other e-mail based systems having a plurality of users.

[0024] In the embodiment of FIG. 1, one of the users 14 (designated as an information buyer 20) wishes to acquire an information product 26 from another of the users (designated as an information seller 28). The information seller 28 may be any user with an information product to vend. The information product 26 can be any item that is transferable over the Internet network 12. The information product 26 may be a message, an article, an original work of authorship, a composition, a writing, music, a pictorial work, a drawing, a cartoon, a story, a software program, a recipe, jokes, and so on. The information seller 28 wishes to sell a copy of the information product 26 to the information buyer 20 at a price. The price may be an advertised price (e.g. advertised over the Internet, on a bulletin board, or other media), or may be a negotiated price (e.g. negotiated via e-mail exchange). Although the example of FIG. 1 shows only one information seller 28 and one information buyer 20, the payment system 10 is understood to extend to include multiple buyers of one seller, multiple sellers to one buyer, and multiple sellers and multiple buyers. Also, a buyer or a seller may be an individual, a company, or an institution.

[0025] Also shown in FIG. 1 is a financial transaction settlement system 30. The financial transaction settlement system 30 represents presently-available commercial institutions that process credit and other financial transactions. For example, the financial transaction settlement system 30 may represent commercially available credit card processing institutions (e.g. Visa, Master Card, Discover, and so on). The financial transaction settlement system 30 includes two components: an issuer 32 and an acquirer 34. The issuer 32 includes banks, or other institutions, that issue credit cards to persons, sends statements and bills to credit card holders on a regular basis, and collects payment from the credit card holders. These functions are not performed on the Internet but use conventional mail delivery, authorized direct withdrawals from bank accounts, etc. The payment system 10 of the present embodiment utilizes these commercially available

issuers 32 to bill users and to collect payment from users for their transactions on the Internet 12 using the payment system 10. For example, a user's transactions using the Internet would show up on the user's credit card statement as a charge from the payment system 10 although individual transactions using the payment system 10 on the Internet 12 may not be specifically listed on the credit card statement. The financial transaction settlement system 30 also includes the acquirer component 34. This acquirer component 34 is a bank or other institution that provides a merchant account to the payment system 10. The merchant account provided to the payment system 10 is similar or identical to the conventional merchant accounts that are provided to other businesses. By means of having the merchant account, the payment system 10 forwards user charges to the acquirer component 34 thereby getting user charges into a conventional, commercially-available settlement system. As mentioned above, the acquirer 34 processes the user charges received from the payment system and passes this information to the issuer component 32 for the preparation and sending of monthly statements and bills to users and collecting payment from users.

[0026] FIG. 2 is a block diagram illustrating one possible configuration of hardware components used to implement the payment system 10 of FIG. 1. The payment system 10 includes two computers: a front end computer 50 and a back end computer 52. The front end computer 50 and the back end computer 52 are connected together via a private network 53. In a preferred embodiment, the private network is an Ethernet network. The front end computer 50 includes a front end system board 54 associated with a front end memory 56, a storage device 58 such as a fixed disk drive, a back up tape drive 60, a removable media drive 62, a monitor 64, and a power supply 66. The front end computer 50 is connected to the Internet 12 by means of a leased T1 line 69.

[0027] The back end computer 52 includes a back end computer system board 68 associated with a back end computer memory 70, a back end computer storage device 72 such as a fixed disk drive, a back up tape drive 74, a removable media drive 76, a monitor 78, and a power supply 80. The back end computer 52 is connected to the front end computer 50 by means of Ethernet cable. The back end computer 52 also has a Novell LAN 81 that provides a communication link to the settlement system 30.

[0028] Both the front end computer 50 and the back end computer 52 in this embodiment are preferably commercially available Sun Microsystems SS1000 computers. Preferably, both the front end computer 50 and the back end computer 52 are equipped with 64 MB memory. The dedicated private network is an Ethernet and includes a SBus host adaptor. The communication server is a Sun Microsystems SPARCserver 1000. Both the front end monitor 64 and the back end monitor 78 are commercially available Sun 17" monitors. The front end and back end tape drives are Python SGB tape drives using 4 mm tape available from Sony, Inc. The front end disk drive 58 and the back end disk drive 72 are commercially available Seagate 1.7 GB disk drives. The host adaptor is a Sun Microsystems SBus host adaptor. The network server is a commercially available Sun Microsystems SSarray 101.

[0029] Referring to FIG. 3, the front end computer 50 runs a front end program 90. The front end program 90 is a software program that provides for communication with users 14 on the Internet network 12. The front end program 90 includes several modules that can be accessed and used by users 14 of the Internet. The modules included on the front end program

include modules that permit users **14** to make a funds transfer transaction **91**, to check a subscriber's status **92**, to enroll as subscribers **93**, etc.

[0030] The back end computer **52** runs a back end program **92**. Thus, the front end program **90** is physically separate and isolated from the back end program **92**. The back end program **92** receives information from and sends information to the front end program **90** only by means of batch processing. This results in an inherently safe method of communicating between the publicly accessible part of the payment system, i.e. the front end computer **50**, and the secure part of the payment system, i.e. the back end computer **52**.

II. Requirements of a Subscriber

[0031] In order to use the payment system **10** for transactions, the information buyer **20** and the information seller **28** both need to have subscriber or cardholder accounts with the payment system **10**. As subscribers, users of the Internet network **12** may conduct commercial transactions with each other, such as paying for information products **26**, making charitable contributions, etc.

[0032] Referring to FIG. 4, a cardholder account **100** includes at least the following information: a cardnumber **102**, an Internet e-mail address **104**, a state **106**, a pay-in selection **108**, a pay-out selection **110**, and a currency preference **112**. Each of these items is explained below.

[0033] The cardnumber **102** uniquely identifies the cardholder account **100**. The cardnumber **102** is an alphanumeric string that is easily typed and read by a human. Also, the cardnumber **102** is relatively hard to guess and bears no deducible relationship to any financial artifact, such as a credit cardnumber, a checking account number, nor to any e-mail address.

[0034] The cardholder Internet e-mail address **104** is the e-mail address of the cardholder that is unique for each user of the Internet.

[0035] The state **106** is one of "active", "suspended", or, "invalid".

[0036] The pay-in selection **108** is how the cardholder transfers funds, i.e. makes payment, to the payment system **10**. Typically, this may be done by using a conventional authorization to charge a credit card. The pay-in selection is not encoded in or directly derivable from the cardnumber.

[0037] The pay-out selection **110** is how a the payment system **10** transfers funds to, i.e. pays, the cardholder. This may include use of a direct deposit checking account, etc. The pay-out selection **110** is not encoded in or directly derivable from the cardnumber.

[0038] The currency preference **112** is the national currency used for the pay-in selection **108** and pay-out selection **110** between the payment system **10** and the subscriber.

[0039] Subscriber account information is distributed in the payment system **10**. Referring again to FIG. 3, only a portion of the subscriber account information resides on the front end computer **50** where it is accessible by the front end program **90**. However, a full copy of all the cardholder account information resides on the back end computer **52** where it is accessible by the back end program **92**. Included on the back end computer **52** is a copy of the portion of the cardholder information on the front end computer **50**. Specifically, the part of the subscriber account information that resides on the front end computer **50** is located in a data file **113** stored on the front end computer storage device **58**. The subscriber account

information that resides on the back end computer **52** is located in a data file **114** stored on the back end computer storage device **72**.

[0040] Specifically with respect to the items of information in a cardholder account, located on the storage device **58** associated with the front end computer **50** is that portion of the subscriber account information **106** that includes the subscriber account number **102**, the Internet e-mail address information **104**, the state **106**, and the currency preference **112**. However, the front end computer **50** does not contain any of the pay-in **108** or pay-out **110** information, such as credit card information, etc., associated with any of the subscribers. Credit card or other payment information is located only in the data file **114** on the storage device **72** of back end computer **52**.

[0041] To access the front end program **90** over the Internet, users **14** may use a user interface software program **118** that can be run on their own computers for interactive access, or alternatively, users **14** may access the payment system **90** via conventional e-mail programs, for store-and-forward access. Programs **90** and **118** may be written in any suitable programming language, such as Tcl or C. The software modules are capable of being used with the UNIX operating system, DOS, and may be ported to various other operating systems. Listings of code for the front end program **90** and the user interface program **118** are included at appendices A and B, respectively. A publication entitled "The application/green-commerce MIME Content-type" is included at appendix C and includes a format for Internet communication for use between users of the Internet and the payment system **10**.

III. Methods of Operation of the Payment System

[0042] As mentioned above, the payment system **10** provides users of the Internet with a variety of services and functions, including making a funds transfer transaction, validating a subscriber's status, and enrolling as a subscriber. Several of these services and functions are described below.

A. Funds Transfer Transaction

[0043] A funds transfer transaction occurs when one Internet user who is a subscriber, i.e. who has a cardholder account on the payment system **10**, acting as an information seller **28**, requests payment from another cardholder, acting as an information buyer **20**. Typically, this may occur when a buyer **20** purchases an information product **26** over the Internet **12**. However, this transaction may result for other reasons, e.g. to facilitate charitable contributions, to pay for computer or software customer support, etc.

[0044] For purposes of the example described below, it is assumed that the buyer **20** already is aware that the seller **28** has an information product **26** to sell and that a price has been established. The buyer **20** may be aware of the seller **28** and his information product via advertising, on the Internet or other media, through others, from a bulletin board, from a product warehouse on the Internet, or any other means. The buyer **20** is aware of a means to contact the seller via the Internet. The buyer **20** may contact the seller **28** by sending a message to the seller's Internet address or by an interactive protocol, World Wide Web (WWW), FTP, etc., so that a message can be sent to the seller **28**. The means to contact the seller may be included in advertising, etc.

[0045] FIG. 5 shows an initial part of the message flow for a funds transfer transaction according to the first embodiment

of the present invention. The Internet user who is the buyer **20** sends a message **128** to (or otherwise communicates with by means of interactive protocols, WWW, etc.) the Internet user who is the seller **28** via the Internet **12**. The communication **128** sent by the buyer **20** to the seller **28** includes the buyer's cardnumber **102B** ("102B"=cardnumber "102"+buyer "B"), as illustrated in FIG. 6A. The buyer's message **128** is the first step in initiating the funds transfer transaction using the payment system **10**. Alternatively, the buyer **20** may include the cardnumber **102B** as a username in a file transferred from the buyer **20** to the seller **28** using the Internet **12**.

B. Inquiry Transactions

[0046] At this stage, the seller **28** may wish to communicate with the payment system **10** to have a cardnumber inquiry transaction performed on the buyer's cardholder number. A cardnumber inquiry transaction occurs when one cardholder wishes to ascertain the state **106** of another cardholder's account. Typically, a cardnumber inquiry transaction occurs when one cardholder, acting as a seller, is deciding whether to send an information product **26** to another cardholder, who represents to be a cardholder and who is interested in acquiring the information product from the seller **28**.

[0047] Referring to FIG. 7, the seller **28** may send an inquiry-request message **216** containing the buyer's cardnumber **102B** to the front end program **90** using the Internet **12**. As shown in FIG. 6B, the inquiry-request message **216** contains at least the buyer's cardnumber **102B**. In response, the front end program **90** sends the seller **28** an inquiry-result message **218**. As shown in FIG. 6C, the inquiry-result message **218** contains the buyer's cardnumber **102B** and the state **106B** associated with the buyer's account. If the buyer's cardholder account state **106B** is "active", presumably the buyer is in good standing and the seller **28** can proceed with the transaction by sending the information product **26** to the buyer **20** via the Internet. If the buyer's cardholder account status **106B** is "invalid", the seller **28** knows that the account is no good and that funds transfer transactions cannot be processed through it. If the buyer's cardholder account status **106B** is "suspended", the seller knows that the buyer **20** has not been responsive to recent transaction attempts. The seller **28** may still decide to send the information product **26** to the buyer **20** and a funds transfer transaction will be processed. No guarantee of payment is made however.

[0048] Although an information seller **28** may prefer to send an inquiry-request **216** to the payment system **10** prior to sending an information product to the buyer **20**, the seller **28** may choose to skip the inquiry-request step. At this stage, the seller **28** sends the information product **26** to the buyer **20** via the Internet.

Funds Transfer Transaction (Continued)

[0049] Referring again to FIG. 5, at approximately the same time that the seller **28** sends the information product to the buyer **20** via the Internet, the seller **28** also sends a transfer-request message **129** to the payment system **10** via the Internet **12**. Specifically, the seller **28** sends the transfer-request message **129** to the front end program **90** on the front end computer **50**. The transfer-request message **129** may be sent by either e-mail or using an interactive protocol on the Internet **12**. Referring to FIG. 6D, the transfer-request message **129** contains the following information: the buyer cardnumber **102B**, the seller cardnumber **102S**, a transfer type

130 (e.g., sale of information), a textual description **132** of the transaction, a transfer amount **134**, the currency **112S** (e.g., USD); and optionally, the merchant's transaction-identifier **136**.

[0050] After receiving the transfer-request message **129**, the front end program **90** asks the buyer **20** whether the buyer **20** wishes to authorize payment for the transaction **132** to the seller **28**. Specifically, the front end program **90** sends a transfer-query message **140** to the buyer **20**, as shown in FIG. 8. Using the information contained in the transfer-request message **129** from the seller **28**, specifically the buyer's cardnumber **102B** and the seller's cardnumber **102S**, the front end program **90** looks up the buyer's name **103B** and the seller's name **103S**. As shown in FIG. 6E, the transfer-query message **140** contains: a transaction-identifier **142** uniquely-generated by the front end program **90**, the buyer's name **103B**, the seller's name **103S**, the transfer type **130**, the textual description of the transaction **132**, and a transfer amount **135** in the currency preference **112B** associated with the buyer's cardholder account (which may represent a currency exchange of the transaction amount **134** into the buyer's currency preference **112B** and further which fixes the transfer amount, with respect to currency fluctuations, in the currency used by the buyer). In addition, if currency denomination exchange occurred, the original currency **112S** and amount **134** are noted in the message **140**. In the transfer-query message **140**, the buyer's name **103B** and the seller's name **103B** are used instead of the buyer's cardnumber **102** and the seller's cardnumber **102S** in order to minimize transmission of the cardnumber information over the Internet thereby improving security of the system. After sending the transfer-query message **140**, the front end program **90** waits for a response from the buyer **20**.

[0051] The buyer **20** may respond by sending a transfer-response message **150** to the front end computer **50** via the Internet, as shown in FIG. 8. As illustrated in FIG. 6F, the transfer-response message **150** contains the following data: the payment system generated transaction-identifier **142** and an indication **152** of the buyer's willingness to allow transfer of funds. The willingness indication **152** is one of "yes", "no", or, "fraud".

[0052] In a preferred embodiment, the structure of the transfer-query message **140** facilitates preparation of the transfer-result message **160** by the buyer **20**. In the transfer-query message **140**, the transaction-identifier **142** is placed in the "subject" of the transfer-query message **140** and the e-mail address to which the buyer's transfer-response message **150** should be sent (e.g., "response@card.com") is placed in the "sender's address" of the transfer-query message **140**. Many conventional e-mail programs in use on the Internet, including many older programs, have a feature that will automatically read the "subject" and "sender's address" of a received message and format a reply message directed to the sender's address with the same "subject" as the received message. If the buyer **20** uses this common feature to send his transfer-response message **150** back to the payment system **10**, the only information that the buyer **20** will have to add is the willingness indication **152** which is only a one word reply, (i.e. "yes", "no", or, "fraud").

[0053] Referring again to FIG. 8, if the buyer **20** indicates "yes" in the willingness indication **152**, the front end program **90** then sends a transfer-result message **160** to the seller **28** via the Internet **12**. As shown in FIG. 6G, the transfer-result message **160** contains the following information: the transac-

tion-identifier **142**, the seller's name **103S**, the buyer's name **103B**, the transfer type **130**, the textual description of the transaction **132**, the transfer amount **135** in the currency **112B** associated with the buyer's cardholder account, the indication **152** of the buyer's willingness to allow transfer of funds, and the seller's transaction-identifier **136** if present in the originating transfer-request message **129**. In addition, if currency denomination exchange occurred, the original currency **112S** and amount **134** are noted in the transfer-result message **160**. The front end program **90** transfers the transaction information, by batch processing, to the back end program **92** which adds the transaction information to a settlement queue **168**. The settlement queue **168** is a data file located on the storage device **72** of the back end computer **52**.

[0054] Referring back to the step shown in FIG. 8 where the buyer **20** sends the transfer-response message **150** back to the payment system **10**, if the buyer **20** replies "no" in the willingness indicator **152**, the front end program **90** sends a transfer-result **160** to the seller **28** with a "no" indication **152**. In addition, a service charge to the buyer **20** may be generated. Information regarding the buyer's "no" reply in the transfer-response **150** is batched from the front end program **90** to the back end program **92** where a service charge may be added to the settlement queue **168** for the buyer **20**. Further, if a "no" indication is received more than a certain number of times in a certain number of transactions over a certain time period, then the state **106B** of buyer's account **100B** will become "suspended". This is to prevent a user from making a practice of ordering and receiving information products without paying for them. If the buyer's account state **106B** becomes suspended, this information is also transmitted by batch processing from the front end program **90** to the back end program **92** so that the cardholder account information on the back end computer **52** conforms to that on the front end computer **50**.

[0055] Referring again back to the step shown in FIG. 8 where the buyer **20** sends the transfer-response message **150** back to the payment system **10**, if the buyer **20** indicates "fraud" in the willingness indication **152**, the payment system **10** changes the state **106B** of the buyer's cardholder account **100B** to "invalid". A response of fraud indicates that the buyer **20** never requested the information product **26**. The information that the buyer **20** responded "fraud" to the willingness indication **152** is also transmitted by batch processing from the front end program **90** to the back end program **92** so that the cardholder account information on the back end computer **52** conforms to that on the front end computer **50**.

[0056] Referring back to the step illustrated in FIG. 8 where the front end program **90** sends the transfer-query message **140** to the buyer **20**, if a period of time elapses and the front end program **90** does not receive a transfer-response message **150** from the buyer **20**, the front end program will send the transfer-query message **140** again, i.e. a second notice. The front end program **90** may send the transfer-query message to the buyer **20** several times until a response from the buyer **20** is obtained. If more than a certain number of days elapses, or more than a certain number of transfer-query messages **140** are outstanding for the buyer **20**, and the front end program does not receive a transfer-response message **150** from the buyer **20**, then the front end program **90** causes the buyer's cardholder account **100B** to become suspended. This is done by changing the buyer's cardholder state **106B** from "active" to "suspended". However, if a transfer-response **150** is received and/or the number of outstanding transfer-query

messages **140** for the buyer **20** drops to less than a certain threshold, the buyer's account **100B** may be returned to an "active" state. Further, any outstanding transfer-query messages **140** may be sent again some time later.

C. Accumulation and Settlement of Transactions

1. Processing Charges to Buyers

[0057] Processing of the charges and credits between the back end computer **52** and the settlement system **30** is conducted off the Internet using secure communications channels. This isolates the buyer-seller activity which occurs on the Internet from the financial and credit activity which occurs off the Internet.

[0058] Referring to FIGS. 1 and 3, the back end program **92** regularly checks the accumulated purchase transactions for each cardholder in the settlement queue **168** for age and amount. For example, the back end program **92** checks whether the accumulated purchase transactions for a cardholder are either 30 days old or reach a threshold of at least \$10.00. When the accumulated purchase transactions for a cardholder reach either the age or amount threshold, the back end program **92** batches the accumulated transactions into a single funds transfer transaction using the buyer's pay-in selection **108B** associated with the buyer's cardholder account **100B**. This is typically accomplished by posting a charge **194** to the buyer's credit card account. To post a charge on the buyer's credit card account, the back end program **92** transmits an accumulated charge **194** to the credit card system network **30** via the acquirer component **34** where the payment system **10** maintains a conventional merchant account. The credit card network includes a component **196** that initially checks the validity of the buyer's credit card number, e.g. pay-in selection **108B**, to determine whether the credit card is lost, stolen, expired, overlimit, etc.

[0059] If the credit card network **30** refuses to process the buyer's credit card number, e.g. the credit card is lost, stolen, canceled, expired, etc. collection from the buyer is considered failed. The back end program **92** changes the buyer's cardholder state **106B** to "suspended". The back end program **92** also sends the failure information, by batch processing, to the front end program **90** so that the buyer's cardholder state **106B** on the front end computer **50** is also changed to "suspended".

[0060] Referring to FIG. 9, the front end program **90** then sends a payin-failure-notification message **210** to the buyer **20** over the Internet. As shown in FIG. 6H, the payin-failure-notification message **210** contains the notification-identifier **144** associated with the pay-in method **108**, the transfer amount **134**, and the currency **112S**.

[0061] In addition, for each transaction associated with the payin-failure-notification message **210**, the front end program **90** also sends a collection-failure-notification message **211** to the seller **28** over the Internet. As shown in FIG. 6I, this collection-failure-notification message **211** contains the server's transaction-identifier **138**, and the amount **134** and currency **112** associated with the transaction.

[0062] Referring back to the step where the back end program **92** transmits the accumulated charge **194** to the credit card network **30**, if the credit card network **30** accepts the buyer's card, the acquirer **34** then processes the accumulated charge **194** in the credit card system **30** to post the charge to the buyer's credit card in the usual manner by sending the appropriate information to the buyer's credit card issuer **32**.

The buyer's credit card issuer **32** sends the buyer **20** a credit card bill **190**, typically via the postal system. The credit card bill **190** lists the accumulated charge **194** as an item on the user's credit card bill. Since accumulated charges **194** for a cardholder are sent to the acquirer **34** when they reach a certain threshold amount, more than one accumulated charge may be listed on the credit card bill sent to the buyer **20** by the buyer's credit card issuer **32**.

[0063] The description previously set forth explains how the payment system can process a charge to the user using the conventional, commercially available credit card system. There are variations on and modifications of the previously set forth arrangement that may be utilized. For example, the issuer **32** may process a debit to a bank account of the buyer **20** instead of sending a credit card bill. Alternately, the issuer **32** may send the buyer a bill (other than a credit card bill) for the accumulated charges.

[0064] Referring back to the step where the back end program **92** sends the accumulated charge **194** to the credit card system **30**, if the credit card system **30** accepts the buyer's credit card number, the back end program **92** sends indication of this acceptance, by batch processing, to the front end program **90**. The front end program **90** sends a payin-notification message **212** to the buyer **20** via the Internet, as shown in FIG. 10. As shown in FIG. 6J, the payin-notification message **212** contains the cardnumber **102**, the pay-in amount **134** in the currency **112** associated with the buyer's account, the notification-identifier **144** associated with the pay-in method **108**, a list of accumulated transactions **146**, and, optionally, a service charge **148**.

2. Processing Payments to Sellers

[0065] Referring to FIG. 10, if the credit card system **30** accepts the accumulated transaction **194** from the back end program **92**, the back end program **92** treats the payment as made by the buyer. The back end program **92** calculates fees associated with the transaction. For example, the back end program will subtract the charge applied by the credit card system **30** from the amount paid by the buyer. The back end program **92** will also subtract a service charge for the payment system **10**. The back end program **92** will then calculate a net settlement to the seller for the transaction. The net settlement will be posted to the settlement queue **168** for the seller **28** located on the back end computer **52**.

[0066] The back end program **92** periodically checks the settlement queue **168** to see if payments have accumulated for the seller **28**. Regularly, the back end program **92** will batch the accumulated payment transactions into a single off-Internet transaction, using the pay-out method **110S** associated with the seller's account **100S**. In a preferred embodiment, transactions that have accumulated for a seller may be retained for a period of time before the single off-Internet payment transaction to the seller is made. This period of time may vary depending on the payment history of the seller. For example, a payment that is received from the credit card system **30** may be held for a period of 60 days before it is combined with other accumulated transactions and paid to the seller by means of the seller's indicated off-Internet payment method.

[0067] One way that a payment may be made to the seller is by direct deposit to a checking account maintained by the seller. The back end program **92** transmits information **197** to the settlement system **30** to make a direct deposit **198** to the seller's checking account **199**. If the acquirer component **34** is

a commercial bank, the back end component **92** may use the acquirer **34** to transmit the direct deposit information from the acquirer-bank to the seller's bank for direct deposit to the seller's checking account **199**.

[0068] In addition to sending the information to the settlement system **30** to effect payment to the seller, e.g. by making a direct deposit to the seller's checking account, the back end program **92** also sends information, by batch processing, to the front end program **90** that an accumulated payment to the seller has been initiated. The front end program **90** then sends a message via the Internet informing a seller **28** that payment has been made to the seller's account. The front end program **90** sends a payout-notification message **214** to the e-mail address **104S** associated with the seller's cardholder account. As shown in FIG. 6K, the payout-notification message **214** contains the cardnumber **102S**, the pay-out amount **150** in the currency **112** associated with the cardholder's account, the notification-identifier **152** associated with the pay-out method **110** the list of accumulated transactions **146**, and, optionally, a service charge **149**.

D. Chargeback Transactions

[0069] A chargeback transaction occurs when a funds transfer associated with a previous payin-notification message results in a chargeback. Typically, this occurs when a buyer **20**, whose pay-in method **108B** is a credit card, disputes a charge on his credit card statement. FIG. 11 shows the message flow for a chargeback transaction having the following steps:

[0070] The front end program **90** sends a payin-chargeback-notification message **220** to the buyer **20** over the Internet. As shown in FIG. 6L, the payin-chargeback-notification message **220** contains the notification-identifier **144** associated with the pay-in method **108**, and, the pay-in amount **134** in the currency **112** associated with the buyer's account **100**.

[0071] Also as shown in FIG. 11, for each accumulated transaction associated with this chargeback, the front end program **90** also sends a payout-chargeback-notification message **222** to the seller **28** over the Internet. As shown in FIG. 6M, the payout-chargeback-notification message **222** contains the server's transaction-identifier **138**, the amount **134**, and the currency **112** charged back to the buyer **20**.

E. Payment System Capability Transaction

[0072] A payment system capability transaction occurs when a user wishes to ascertain the capabilities of a payment system **10**. FIG. 12 shows the message flow for a payment system capability transaction having the following steps:

[0073] A user **14** uses the Internet **12** to send a capabilities-request message **224** to the payment system **90**. As shown in FIG. 6N, the capabilities-request message **224** has no specific attributes, i.e. it contains no specific information fields, it may be only a query. The payment system **90** sends a capabilities-result message **226** to the user **14**. As shown in FIG. 6O, the capabilities-result message **226** contains a list of supported transaction types and parameters **156**, a list of supported currencies **158**, and a list of supported languages **159**.

F. Cardholder Application

[0074] A cardholder application transaction occurs when an Internet user **14** wishes to establish a cardholder account **100**. FIG. 13 shows the steps for the application process for a cardholder application.

[0075] The user 14 sends an application-request message 227 over the Internet 12 to the payment system 90. This request may be sent by either electronic mail or using an interactive protocol. The payment system 90 sends an application-result message 228 to the user 14. As shown in FIG. 6P, the application-result message 228 is essentially a blank form into which the user enters information for the following: the applicant's name, address, phone number, Internet e-mail address 104, and the currency preference 112, language, and preferred account identifier ID.

[0076] The user 14 fills in parameters from the application-result message 228, and sends a newacct-request message 230 to the payment system 10. The payment system 10 sends the user 14 a newacct-result message 232. As shown in FIG. 6Q, the newacct-result message 232 contains the status 106 of the application, and if the application is approved, the card-number 102 assigned to the user 14.

[0077] It is noted that credit card numbers or other sensitive information relating to financial transaction are not sent over the Internet. The user who wishes to open a cardholder account sends only part of the required cardholder information over the Internet in the newacct-request message. In order to complete the cardholder application process, the user 14 provides his credit card information, checking account information, or other financial information to the payment system 10 through non-Internet channels. This credit card information, checking account information, or other financial information is maintained on the back end computer 52 of the payment system 10 in the secure data file 114. The user 14 calls a telephone number 280. This may be an 800 number in the U.S. or a toll number for foreign calls. The user 14 is prompted to enter his credit card information 282 by touch tone entry. Thus, the user's credit card information is not transmitted over the Internet at any time thereby contributing to the security of the system.

IV. Advantages of the Payment System

[0078] In the embodiment of the invention described above, there is provided a new model for Internet commerce in which an information seller 28 carries the risk of non-payment. By shifting the risk of non-payment, the embodiment of the present invention avoids the necessity of guarantees of credit worthiness for sellers. This allows every participating Internet user to be both a buyer and a seller of information on the Internet. However, it is noted that various aspects of the model (e.g., buyer confirmation, limitations on buyers' refusals to pay, etc.) minimize a seller's risk to the point where it is offset by the expanded commerce base created.

[0079] Buyers of information products often cannot make a purchase decision unless the product is in hand. Given that there is virtually no cost for manufacturing and distribution, unwanted information products need not be "returned"; it is less costly merely to delete the unwanted information product. Buyers of information products pay only for the information that they can use, thereby avoiding the frustration of returning unwanted goods and asking for a refund as they would in a conventional marketplace.

[0080] Cardnumbers are bi-directional, i.e., a cardholder may engage in commerce as either a buyer or a seller. Hence, the terms "seller" and "buyer" are merely role-descriptors with respect to a given transaction, e.g., the cardnumber acting as a buyer in one transaction might be used in the merchant role for another transaction. Further, the term seller and buyer are generic in that they refer only to the direction of the

funds transfer for a transaction. Hence, if a cardholder makes a charitable contribution to a non-profit organization, the cardholder is still referred to as the buyer and to the non-profit as the seller even though no actual "sale" is occurring.

[0081] Another advantage of the payment system is that it enables anyone with an information product to sell to have an available market. There is no age limit on information sellers.

[0082] The payment system described above is particularly advantageous for use on networks that do not have a centralized management authority, such as the Internet. Other such systems include FIDOnet and UUCP/Usenet, although it is recognized that these systems are considered by some to part of or associated with the Internet. The payment system described above could also be used on future versions, generations, etc., of the Internet. The payment system could also be used on centrally managed computer systems, such as America Online, Prodigy, etc.

[0083] Another aspect of the payment system described above is that it enables users to buy and sell information products over a quasi-public network, such as the Internet, regardless of where the users are located or where the payment system is located. Either the buyer or the seller may be located in the U.S. or outside the U.S. Also, some or all of the payment system components, such as the front end computer or the back end computer, may be located either in the U.S. or outside the U.S.

[0084] The foregoing detailed description should be regarded as illustrative rather than limiting and the appended claims including all equivalents are intended to define the scope of the invention.

What is claimed is:

1. A method for completing a financial transaction over a network, the method comprising:
 - receiving a request from a user over the network to complete a financial transaction;
 - requesting non-financial user information to be used to complete the financial transaction;
 - receiving the non-financial user information over the network;
 - sending the non-financial user information and information related to the financial transaction to a third-party system;
 - approving the financial transaction based on receiving authorization from the third-party system; and
 - receiving payment from the third-party system on behalf of the user in relation to the financial transaction.
2. The method of claim 1, wherein the financial transaction involves the purchase of a good or service from a seller.
3. The method of claim 1, wherein the receiving of the non-financial user information includes receiving approval from the user for the third-party system to complete the financial transaction on behalf of the user.
4. The method of claim 3, wherein the approval from the user for the third-party system to complete the financial transaction includes approval from the user to have the third-party system send a bill to the user for the financial transaction.
5. The method of claim 4, wherein the sending of the bill to the user is accomplished via conventional mail delivery.
6. The method of claim 1, wherein the receiving of the payment from the third-party system is accomplished without using the network.
7. The method of claim 1, wherein the network is the Internet.

8. A method of processing a financial exchange over a network, the method comprising:

receiving from a merchant, over the network, information associated with a financial transaction and non-financial data relating to a buyer involved in the financial transaction with the merchant;

using the non-financial data relating to the buyer to authorize payment to the merchant on behalf of the buyer in relation to the financial transaction;

sending to the merchant, over the network, a notification of the authorized payment on behalf of the buyer; and

processing payment to the merchant on behalf of the buyer upon notification from the merchant that the buyer committed to completing the financial transaction.

9. The method of claim **8**, wherein the processing of the payment to the merchant includes receiving approval from the buyer regarding the financial transaction with the merchant.

10. The method of claim **8**, wherein the processing or the payment to the merchant is accomplished without using the network.

11. The method of claim **8**, wherein the processing of the payment to the merchant includes sending a bill to the buyer.

12. The method of claim **11**, wherein the sending of the bill to the buyer is accomplished without using the network.

13. The method of claim **8**, wherein the processing of the payment to the merchant includes charging a service fee.

14. A system for completing a financial transaction over a network, the system comprising:

a payment processing system to process payments related to financial transactions conducted over the network using a user-identifying piece of non-financial data provided in association with the financial transaction; and a network-based transaction system, connected to the network and the payment processing system, including:
a front-end communications module to send and receive communications with a user over the network; and

a back-end communications module to send and receive communications with the payment processing system;

wherein:

the front-end communications module is to receive a request from the user to process a financial transaction, the request including the user-identifying piece of non-financial data associated with the request,

the back-end communications module is to send the user-identifying piece of non-financial data and information related to the financial transaction to the payment processing system, and

the payment processing system is to process a payment on behalf of the user.

15. The system of claim **14**, wherein the financial transaction involves a purchase of a good or service from the network-based transaction system.

16. The system of claim **14**, wherein the front-end communications module is further to receive an approval from the user for the payment processing system to complete the financial transaction on behalf of the user.

17. The system of claim **16**, wherein the approval from the user for the payment processing system to complete the financial transaction includes approval from the user to have the payment processing system send a bill to the user for the financial transaction.

18. The system of claim **17**, wherein the payment processing system is to send the user a bill without using the network.

19. The system of claim **14**, wherein the network-based transaction system is to receive payment from the payment processing system without using the network.

20. The system of claim **14**, wherein the network is the Internet.

21. The system of claim **20**, wherein the network-based system is connected to the payment processing system over the Internet.

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