

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GOOGLE INC.,
Petitioner,

v.

PERFORMANCE PRICE HOLDINGS, LLC,
Patent Owner.

Case CBM2016-00049
Patent 7,089,195 B2

Before MEREDITH C. PETRAVICK, MICHAEL W. KIM, and
KEVIN W. CHERRY, *Administrative Patent Judges*.

PETRAVICK, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
Covered Business Method Patent Review
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

I. INTRODUCTION

1. *Background*

Petitioner, Google, Inc., filed a Petition (Paper 1, “Pet.”) requesting a covered business method patent (“CBM”) review of claims 1–20 of U.S. Patent No. 7,089,195 B2 (Ex. 1001, “the ’195 patent”) under section 18 of the Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284, 331 (2011) (“AIA”). In support of its Petition, Petitioner submitted the Declaration of Paul W. Farris (Ex. 1003).

Pursuant to 35 U.S.C. § 324, we instituted CBM review of claims 1–20 of the ’195 patent on the sole ground asserted in the Petition. Paper 10 (Inst. Dec.). The Petition asserts that claims 1–20 of the ’195 patent are unpatentable under 35 U.S.C. § 101 for being directed to non-statutory subject matter. *See* Pet. 16–46.

Patent Owner, Performance Price Holdings, LLC, filed a Response to the Petition (Paper 17, “PO Resp.”), and Petitioner filed a Reply to the Patent Owner’s Response (Paper 21, “Pet. Reply”). Patent Owner relies on the testimony of Ivan Zatkovich (Ex. 1005, “First Zatkovich Decl.”; Ex. 2024, “Second Zatkovich Decl.”).¹

Patent Owner and Petitioner both filed Supplemental Briefing Regarding CBM Eligibility (Papers 26, 27).

Petitioner also filed a Motion to Exclude certain evidence (Paper 29, “Mot.”). Patent Owner filed an Opposition to the Motion to Exclude (Paper 32,

¹ Patent Owner also relies upon the testimony of Tom Triscari (Ex. 2025) in its Patent Owner’s Response. *E.g.*, PO Resp. 1 (citing Ex. 2025 ¶ 19). Subsequent to the filing of the Patent Owner’s Response, Patent Owner withdrew its reliance upon this testimony. *See* Paper 20. We, thus, give no consideration to the testimony of Tom Triscari.

“Opp.”), and Petitioner filed a Reply in Support of its Motion to Exclude (Paper 33, “Mot. Reply”).

An oral argument was held June 16, 2017. A transcript of the hearing is included in the record. Paper 36 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Decision is a final written decision under 35 U.S.C. § 328(a) as to the patentability of the challenged claims. Based on the complete record, we determine that claims 1–20 of the ’195 patent are unpatentable under 35 U.S.C. § 101 for being directed to non-statutory subject matter.

2. Related Matters

Petitioner asserts that it has been sued for infringing claims 1–20 of the ’195 patent in *Performance Pricing Holdings, LLC v. Google Inc.*, No. 1:15-cv-09712 (S.D.N.Y.). Pet. 2 (citing Ex. 1004); *See also* Paper 7, 2 (Patent Owner’s Mandatory Notices). Petitioner and Patent Owner represent that there are several related patents, including U.S. Patent No. 8,799,059, which is the subject of CBM2016-00050. Pet. 2; Paper 7, 2.

3. The ’195 Patent

The ’195 patent is titled “System and Method for the Presentation of Advertisement” and is directed to “a system and method of presenting bonus exposure of an advertisement based on interest of one or more Viewers in the advertisement.” Ex. 1001, (54), 1:7–10.

According to the ’195 patent, sellers of advertising are forced to offer performance based pricing, as opposed to traditional fixed-fee pricing, because of the increase in availability of Internet advertising. *See generally id.* at 1:11–3:5, 4:43–44. Traditional fixed-fee pricing is where payment is based on the number of

viewers exposed to the advertising content. Ex. 1001, 1:65–67, 3:54–60. Performance based pricing is where payment for advertisement is based on responses to the ad, such as viewers of a billboard that call a certain phone number, or viewers of a website that click on an ad. *Id.* at 2:1–18, 3:61–4:19. Performance based pricing is a problem for sellers because the seller runs the risk of not being able to cover its overhead costs, such as the cost of creating attractive content. *Id.* at 2:62–66, 4:46–52. “For example, a Seller having a great reputation for attracting Viewers because of the quality of its content may run a particular Buyer’s advertising campaign that, for whatever unanticipated reason, fails to attract any response from Viewers.” *Id.* at 2:66–3:3.

The ’195 patent discloses a “unique pricing model” that solves this problem by blending traditional fixed-fee pricing and performance based pricing. *See id.* at 3:13–25. An agreement is made as to the display of a certain number of advertisements (“exposure”) for a fixed price. *Id.* at 6:3–6, 6:22–26. An agreement is also made as to a quantity of “bonus exposure” that is earned based on the performance of the ad (measured, e.g., by user clicks in an Internet context or calls in a billboard context). *Id.* at 6:6–21, 29–34; *see also id.* at 6:64–67 (providing an example action as a user click), 11:47–53 (providing an example action as calling a telephone number in a non-Internet embodiment). The ’195 patent discloses that its pricing model motivates “advertising messages presented [to] be relevant and compelling” because the buyers of advertising get free, “bonus” exposure if the ad they offer gets more users to respond. *Id.* at 10:48–56. Similarly, the seller gets the benefits of guaranteed revenue from the fixed-price aspect of the advertising pricing model. *Id.* at 11:15–16.

The ’195 patent discloses that its pricing model can be used in all advertising media environments. *See id.* at 3:18–19 (“the method may be used with all

advertising media”), 3:47–49 (explaining that the present invention is not limited to the computer network environment and could be applied to other environments), 11:40–44 (disclosing applications, such as “billboard advertising, television and radio advertising, and advertising in print media”). For example, in one disclosed embodiment, the pricing model is used in a billboard advertising environment.

In the case of billboard advertising, the Seller may agree to display the Buyer’s advertising message on a billboard for a predetermined period of time. If, for example, the billboard includes a special telephone number, the Seller can reward the Buyer with bonus exposure of the advertising message by displaying the advertising message for a longer period of time based on the number of telephone calls received during the predetermined period of time or during both the predetermined period of time and the bonus exposure (depending on the agreement between Buyer and Seller).

Id. at 11:45–57; *see also id.* at 11:58–12:8 (disclosing additional embodiments in broadcast advertising and print media advertising). In another disclosed embodiment, the pricing model is used in an Internet environment. *See id.* at 3:45–46, 5:25–27.

In the case of Internet advertising, for example, the Seller 110 may agree to present a predetermined amount of exposure (e.g., the display of certain number of image impressions, the playing of a certain number of audio files, etc.) of the Buyer’s 120 advertising message to a set of Viewers 130. A viewer 130 views the Seller’s 110 web page (or other downloadable content) containing the Buyer’s 120 advertising message. In this example, the Seller 110 awards the Buyer 120 by presenting bonus exposure (such as “click throughs”) made in response to this exposure of the advertising message.

Id. at 6:22–34.

4. *Illustrative Claim*

Claims 1, 6, and 11 of the '195 patent are independent. Claim 1 is illustrative and reproduced below:

1. A method for the sale of advertising by a seller to a buyer, comprising:
 - the seller and the buyer agreeing to a sale price for said advertising, said sale price covering a predetermined number of impressions of an advertising message on a website and potential, to be earned bonus impressions of the advertising message on the website;
 - the seller providing the predetermined number of impressions of the advertising message on the website from a server to the one or more viewers viewing the website on one or more viewer computers over a computer network;
 - automatically recording at said server one or more actions entered into said one or more viewer computers, said actions made by said one or more viewers in response to said advertising message; automatically determining a number of earned bonus impressions of the advertising message based on said one or more actions; and
 - the seller automatically providing the determined number of earned bonus impressions of said advertising message on the website to said one or more viewer computers without charging beyond said sale price.

II. ANALYSIS

1. *Claim Construction*

We interpret the claims of an unexpired patent using the broadest reasonable interpretation in light of the specification of the patent. 37 C.F.R. § 42.300(b); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144–46 (2016) (upholding the use of the broadest reasonable interpretation standard in *inter partes*

reviews). Under the broadest reasonable interpretation standard, claim terms are generally given their ordinary and customary meaning, as would be understood by one of ordinary skill in the art in the context of the entire disclosure. *In re Translogic Tech. Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definition for a claim term must be set forth with reasonable clarity, deliberateness, and precision. *In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

Patent Owner proposes that “impression” means “presentation of an Internet advertising message.” PO Resp. 26–28. Patent Owner points to the discussion in the ’195 patent of the term “exposure,” which is the general term for “the display of the message in the media,” but that “[i]n terms of Internet advertising, exposure may be measured in units, called ‘impressions.’” *Id.* at 26–27 (citing Ex. 1001, 2:21–29, 4:65–5:2). Patent Owner’s proposed interpretation is consistent with that set forth in the Institution Decision. Inst. Dec. 5–6, 10.

In the Reply, Petitioner indicates that it agrees with Patent Owner’s proposed interpretation, and points to the testimony of Petitioner’s Declarant Dr. Farris and Patent Owner’s Declarant Mr. Zatkovich for support. Pet. Reply 4 (citing Ex. 1003 ¶ 27, Ex. 1017, 44:19–45:19, 142:15–143:12).

Given that the parties agree, and based upon the evidence cited by the parties, we are persuaded that Patent Owner’s proposed construction is the broadest reasonable interpretation most consistent with how the term would be read by a person of ordinary skill in the art upon consideration of the specification. Accordingly, we construe “impression” as “presentation of an Internet advertising message.”

2. Level of Skill in the Art and Qualifications of Petitioner’s Declarant, Dr. Farris

Petitioner relies upon the testimony of its Declarant Dr. Ivan Zatkovich to support its Petition. *E.g.*, see Pet. 21 (citing Ex. 1003 ¶¶ 33–34). Patent Owner

contends that because Petitioner's Declarant, Dr. Farris, lacks a computer science degree, he is not a person of ordinary skill and we should give his testimony no weight. PO Resp. 25–26. For the reasons discussed below, we are unpersuaded that Patent Owner's definition of a person of ordinary skill above is correct and, thus, unpersuaded Dr. Farris's testimony should be given no weight.

Petitioner asserts that a “person of ordinary skill in the art would have, through education or practical experience, the equivalent of a bachelor's degree in business, economics, or a similar discipline and/or two years of experience with media buying or selling, including Internet advertising or e-commerce systems.” Pet. 15. Patent Owner argues that the level of skill in the art is “a person having an undergraduate degree in computer science (or equivalent work experience) and approximately one year of relevant industry or academic experience, including experience in Internet advertising.” PO Resp. 25.

“Factors that may be considered in determining level of ordinary skill in the art include: (1) the educational level of the inventor; (2) type of problems encountered in the art; (3) prior art solutions to those problems; (4) rapidity with which innovations are made; (5) sophistication of the technology; and (6) educational level of active workers in the field.” *Daiichi Sankyo Co. v. Apotex, Inc.*, 501 F.3d 1254, 1256 (Fed. Cir. 2007) (quoting *Envtl. Designs, Ltd. v. Union Oil Co.*, 713 F.2d 693, 696 (Fed. Cir. 1983)). We agree with Petitioner that a degree in computer science is not required for a person of ordinary skill in the art. See Reply 2–3. First, as Patent Owner admitted at the hearing, the named inventor, Mr. Rosenberg, does not have a computer science degree. Tr. 87:8–22. Second, as Patent Owner's Response makes clear, the problems encountered in field of the '195 patent are problems of maintaining advertising customers, when viewer response to an ad can be tracked, and there is an almost limitless inventory. PO

Resp. 1–24. These are economic and business problems caused by the particular market conditions present in the Internet advertising market—large inventory and a high level of knowledge of behavior in the market. We are persuaded that a computer science degree would not provide a person with further useful insight into such economic and business problems. *See* Ex. 1003 ¶¶ 33–40. Indeed, this understanding is confirmed by the ’195 patent, which describes the business problems Internet advertising had on sellers of advertising. *See, e.g.*, Ex. 1001, 1:41–45 (“As systems of accountability are developed and the amount of advertising inventory increases, vendors or publishers in all media will be faced with the problems of attracting advertisers while, at the same time, covering overhead costs.”); 1:46–49 (noting “[o]ne problem associated with current methods of selling Internet advertising is the difficulty of striking a fair and reasonable balance between fixed-fee pricing and performance-based pricing”); 1:44–3:9 (describing characteristics of the Internet advertising market); 3:13–25 (“Embodiments of the present invention include methods and systems for selling advertising, which incorporates a unique pricing model wherein advertising Buyers earn bonus exposure to the advertising message based on the reflected interest by the Viewers in that advertising message.”). Third, the discussion of computer components in the ’195 patent is only at a very high level. *See, e.g., id.* at 8:24–66 (discussing the components of the claimed system as only “computers,” “servers,” “databases,” “network protocol (such as Hypertext Transfer Protocol or HTTP)”). This indicates that the focus is not on the computer technology, but the pricing strategy. Fourth, the prior art solutions discussed in the ’195 patent are all in terms of different pricing models—“fixed fee” or “performance based”—not in terms of technical solutions. *See id.* at 1:44–3:9. Finally, Patent Owner submits a job announcement by Petitioner for hiring a “Technical Program Manager, Ads

Quality, AdWords,” as evidence of the level of skill of workers in this field. PO Resp. 25 (citing Ex. 2006). However, no evidence or explanation is provided why this announcement should be given particular weight for defining the educational level of active workers in the field of the ’195 patent, beyond the fact that they both nominally involve Internet advertising. *See* PO Resp. 25. Moreover, no evidence or explanation is provided why a job announcement from 2016 would relate to the level of skill in the art at the time of the invention, i.e., at the latest, 2001, the effective filing date of the ’195 patent. *See id.* Thus, we give Ex. 2006 little weight. Accordingly, considering this evidence together, we agree with Petitioner that a “person of ordinary skill in the art would have, through education or practical experience, the equivalent of a bachelor’s degree in business, economics, or a similar discipline and/or two years of experience with media buying or selling, including Internet advertising or e-commerce systems.” Pet. 15.

Dr. Farris is a tenured professor of business and during his career, and Dr. Farris has written a number of articles and books on advertising, including Internet advertising. Ex. 1003 ¶¶ 5–19, Appendix B. He has also taught a number of courses in Internet advertising, and has done extensive consulting on Internet advertising. *Id.* Thus, contrary to Patent Owner’s contentions, we are persuaded that Dr. Farris’s experience is more than sufficient for him to provide competent testimony on the subject matter of the ’195 patent. Accordingly, we decline to give his testimony no weight.

3. *CBM Patent Review Eligibility*

a. *Standing*

Section 18 of the AIA² provides for the creation of a transitional program for reviewing covered business method patents. Section 18 limits review to persons or their privies who have been sued or charged with infringement of a “covered business method patent,” which does not include patents for “technological inventions.” AIA § 18(a)(1)(B), (d)(1); *see* 37 C.F.R. § 42.302.

In our Institution Decision, we determined that Petitioner had shown it has standing to bring a covered business method patent review. Inst. Dec. 6. Patent Owner does not contest the determination in its Patent Owner Response. Having considered the complete record developed at trial, we find no reason to change our original determination and reasoning, and we adopt them in this final written decision. *Id.* Whether the ’195 Patent is a CBM Patent

Under § 18(a)(1)(E) of the AIA, we may institute a transitional review proceeding only for a CBM patent. A CBM patent is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see also* 37 C.F.R. § 42.301 (defining “[c]overed business method patent” and “[t]echnological invention”). To determine whether a patent is eligible for a covered business method patent review, the focus is on the claims. *Secure Axxess, LLC v. PNC Bank N.A.*, 848 F.3d 1370, 1379 (Fed. Cir. 2017) (“It is the claims, in the traditional patent law sense, properly understood in

² Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284, 329 (2011) (“AIA”).

light of the written description, that identifies a CBM patent.”). One claim directed to a CBM is sufficient to render the patent eligible for CBM patent review. *See id.* at 1381 (“[T]he statutory definition of a CBM patent requires that the patent have a claim that contains, however phrased, a financial activity element.”).

In our Institution Decision, we determined that the Petitioner had shown that the ’195 patent is a CBM patent. Inst. Dec. 6–12. Patent Owner urges us to reconsider our determination and find that the ’195 patent is not eligible for CBM review. *See* PO Resp. 63–65; Paper 26. We, however, are not apprised of any sufficient reason to change our original determination.

b. Method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service

The AIA defines a CBM patent as “[a] patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.”

AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A CBM patent can be broadly interpreted to encompass patents claiming activities that are financial in nature. Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,735 (Aug. 14, 2012); *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1338–41 (Fed. Cir. 2016) (determining that a patent was a covered business method patent because it claimed activities that are financial in nature); *Unwired Planet, LLC v. Google, Inc.*, 841 F.3d 1376, 1380 n. 5 (Fed. Cir. 2016) (stating that “we endorsed the ‘financial in nature’ portion of the standard as consistent with the statutory definition of ‘covered business method patent’ in *Blue Calypso*”); *Versata Dev. Gr., Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1324–25 (Fed. Cir. 2015) (“[The statute] on its face covers a wide range of finance-related

activities.”). The Federal Circuit has provided that merely being “incidental to” or “complementary to” a financial activity “is not a part of the statutory definition of what is a CBM patent, and . . . that such a definition of a CBM patent is beyond the scope of the statutory standard and thus ‘not in accordance with law.’” *Secure Axxess*, 848 F.3d at 1381 (quoting *Unwired Planet*, 841 F.3d at 1382). We, thus, focus on whether at least one patent claim contains “a financial activity element” (*id.* at 1381).

Petitioner contends that “[t]he ’195 patent is directed to a financial activity because it claims methods and systems for pricing and selling advertising services.” Pet. 10; Paper 27, 1–4. Petitioner points out that the claims recite “[a] method for the sale of advertising by a seller to a buyer” and “[a] system for the presentation of advertisements where a seller and a buyer agree to a sale price for said presentation of advertisements.” Pet. 11 (quoting Ex. 1001, 12:16–17, 13:24–26); *see also* Paper 27, 1–3 (pointing to additional financial activity related claim language). Petitioner also argues that the ’195 patent “is directed to a financial activity because it claims a model for selling a service—namely the presentation of advertisements.” Pet. 11; Paper 27, 4–5.

Patent Owner argues that the claims of the ’195 patent “do not contain the requisite ‘financial activity’ elements” and that at best the claimed invention “are merely ‘incidental’ or ‘complementary’ to a financial activity, which is insufficient under *Secure Axxess*.” Paper 26, 2–3; PO Resp. 63–64. Patent Owner asserts that

[a]s opposed to claiming an activity that is financial in nature, the claims of the ’195 Patent recite activity that . . . improve the performance of ad servers. The improved ad serving technology is the result of claims that have no particular relationship to a financial product or service and has general utility not limited to a specific application.

PO Resp. 63–64.

We take claim 1 as representative. Claim 1 recites “[a] method for the sale of advertising by a seller to a buyer.” Ex. 1001, 12:16–47. The method includes steps of “the seller and buyer agreeing to a sale price for said advertising” and providing a predetermined number of impression and bonus impressions “without charging beyond said sale price.” *Id.* at 12:18–38. Claim 1 recites that the number of bonus impressions provided is based on one or more actions made by one or more viewers in response to the advertising and recorded at a server. *Id.* at 12:28–34. The ’195 patent describes such a method of selling advertising as “incorporat[ing] a unique pricing model.” *Id.* at 3:13–17. Contrary to Patent Owner’s argument, claim 1 is a claim that explicitly recites a financial activity. A sale of advertisement is a financial activity. *See SightSound Tech., LLC v. Apple Inc.*, 809 F.3d 1307, 1315–16 (Fed. Cir. 2015) (affirming the Board’s determination that “the electronic sale of something . . . is a financial activity, and allowing such a sale amounts to providing a financial service.”); *Versata*, 793 F.3d at 1325–26 (upholding the Board’s determination that a “method for determining a price” was directed to a financial product or service); *Blue Calypso*, 815 F.3d at 1340 (affirming the Board’s finding that a patent that claims a subsidy, or financial inducement that encourages consumers to participate in the distribution of advertisements claims a financial activity).

We disagree with Patent Owner that the claimed system is of “general utility” and “not limited to a specific application.” PO Resp. 63–64. This contention is contradicted by the claims themselves, which specifically recite “[a] method for the sale of advertising by a seller to a buyer” (Ex. 1001, 12:16–17). We also find that, analogous to the recitation of “subsidy” in *Blue Calypso*, the limitations of claim 1 concerning agreement of a sale price for a predetermined number of impression and potential bonus impressions is central to the operation of

the claims. For these reasons, we determine that at least claim 1 recites a method used in the practice of a financial activity (i.e., sale of advertising), so the challenged patent claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service. See 37 C.F.R. § 42.301(a). Accordingly, the financial product or service requirement is satisfied.

c. Exclusion for Technological Inventions

Even if a patent includes claims that would otherwise be eligible for treatment as a covered business method, review of the patent is precluded if the claims cover only “technological invention[s],” as defined by 37 C.F.R. §42.301(b). The definition of “covered business method patent” in § 18(d)(1) of the AIA does not include patents for “technological inventions.” To determine whether a patent is for a technological invention, we consider the following: “whether the claimed subject matter as a whole [(1)] recites a technological feature that is novel and unobvious over the prior art; and [(2)] solves a technical problem using a technical solution.” 37 C.F.R. § 42.301(b). Both prongs must be satisfied in order for the patent to be excluded as a technological invention. See *Versata*, 793 F.3d at 1326–7; *Apple Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240 (Fed. Cir. 2016). The following claim-drafting techniques typically do not render a patent a “technological invention”:

- (a) Mere recitation of known technologies, such as computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, or specialized machines, such as an ATM or point of sale device.
- (b) Reciting the use of known prior art technology to accomplish a process or method, even if that process or method is novel and non-obvious.

(c) Combining prior art structures to achieve the normal, expected, or predictable result of that combination.

Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,763–64 (Aug. 14, 2012). The Federal Circuit has held that a claim does not include a “technological feature” if its “elements are nothing more than general computer system components used to carry out the claimed process.” *Blue Calypso*, 815 F.3d at 1341; *see also Versata*, 793 F.3d at 1327 (“the presence of a general purpose computer to facilitate operations through un inventive steps does not change the fundamental character of an invention”).

Petitioner contends that the claims of the ’195 patent do not recite a technological feature that is novel and unobvious over the prior art because the claims “merely recite[] the use of conventional computer components and well-known Internet technologies in order to price and display advertisements.” Pet. 12–14. Patent Owner disagrees and argues that Petitioner fails to address the claims as a whole and only addresses certain elements of the claims. PO Resp. 64–65.

We are persuaded by Petitioner that at least claim 1 of the ’195 patent does not recite a novel and non-obvious technological feature. Claim 1 requires a server that provides impressions and bonus impressions of advertising for viewing on a website, and that records one or more actions of a viewer to calculate the number of earned bonus impressions. *See* Ex. 1001, 12:14–35. As Petitioner points out, the ’195 patent itself admits “that the purported invention can also be performed with a generic computer” or even without a computer. Pet. 13–14 (citing Ex. 1001, 4:56–57, 3:47–49, 11:45–57). For example, the ’195 patent discloses that “[e]mbodiments of the present invention may be implemented using general purpose processors.” Ex. 1001, 4:55–57. The ’195 patent also discloses that

known “[r]ecent methods of advertising” include Internet-based advertising, where “a set of instructions is attached to an advertising banner that redirects the Viewer to the merchant’s web-page when that Viewer ‘clicks’ on the banner.” *Id.* at 2:1–15. The ’195 patent, thus, indicates that the use of computers to serve ads for viewing on a website and to record actions of a viewers, such as “clicks” is not a novel or non-obvious technological feature. *See also* Farris Decl. ¶¶ 44–53 (testimony explaining that the claimed use of a server to display ads and record viewer actions were routine and common in Internet advertising). The ’195 patent does not disclose any particulars as to how the computer is programmed to perform the claimed actions. *See generally* Ex. 1001. Merely listing computer components, or performing actions by computers, does not make an invention technical. *Blue Calypso*, 815 F.3d at 1341; *see also Versata*, 793 F.3d at 1327; Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,763–64.

We determine that Petitioner has sufficiently shown that claim 1 does not recite a technological feature that is novel and unobvious. Because both prongs must be satisfied for a patent to be excluded from covered business method patent review for being a technological invention, we find that the ’195 patent is eligible for a covered business method patent review for at least the reason that claim 1 fails to recite a technological feature that is novel and unobvious.

Nonetheless, we also are persuaded by Petitioner that the ’195 patent does not solve a technical problem with a technical solution. Petitioner asserts that the ’195 patent does not solve a technical problem using a technical solution, but rather “tries to solve a business problem that generally affects buyers and sellers of advertising.” Pet. 14 (citing Ex. 1001, 1:42–45, 11:40–44, 11:45–12:8). Patent Owner disagrees. PO Resp. 63–65.

The '195 patent, itself, discloses that the invention solves problems that are business problems. *See generally* Ex. 1001, 1:6–3:9. For example, the '195 patent discloses that “[o]ne problem associated with current methods of selling Internet advertising is the difficulty of striking a fair and reasonable balance between fixed-fee based pricing and performance-based pricing.” *Id.* at 1:46–49. The '195 patent discloses that the solution to this problem is “a unique pricing model wherein advertising Buyers earn bonus exposure to the advertising message based on the reflected interest by the Viewers in that advertising message.” *Id.* at 3:14–17.

Patent Owner attempts to label business problems and solutions as technical problems, because the claims of the '195 patent purportedly require a computer to perform the actions of the claimed method the over the internet. *See* PO Resp. 5–24, 64–65. For example, Patent Owner argues that

the claimed invention implement novel instructions that ensure the maximum number of clicks is generated from publisher’s supply of ad impression inventory while lowering the cost for these clicks so advertisers realize, more clicks, a lower cost per click and continue to run and renew their campaigns.

PO Resp. 19. Essentially, Patent Owner argues that because the claimed method operates on a computer over the Internet, or is implemented in instructions on a computer, the claimed invention solves a technical problem using a technical solution. *See generally* PO Resp. 5–24, 64–65.

As we explain above, the only technical aspect of the claim is that the ads happen to be viewed on a computer over the Internet. We are persuaded there is nothing in simply displaying Internet ads that rises to a technical problem or a technical solution. Merely listing computer components, or performing actions by computers, does not make an invention technical. *Blue Calypso*, 815 F.3d at 1341; *see also Versata*, 793 F.3d at 1327; Office Patent Trial Practice Guide, 77 Fed.

Reg. at 48,763–64 (explaining a patent “typically” does not cover a “technological invention” if it recites “the use of known prior art technology to accomplish a process or method, *even if that process or method is novel and non-obvious*” (emphasis added)).

Petitioner has sufficiently shown that claim 1 does not solve a technical problem using a technical solution. Because both prongs must be satisfied for a patent to be excluded from covered business method patent review for being a technological invention, we determine that the ’195 patent is eligible for a covered business method patent review for the additional reason that claim 1 fails to solve a technical problem using a technical solution. The subject matter claimed in the ’195 patent is not for a technological invention, and, thus, does not fall within the exception for technological inventions.

d. Conclusion for Eligibility for CBM Review

Having determined that the ’195 patent claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service and does not fall within the exception for technological inventions, we conclude that the ’195 patent is eligible for a covered business method patent review.

4. Subject Matter Eligibility

A patent may be obtained for “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” 35 U.S.C. § 101. The Supreme Court has held that this statutory provision contains an important implicit exception: laws of nature, natural phenomena, and abstract ideas are not patentable. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014); *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972) (“Phenomena of nature, though just discovered, mental processes, and

abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work.”). Notwithstanding that a law of nature or an abstract idea, by itself, is not patentable, the practical application of these concepts may be deserving of patent protection. *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 70–72 (2012).

In *Alice*, the Supreme Court reaffirmed the framework set forth previously in *Mayo* “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If the claims are directed to a patent-ineligible concept, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether the additional elements “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 566 U.S. at 66, 78). In other words, the second step is to “search for an ‘inventive concept’—*i.e.*, an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Id.* (quoting *Mayo*, 566 U.S. at 72–73) (alterations in original).

Noting that the two stages involve “overlapping scrutiny of the content of the claims,” the Federal Circuit has described “the first-stage inquiry as looking at the ‘focus’ of the claims, their ‘character as a whole,’ and the second-stage inquiry (where reached) as looking more precisely at what the claim elements add—specifically, whether, in the Supreme Court’s terms, they identify an ‘inventive concept’ in the application of the ineligible matter to which (by assumption at stage two) the claim is directed.” *Electric Power Grp, LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016).

Furthermore, the prohibition against patenting an abstract idea “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment or adding insignificant post solution activity.” *Bilski v. Kappos*, 561 U.S. 593, 610–11 (2010) (citation and internal quotation marks omitted); see *Electric Power*, 830 F.3d at 1355 (“[L]imiting the claims to the particular technological environment of power-grid monitoring is, without more, insufficient to transform them into patent-eligible applications of the abstract idea at their core.”).

a. Step 1: Whether the Claims are Directed to an Abstract Idea

The first prong of the *Alice* test requires us to determine whether the challenged claims are directed to an abstract idea. *Alice*, 134 S. Ct. at 2355. In determining whether a method or process claim recites an abstract idea, we must examine the claim as a whole. *Id.* at n. 3.

Independent claim 1 recites “[a] method for the sale of advertising by a seller to a buyer” in which the “sale price cover[s] a predetermined number of impression of an advertising message on a website and potential, to be earned bonus impressions of the advertising message on the website” and steps of carrying out the sale. Pet. 17–18 (quoting Ex. 1001, 12:16–22). Similarly, independent claim 6 recites “[a] set of instructions residing in a storage medium,” which when executed causes a processor to implement the method, and independent claim 11 recites “[a] system” for presenting advertisements according to the method. Ex. 1001, 12:52–55, 13:24–29. Given this, Petitioner argues that the claims of the ’195 patent are directed to the abstract idea of “providing bonus impressions of an advertisement based on the performance of the ad, in other words, actions taken by someone viewing that ad” and that such a pricing model is “a classic example of an abstract idea.” Pet. 17.

Patent Owner submits that the claims of the '195 patent are analogous to the claims found patent eligible under Step 1 of *Alice* in *McRO, Inc. v. Bandai Namco Games America, Inc.*, 837 F.3d 1299 (Fed. Cir. 2016) and *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016). PO Resp. 31–37. Patent Owner contends that “[l]ike in *McRO* it is the incorporation of the claimed rules, not the use of the computer that ‘improved [the] existing technological process’ of Internet ad serving, rendering the claims patent eligible.” *Id.* at 31 (quoting *McRO*, 837 F.3d at 1312). Patent Owner argues that “[t]hese rules improved existing prior art Internet ad serving processes that focused on serving the most expensive ads, which risked websites’ abilities to earn the entire allocated advertising budget, and earn future budgets.” *Id.* at 33. Patent Owner contends that “[w]ithout sufficient revenue from these budgets, websites risked not being able to create and maintain quality content to attract and retain visitors.” *Id.* at 33–34. Patent Owner argues that the prior art “focused on serving the most expensive ad failed to solve this problem.” *Id.* at 33.

With respect to *Enfish*, Patent Owner contends that “[a]s in *Enfish*, the specification’s disparagement of conventional ad serving confirms that the present claims are directed to an improved ad server.” *Id.* at 39. Patent Owner argues that “[b]y improving the functionality of the ad server, the '195 patent improved the performance of the technical component of the ad server, by incorporating novel instructions for how it carried out its performance.” *Id.* Patent Owner asserts that “[n]either ad servers nor computers in their ordinary capacity include instructions to determine a number of earned bonus impressions based or automatically provided bonus impression on a web page in response to consumer action (e.g., clicks).” *Id.* at 41.

We agree with Petitioner that these claims are drawn to an abstract idea. Specifically, we agree with Petitioner that the claims of the challenged patent are directed to providing bonus impressions of an advertisement based on the performance of the ad, such as, actions taken by someone viewing the ad. Pet. 19. In other words, we are persuaded that the claims are directed to a performance-based pricing model for advertising, and that such a pricing model is an abstract idea. The clear language of the claims and unambiguous disclosure of the specification to the contrary belie Patent Owner's arguments.

For example, beginning with independent claims 1, 6, and 11, the only equipment that those claims identify are a "server," "computer," "processor," "storage medium," and "computer network." See Ex. 1001, 12:14–38, 12:52–13:9, 13:24–14:6. The remainder of the claims simply reflect the method, the method embodied in instructions stored on the storage medium, and the method recited as functions of the system. See *id.* As discussed above, these claimed method steps include "the seller and buyer agreeing to a sale price . . . covering a predetermined number of impression of an advertising message on a website and potential, to be earned bonus impressions of the advertising message on the website" and steps of carrying out the sale by providing the predetermined impressions, recording actions entered into a viewer's computer, determining the number of bonus impressions, and providing the bonus impressions. *Id.* at 12:30–43. Thus, the focus of the claims is on the sale of advertisement, not the hardware on which it is performed or the software that implicitly causes it to happen.

The specification reinforces the abstract nature of the claimed invention. The "Summary of the Invention," explains that "[e]mbodiments of the present invention include methods and system for selling advertising, which incorporates a unique pricing model wherein advertising Buyers earn bonus exposure to the

advertising message based on the reflected interest by the Viewers in that advertising message.” *Id.* at 3:13–17. Indeed, the specification describes the advantages of the claimed invention include helping sellers secure fixed-fee pricing while offering a performance-based incentive to buyers, and attracting potential buyers, while maintaining customer loyalty, encouraging effective creative advertising design and placement, and assisting sellers in managing unsold inventory. *Id.* at 3:20–25. These advantages all concern abstract concepts, and not technology.

The claims’ focus on the pricing model is supported further by the specification’s description of applying the pricing model to other forms of advertising. *See id.* at 3:47–49 (“The present invention can be applied outside of a computer network environment and should not be considered limited to such an environment.”); 11:40–12:8 (describing the use of the pricing model in billboard, television, radio, and print advertising).

We find this case indistinguishable from the number of cases that have found fundamental economic concepts, such as pricing, and collecting and analyzing information to be abstract ideas. *See Electric Power*, 830 F.3d at 1353–54 (collecting cases where “collecting information, including when limited to particular content (which does not change its character as information) as within the realm of abstract ideas”); *Versata Dev. Grp.*, 793 F.3d at 1333–34 (computer performed “purely conventional” steps to carry out claims directed to the “abstract idea of determining a price using organization and product group hierarchies”); *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362–63 (Fed. Cir. 2015) (claims directed to “offer-based pricing” deemed abstract); *see also Alice*, 134 S. Ct. at 2357 (intermediated settlement); *Bilski*, 561 U.S. at 611 (risk hedging); *Mortgage Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1324–25

(Fed. Cir. 2016) (claims attaching generic computer components to perform “anonymous loan shopping” not patent eligible); *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1367–69 (Fed. Cir. 2015) (claims adding generic computer components to financial budgeting not patent eligible); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 715 (Fed. Cir. 2014) (using advertising as an exchange or currency); *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (data collection); *buySAFE, Inc. v. Google Inc.*, 765 F.3d 1350, 1354–55 (Fed. Cir. 2014) (claims directed to creating a contractual relationship—a “transaction performance guarantee” deemed abstract); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1346 (Fed. Cir. 2013) (generating tasks in an insurance organization).

Patent Owner’s arguments do not persuade us otherwise for several reasons. Fundamentally, Patent Owner’s arguments rest on a faulty contention that the claimed method improves an Internet ad server, by changing the way that ads are served. *See* PO Resp. 33 (“These rules improved existing, prior art Internet ad serving processes that focused on serving the most expensive ads, which risked websites’ abilities to earn the entire allocated advertising budget, and earn future budgets.”). The claims, however, are completely silent about any changes to the ads that are served. Instead, as Patent Owner later admits, *see* PO Resp. 34, it is the advertisers’ reactions to the prices calculated that result in any change in the ads that are served. The *claims* of the ’195 patent simply recite that ads are served, data is collected, and a number of bonus impressions are calculated based on that data. *See Synopsis, Inc. v. Mentor Graphics Corp.*, 839 F.3d 1138, 1149 (Fed. Cir. 2016) (“The § 101 inquiry must focus on the language of the Asserted Claims themselves.”). These claims—which are drawn only to collecting and analyzing

data and presenting the result of the collection and analysis and nothing more—are similar to those considered by the Federal Circuit in *Fair Warning IP, LLC v. Iatric Systems, Inc.*, 839 F.3d 1089 (Fed. Cir. 2016). In that case, the Federal Circuit explained:

We have explained that the “realm of abstract ideas” includes “collecting information, including when limited to particular content.” *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016) (collecting cases). We have also “treated analyzing information by steps people go through in their minds, or by mathematical algorithms, without more, as essentially mental processes within the abstract-idea category.” *Id.* And we have found that “merely presenting the results of abstract processes of collecting and analyzing information, without more (such as identifying a particular tool for presentation), is abstract as an ancillary part of such collection and analysis.” *Id.* Here, the claims are directed to a combination of these abstract-idea categories. Specifically, the claims here are directed to collecting and analyzing information to detect misuse and notifying a user when misuse is detected. *See id.*

Id. at 1093–94. Similar to the claims in *Fair Warning*, the claims of the ’195 patent collect and analyze information and present the result—in this case, a number of bonus impressions of an advertisement—and nothing more. There is no particular tool for the presentation. This abstract process merely uses the computer to collect and analyze information to determine a number of bonus impressions. Ex. 1003 ¶¶ 62–65 (discussing how the pricing model could be applied to other contexts).

Patent Owner’s efforts to rely on *McRO* are also misplaced, as a review of the Federal Circuit’s full discussion of *McRO* in *Fair Warning*—not just Patent Owner’s selective quotes—reveals. More specifically, the claimed improvement in *McRO* was allowing computers to produce accurate and realistic lip synchronization and facial expressions in animated characters. *Fair Warning*, 839 F.3d at 1094 (quoting *McRO*, 837 F.3d at 1313). The court in *Fair Warning*

explained that “[t]he claimed rules in *McRO* transformed a traditionally subjective process performed by human artists into a mathematically automated process executed by computers.” *Id.*

Here, despite Patent Owner’s assertions to the contrary, we are persuaded that the claims do not recite anything that fundamentally transforms the claimed ad server into a patent-eligible application of an abstract idea. The only change is that advertisers may react to the price and may send different ads to the server to present. The ad server operates just as it did before. As Patent Owner’s declarant admits, the serving of an ad and recording of actions, such as clicks, were already known. Ex. 1017, 79:1–80:3; 82:18–84:6. Instead, as in *Electric Power*, “[t]he claims, defin[e] a desirable information-based result [i.e., the price] and [are] not limited to inventive means of achieving the result.” *Electric Power*, 830 F.3d at 1351. Thus, we are persuaded that they are simply directed to the above abstract idea.

Further, contrary to Patent Owner’s contentions, claims 1, 6, and 11 are entirely unlike the claims in *Enfish*, 822 F.3d at 1334. In *Enfish*, the Federal Circuit formulated the step-one *Alice* inquiry as “whether the focus of the claims is on the specific asserted improvement in computer capabilities (i.e., the self-referential table for a computer database) or, instead, on a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool.” *Id.* at 1335–36. The Federal Circuit rejected a § 101 challenge because the claims “are directed to a specific improvement to the way computers operate, embodied in the self-referential table.” *Id.* at 1336; see *Electric Power*, 830 F.3d at 1354 (characterizing the claims in *Enfish* as improving how computers carry out the basic function of storage and retrieval of data).

In contrast, here, the subject matter of claims 1, 6, and 11 as a whole, focuses on using existing machine capabilities (i.e., processors, servers, and the Internet) as tools to price advertising. Those generic computing tools are then used in their ordinary fashion to display advertisements on other networked computers, collect data (e.g., clicks by users), and then do mathematical calculations based on the data collected. Ex. 1003 ¶¶ 41–55 (discussing how the individual functions described in claims 1, 6, and 11 were known in the art). This type of analyzing information and performing mathematical algorithms and calculations was distinguished from the situation in *Enfish* by the Federal Circuit. See *Electric Power*, 830 F.3d at 1354.

Patent Owner directs considerable attention to the alleged novelty of the claimed inventions. See PO Resp. 30–41. As the Federal Circuit explained, however, “the addition of merely novel or non-routine components to the claimed idea [does not] necessarily turn[] an abstraction into something concrete.” *Ultramercial*, 772 F.3d at 715. Rather, “any novelty in implementation of the idea is a factor to be considered only in the second step of the *Alice* analysis.” *Id.* Indeed, “a claim for a *new* abstract idea is still an abstract idea.” *Synopsis*, 839 F.3d at 1151. Thus, the alleged novelty of the pricing model claimed does not dissuade us from the fact that the claims are drawn to an abstract idea.

Finally, Patent Owner argues that the ’195 patent “does not claim all methods for tethering user action to performance-based incentives.” PO Resp. 35. We agree with Petitioner, however, that “the absence of complete preemption does not demonstrate patent eligibility.” Pet. 22 (citing *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015)); see also *OIP Techs.*, 788 F.3d at 1362–63 (“[T]hat the claims do not preempt all price optimization or may be limited to price optimization in the ecommerce setting do not make them any

less abstract”). Specifically, here, we agree with Petitioner that the pricing model claimed in the ’195 Patent is an abstract idea, even though it is not the only conceivable model for pricing advertisements, for the reasons set forth above.

Ex. 1003 ¶¶ 28–65.

Patent Owner does not argue the dependent claims separately. The dependent claims define the types of actions performed by the users (claims 2, 3, and 7), the type of entities involved (claims 4, 5, 9, and 10), or the types of costs being calculated (claims 11, 12, 13, and 14). Ex. 1003 ¶¶ 56–59 (discussing the features of the dependent claims). We are persuaded that none of these dependent claims adds anything that would change the conclusion that the claims are directed to an abstract idea. *Id.*

In sum, on the complete record, we are persuaded that the challenged claims are directed to the abstract idea of collecting and analyzing data for a performance-based pricing model for advertising.

b. Step 2: Whether the claims recite an inventive concept

We turn to the second step of the *Alice* inquiry “and scrutinize the claim elements more microscopically” for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Electric Power*, 830 F.3d at 1354. That is, we determine whether the claims include an “inventive concept,” i.e., an element or combination of elements sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2357. The relevant inquiry here is whether “additional substantive limitations . . . narrow, confine, or otherwise tie down the claim so that, in practical terms, it does not cover the full abstract idea itself.” *Accenture*, 728 F.3d at 1341 (internal quotations and citation omitted).

Further scrutinizing the recited systems for presentation of advertisements, we are persuaded that the claims do not recite anything that would remove them from the class of subject matter ineligible for patenting.

First, the only recited technology is “server,” “computer,” “processor,” “storage medium,” and “computer network.” See Ex. 1001, 12:14–38, 12:52–13:9, 13:24–14:6. We are persuaded that nothing in the claims, understood in light of the specification, requires anything more than off-the-shelf, conventional computer, storage, network, and display technology for presenting the advertisements, collecting the data, and performing the calculations. The Federal Circuit has repeatedly held that invocations of generic computers and networks are “insufficient to pass the test of an inventive concept in the application” of an abstract idea. *buy SAFE*, 765 F.3d at 1353, 1355; see, e.g., *Mortgage Grader*, 811 F.3d at 1324–25; *Intellectual Ventures I*, 792 F.3d at 1370; *Content Extraction*, 776 F.3d at 1347–48. Second, we are persuaded that even limiting the claims to the particular technological environment of Internet advertising, without more, is insufficient to transform the claims into patent-eligible applications of the abstract idea. See *Electric Power*, 830 F.3d at 1354 (“[L]imiting the claims to the particular technological environment of power-grid monitoring is, without more, insufficient to transform them into patent-eligible applications of the abstract idea at their core.”) (citing *Alice*, 134 S. Ct. at 2358; *Mayo*, 566 U.S. at 72–73; *Bilski*, 561 U.S. at 610–11; *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *buy SAFE*, 765 F.3d at 1355).

Patent Owner argues that the asserted claims are akin to the claims found patent-eligible in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014), because “the claims address a specific challenge that is unique to the Internet.” See PO Resp. 43–55. In *DDR Holdings*, the Federal Circuit evaluated

the eligibility of claims “address[ing] the problem of retaining website visitors that, if adhering to the routine, conventional functioning of Internet hyperlink protocol, would be instantly transported away from a host’s website after ‘clicking’ on an advertisement and activating a hyperlink.” *DDR Holdings*, 773 F.3d at 1257.

There, the court found that the claims were patent-eligible because they transformed the manner in which a hyperlink typically functions to resolve a problem that had no “pre-Internet analog.” *Id.* at 1258. The court “caution[ed], however, that not all claims purporting to address Internet-centric challenges are eligible for patent.” *Id.* For example, in *DDR Holdings* the court distinguished the patent-eligible claims at issue from claims the court found patent-ineligible in *Ultramercial*. *See id.* at 1258–59 (citing *Ultramercial*, 772 F.3d at 715–16). As the Federal Circuit noted there, the *Ultramercial* claims were “directed to a specific method of advertising and content distribution that was previously unknown and never employed on the Internet before.” *Id.* at 1258 (quoting *Ultramercial*, 772 F.3d at 715–16). Nevertheless, the claims in *Ultramercial* were patent-ineligible because they “merely recite[d] the abstract idea of ‘offering media content in exchange for viewing an advertisement,’ along with ‘routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet.’” *Id.*

Patent Owner’s claims are analogous to claims found ineligible in *Ultramercial* and distinct from claims found eligible in *DDR Holdings*. The ineligible claims in *Ultramercial* recited “providing [a] media product for sale at an Internet website;” “restricting general public access to said media product;” “receiving from the consumer a request to view [a] sponsor message;” and “if the sponsor message is an interactive message, presenting at least one query to the consumer and allowing said consumer access to said media product after receiving

a response to said at least one query.” *Ultramercial*, 772 F.3d at 712. Here, Patent Owner’s claims recite agreeing on a price, serving an advertisement, recording user actions, and, based upon quantity of actions recorded providing bonus impressions. These claims recite Internet activity similar to the type of Internet activity that the court found ineligible in *Ultramercial*, as set forth above. *See Ultramercial*, 772 F.3d at 715–16.

Moreover, Patent Owner’s argument that the claims address a “challenge that is unique to the Internet” because “Internet ad-servers provided a high level of accountability” and offered a “potentially limitless supply of ad inventory” (PO Resp. 45–48) is belied by statements in the ’195 patent specification. The specification explains that “[a]s systems of accountability are developed and the amount of advertising inventory increases, vendors or publishers in *all media* will be faced with the problems of attracting advertisers while, at the same time, covering overhead costs.” Ex. 1001, 1:41–45 (emphasis added). Indeed, the ’195 patent describes “systems of accountability” used in other media, such as “a billboard that lists a special phone number along with the advertising message.” *Id.* at 1:42–45, 2:7–8. Thus, if anything, the problem is not unique to the Internet, but rather would be present in any advertising market where certain market conditions are present. *See* Ex. 1003 ¶ 38 (discussing other advertising markets with similar conditions to Internet advertising).

As for Patent Owner’s arguments that this case is analogous to *Amdocs (Israel) Limited v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016) and *Bascom Global Internet Services, Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016), we are unpersuaded. *See* PO Resp. 55–63. In contrast to this case, in *Amdocs*, the court found that the claims at issue contained an inventive concept because they provided “an unconventional technological solution (enhancing data

in a distributed fashion) to a technological problem.” *Amdocs*, 841 F.3d at 1300. There, the “inventive concept”—correlating information from two sources “to enhance” an accounting record—was “dependent upon the invention’s distributed architecture.” *Id.* In turn, the “distributed architecture . . . minimize[d] the impact on network and system resources” and “reduc[ed] congestion in network bottlenecks, while still allowing data to be accessible from a central location.” *Id.* at 1291–92. “This distributed enhancement was a critical advancement over the prior art,” in which “all the network information flow[ed] to one location, making it very difficult to keep up with the massive record flows from the network devices and requiring huge databases.” *Id.* at 1300. In other words, the claims at issue in *Amdocs* “[did] not merely combine the components in a generic manner, but instead purposefully arrange[d] the components in a distributed architecture to achieve a technological [solution to a technological] problem specific to computer networks.” *Id.* at 1301. Such is not the case here.

In *Bascom*, the Federal Circuit found that including a filter for Internet content, in a unique location, was not a conventional or generic use of that previously known component. 827 F.3d at 1350. The inventive location of a single filter provided the benefits of what previously required two filters, one on the local computer, and one on the server. *Id.*

Neither the *Bascom* nor *Amdocs* merely rely “on generic computer components using conventional computer activities.” *Bascom*, 827 F.3d at 1351. Rather, they include “‘something more’ than the performance of ‘well-understood, routine, and conventional activities previously known to the industry.’” *Amdocs*, 841 F.3d at 1301 (quoting *Content Extraction*, 776 F.3d at 1347–48).

In contrast, the claims of the ’195 patent are “not tied to any particularized structure” and “merely involve[] combining data in an ordinary manner without

any inventive concept.” *Id.* As Mr. Zatkovich testified, using servers to deliver ads over the Internet and track user actions (such as clicking on a link) was widely known. *See* Ex. 1017, 76:14–79:8. Moreover, Mr. Zatkovich agreed that using a computer to do mathematical calculations was known. *Id.* at 98:9–99:8 (agreeing that “[c]omputers know how to do mathematical calculations”). Thus, although the particular calculation may be allegedly novel, the presentation, data collection, and act of performing calculations are all conventional computer activities. Based on the above case law, these conventional activities, even to perform an allegedly novel calculation, are insufficient to transform the abstract idea of a performance-based pricing model for advertising into patent-eligible subject matter.

In view of the foregoing, we determine that, when considered individually and “as an ordered combination,” the claim elements apply the abstract concept of pricing advertisements based on using only conventional technology, which is insufficient to transform an abstract idea into a patent-eligible invention. *See Alice*, 134 S. Ct. at 2359–60 (citing *Mayo*, 566 U.S. at 77–80). This weighs in favor of finding claims 1, 6, and 11 are patent-ineligible.

We have analyzed the remaining challenged claims, which Patent Owner does not argue separately, and conclude that, while narrower than the claims from which they depend, we are in agreement with Petitioner that none of the remaining claims includes limitations sufficient to transform the abstract idea of claims 1 and 6 into a patent-eligible invention. *See Content Extraction*, 776 F.3d at 1349; *buySAFE*, 765 F.3d at 1355. Thus, we conclude claims 2–5, 7–10, and 12–20 also lack an inventive concept.

c. Conclusion for Subject Matter Eligibility

Petitioner has shown that claims 1–20 of the '195 patent recite an abstract idea, and the generic computer components recited in those claims do not transform the claims into patent-eligible applications of that idea.

5. Petitioner's Motion to Exclude Evidence

Petitioner moves to exclude Exhibits 2006, 2014, 2015, and 2016, which were submitted by Patent Owner, and all reliance or citation to those exhibits in Patent Owner's papers. Mot. Exclude 1. Petitioner contends that these Exhibits should be excluded under Federal Rules of Evidence 402 and 403 as irrelevant and their probative value is substantially outweighed by the danger of confusing the issues and wasting time in this proceeding. *Id.* Patent Owner contends that these exhibits meet the low bar for relevancy, and there is no prejudice to Petitioner if these exhibits are not excluded. Opp. 1–12.

a. Exhibit 2006

With respect to Exhibit 2006, we agree with Patent Owner that this exhibit crosses the very low threshold for relevance. See Opp. 2. Evidence is relevant if it has *any tendency* to make a fact more or less probable than it would be without the evidence and the fact is of consequence in determining the action. Fed. R. Evid. 401 (emphasis added). Given that the job announcement is very broadly related to the field of Internet advertising, we determine it could have at least some tendency to illuminate some of the qualifications of a skilled artisan. Thus, it is relevant under the low standard of Rule 401. See *United States v. Whittington*, 455 F.3d 736, 739 (6th Cir. 2006) (“[T]he district court correctly noted that the relevance threshold is very low under Rule 401.”) (internal quotation marks omitted). Petitioner's arguments go more to the weight this evidence should be given, rather than its admissibility.

As for Petitioner's arguments that the evidence should be excluded under Federal Rule of Evidence 403, we do not discern any prejudice to Petitioner, under Federal Rule of Evidence 403, in allowing this exhibit into evidence. In a bench trial, such as before the Board, the risk that a verdict will be unfairly affected by the admission of improper evidence is far less than in a jury trial. *See E.E.O.C. v. Farmer Bros. Co.*, 31 F.3d 891, 898 (9th Cir. 1994). As the factfinder, we are able to consider this evidence, the parties' arguments, and give it the proper weight. *See* 22 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE AND PROCEDURE § 5213 (1978 & Supp 1999) ("Since the judge must hear the evidence in ruling on the motion to exclude the evidence under Rule 403, exclusion of the evidence on grounds of prejudice in a bench trial is described as a 'useless procedure.'"); *see also Schultz v. Butcher*, 24 F.3d 626, 632 (4th Cir. 1994)(finding court should not exclude evidence under Rule 403 in bench trial on grounds of unfair prejudice); *Gulf States Utilities Co. v. Ecodyne Corp.*, 635 F.2d 517, 519 (5th Cir. 1981) (finding unfair prejudice portion of Rule 403 "has no logical application to bench trials"). Thus, we deny Petitioner's Motion to Exclude with respect to Exhibit 2006.

b. Exhibits 2014, 2015, and 2016

With respect to Exhibits 2014, 2015, and 2016, we agree with Petitioner that this evidence should be excluded as irrelevant. As an initial matter, we reject Patent Owner's argument that Petitioner waived its objection or that the objection is futile. Patent Owner asserts that Petitioner's Motion to Exclude these Exhibits is futile because Patent Owner submitted the same documents twice, but Petitioner objected only once. Opp. 4–6. Patent Owner first submitted these Exhibits with its Preliminary Response. *See* Prelim. Resp. Petitioner timely objected to these Exhibits. *See* Paper 12. On December 21, 2016, Patent Owner attached the same

three documents to the Second Zatkovich Declaration as “exhibits” to the Declaration. *See* Ex. 2024, 191–94, 203–16. There is no dispute that Mr. Zatkovich did not cite the Exhibits in the Second Zatkovich Declaration, and Patent Owner did not reference them in its Patent Owner Response. *See* Exclude Reply 3; Opp. 5 (stating that Mr. Zatkovich reviewed these exhibits in forming his opinions, but only stating that he “expressly discussed these references in his December 10, 2015 Declaration”).

We agree with Petitioner that there was no need to object a second time for several reasons. Most importantly, it is well-established law that a party need not object to every time similar evidence is offered, once it has clearly made its views known. *See Evalt v. United States*, 359 F.2d 534 (9th Cir. 1966) (where counsel objected to testimony of one witness, no further objection required to similar testimony of second witness); *see also United States v. Kelinson*, 205 F.2d 600, 601–02 (2d Cir. 1953) (noting that where “objections previously made amply sufficed to make known to the judge that these defendants would assert he had erred” the rules “do[] not require the lawyer to become a chattering magpie”); *Keen v. Overseas Tankship Corp.*, 194 F.2d 515, 519 (2d Cir. 1952) (L. Hand, J.) (“Nothing goes further to disturb the proper atmosphere of a trial than reiterated insistence upon a position which the judge has once considered and decided. The notion is wholly untenable that in order to protect himself against imputed surrender a party must reassert what has been overruled every time the occasion comes up again.”). Courts have further explained that to require the same objections be made over and over again in such a “ritualistic fashion,” would be to “exalt form over substance.” *See United States v. Pirovolos*, 844 F.2d 415, 424 n.8 (7th Cir. 1988) (quoting C. WRIGHT & A. MILLER, *FEDERAL PRACTICE & PROCEDURE* § 842 at 289–90 (1982)). We decline to depart from this pragmatic

and sensible rule.

Moreover, there is a second, valid reason to reject Patent Owner's contention. Patent Owner's second submission of these Exhibits was in violation of our rules. For example, Rule 42.6(d) states that "[a] document already in the record of the proceeding must not be filed again, not even as an exhibit or an appendix, without express Board authorization." 37 C.F.R. § 42.6(d). Patent Owner did not request authorization to file these same Exhibits a second time, as an appendix to Exhibit 2024. While Patent Owner's second submission may, in effect, be harmless by itself, Patent Owner should not be able to avoid Petitioner's objection in this manner. As for Patent Owner's contention that this Motion is futile because the Exhibits will lurk elsewhere in the record (Opp. 5–6), this is unpersuasive for the same reason. A party cannot evade a proper Motion to Exclude by setting forth the same Exhibits throughout the record. Thus, we do not agree that Petitioner waived its objection by failing to object a second time, or that this objection is futile.

As for Petitioner's objection, we agree that this evidence is not relevant. These Exhibits were submitted with Patent Owner's Preliminary Response to support its argument in the preliminary phase of this proceeding that secondary considerations, such as commercial success and industry praise, should be considered as part of "inventive concept" inquiry (or Step 2) of *Alice*. See Prelim. Resp. 60. Patent Owner asserts that it has argued that the claims have "inventive concept" and that this evidence of commercial success and industry praise is relevant to that inquiry. Opp. 7–9. But the fact that these Exhibits could be relevant if certain arguments were made does not make them relevant in all circumstances. Here, Patent Owner did not raise this argument of secondary considerations in its Patent Owner Response, and there is no testimony in the

Second Zatkovich Declaration on this topic. Thus, these arguments are waived. *See* Paper 11 (Scheduling Order), 7–8 (“[A]ny arguments for patentability not raised in the response will be deemed waived.”). Without these arguments of secondary considerations, there is no basis for admitting these Exhibits.

Patent Owner raises several arguments against its waiver. None of them are persuasive. First, Patent Owner argues that it did not waive these arguments regarding secondary considerations in the “inventive concept” inquiry, because it raised the larger issue of whether the claims have “inventive concept.” Opp. 7–9. We do not agree that raising the general argument that the claims have “inventive concept” raised the specific argument that secondary considerations such as commercial success and industry praise should be taken into account as part of that inquiry.

Second, Patent Owner argues that although these Exhibits are not discussed in the Second Zatkovich Declaration, which was cited in the Patent Owner Response, the Second Zatkovich Declaration incorporates by reference his December 10, 2015 Declaration (the First Zatkovich Declaration), which does cite those Exhibits. Opp. 10. Our rules, however, do not allow incorporation by reference. *See* 37 C.F.R. § 42.6(a)(3). Not only does Patent Owner ask us to incorporate arguments from its expert Declaration into its Patent Owner Response, but it further asks us to incorporate arguments further incorporated from a prior Declaration. We decline to do so.

Finally, Patent Owner argues that these Exhibits are relevant because they were reviewed by Mr. Zatkovich in forming his opinions. Opp. 10. Mr. Zatkovich did not cite these Exhibits in the Second Zatkovich Declaration, and the fact that he reviewed them in forming his opinions does not, by itself, transform them into admissible evidence. Relevance requires that it “any tendency to make a fact more

or less probable than it would be without the evidence *and the fact is of consequence in determining the action.*” Fed. R. Evid. 401 (emphasis added). Without any arguments, articulated in the trial phase of this proceeding, that commercial success and industry praise are part of the determination of “inventive concept,” Exhibits 2014, 2015, and 2016 have no bearing on a “fact that is of consequence in determining the action.” Thus, they are not relevant and should be excluded.

c. Conclusion for Motion to Exclude

Thus, Petitioner’s Motion to Exclude is *granted-in-part* and *denied-in-part*. Exhibits 2014, 2015, and 2016 are excluded as irrelevant. Exhibit 2006 is not excluded.

6. Conclusion

For the reasons set forth above, we conclude that claims 1–20 are unpatentable under 35 U.S.C. § 101.

This is a final written decision of the Board under 35 U.S.C. § 328(a). Parties to the proceeding seeking judicial review of this decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

III. ORDER

It is hereby:

ORDERED that claims 1–20 of U.S. Patent No. 7,089,195 B2 are *unpatentable*.

CBM2016-00049
Patent 7,089,195 B2

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