

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GOOGLE INC.,
Petitioner,

v.

PERFORMANCE PRICING HOLDINGS, LLC,
Patent Owner.

Case CBM2016-00050
Patent 8,799,059 B2

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

CHERRY, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

I. INTRODUCTION

A. Background

Google Inc. (“Petitioner”) filed a Petition (Paper 1, “Pet.”) to institute a covered business method patent review of claims 1–14 (“the challenged claims”) of U.S. Patent No. 8,799,059 B2 (“the ’059 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, “Farris Decl.”). Performance Pricing Holdings, LLC (“Patent Owner”) filed a Preliminary Response (Paper 7, “Prelim. Resp.”). Pursuant to 35 U.S.C. § 324, in our Decision to Institute, we instituted this proceeding as to claims 1–14 on the asserted grounds that the challenged claims are directed to non-statutory subject matter under 35 U.S.C. § 101 and lack sufficient written description support under 35 U.S.C. § 112(a). Paper 8 (“Dec.”).

After the Decision to Institute, Patent Owner filed a Patent Owner Response (Paper 15, “PO Resp.”), and Petitioner filed a Reply to the Patent Owner Response (Paper 19, “Reply”). Patent Owner relies on the testimony of Ivan Zatkovich (Ex. 1005, “First Zatkovich Declaration”; Ex. 2024, “Second Zatkovich Declaration”).¹ Petitioner also filed a Motion to Exclude certain evidence (Paper 25, “Mot.”). Patent Owner filed an Opposition to the Motion to Exclude (Paper 28, “Opp.”). Petitioner also filed a Reply in

¹ Patent Owner also relies upon the testimony of Tom Triscari (Ex. 2025) in its Patent Owner 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 18. We, thus, give no consideration to the testimony of Tom Triscari.

Support of its Motion to Exclude (Paper 29, “Mot. Reply”). An oral hearing was held on June 16, 2017. Paper 32 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(b). 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, Petitioner has demonstrated, by a preponderance of the evidence, that claims 1–14 are unpatentable.

B. Related Matters

Petitioner and Patent Owner represent that the challenged patent is being asserted against Petitioner in a U.S. district court proceeding—*Performance Pricing Holdings, LLC v. Google Inc.*, No. 1:15-cv-09712 (S.D.N.Y.). Pet. 2–3; Paper 5, 2. Petitioner and Patent Owner also represent that there are several related patents, including U.S. Patent No. 7,089,195 B2, which is the subject of CBM2016-00049, and that there are several related patent applications pending. Pet. 2–3, Paper 5, 2.

C. The Challenged Patent

The ’059 patent, titled “System and Method for the Presentation of Advertisements,” describes a way to sell advertising. Ex. 1002, at [54], Abstract. A number of impressions of an advertisement message are presented over a computer network, such as the Internet, to a variety of computers. *Id.* at Abstract. Depending on the actions taken by the viewers (e.g., whether the viewer selects the advertising message and accesses a web-link to the advertiser’s website), bonus exposure (e.g., an additional number of impressions provided to the viewers) of the advertising message is given. *Id.*

The challenged patent explains that “[f]or the Seller, a fixed-price model is presented that can guarantee revenue.” *Id.* at 11:19–20. The challenged patent describes that the system disclosed “can also encourage Buyer loyalty because Buyers are encouraged to maintain loyalty to Sellers, not only because they earn bonus impressions, but also because the award of bonus impressions may be conditional on completion of the contract.” *Id.* at 11:20–24. An additional benefit disclosed in the challenged patent is the balancing of use of excess inventory by reducing the need to use in-house advertising to fill excess space, because “too much in-house advertising may deter Buyers from advertising with the Seller because they perceive that Seller site has no market demand.” *Id.* at 11:29–31. Moreover, the “present invention may provide a preferable way to encourage proper creativity and placement of the advertising message . . . which may have the effect of increasing the fixed price of exposure.” *Id.* at 11:31–36.

According to the challenged patent, “[t]he present invention can be extended to other advertising and media environments outside of the Internet or other communication network,” including “billboard advertising, television and radio advertising,” and “advertising in print media.” *Id.* at 11:44–48.

D. Illustrative Claim

Claims 1 and 6 are independent claims. Claim 1 is illustrative of the claimed subject matter:

1. A system for the presentation of at least one advertisement message to viewers of at least one website, the system comprising:
at least one processor; and

at least one storage device in communication with the at least one processor, the at least one storage device including instructions that, when executed by the at least one processor, enable the performance of a method comprising the steps of:

ascertaining with the at least one processor a predetermined cost to an entity per impression of an advertising message;

presenting, with the at least one processor, the advertising message for display on a website such that the advertising message is viewable via one or more viewer computers;

detecting with the at least one processor a quantity of actions performed by users of the one or more viewer computers; and

as the quantity of the detected actions increases, then with the at least one processor decreasing the cost per impression of the advertising message to the entity below the predetermined cost.

Ex. 1002, 12:21–43.

E. The Instituted Grounds

We instituted this proceeding challenging claims 1–14 on the following grounds:

Basis	Challenged Claims
§ 101	1–14
§ 112(a) ²	1–14

Dec. 36.

² Paragraph 1 of 35 U.S.C. § 112 was replaced with newly designated § 112(a) by § 4(c) of the AIA, and AIA § 4(e) makes those changes applicable “to any patent application that is filed on or after” September 16, 2012. *Alcon Research Ltd. v. Barr Labs., Inc.*, 745 F.3d 1180, 1183 n.1 (Fed. Cir. 2014). Because the application resulting in ’059 patent was filed after that date, we will refer to the AIA-version of § 112.

II. ANALYSIS

A. Standing to Bring a Covered Business Method Patent Review

In our Decision to Institute, we determined that Petitioner had shown it has standing to bring a covered business method patent review. Dec. 3. 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. *See id.*

B. Whether the '059 Patent is a Covered Business Method Patent

The AIA defines a “covered business method 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). Congress provided a specific exception to this definition of a covered business method patent—“the term does not include patents for technological inventions.” *Id.*

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 light of the written description, that identifies a CBM patent.”). One claim directed to a covered business method 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 the Decision to Institute, at 7–15, we determined that the ’059 patent is a covered business method patent. For the reasons set forth below, we maintain our conclusion that the challenged patent meets the definition of a covered business method patent.

1. Financial Product or Service

One requirement of a covered business method patent is for the patent to “claim[] 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); 37 C.F.R. § 42.301(a). 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, LLC v. Google Inc.*, 841 F.3d 1376, 1382 (Fed. Cir. 2016)). Instead, the focus is on whether the patent claim contains “a financial activity element.” *Id.* at 1381.

Petitioner contends the challenged patent meets the financial product or service requirement because the patent claims “systems for pricing and selling advertisements.” Pet. 12. For example, Petitioner identifies independent claim 1 as reciting a “cost per impression of [an] advertising message” which decreases “below the predetermined cost” if viewers take particular actions in response to the ad, which Petitioner asserts are “systems for pricing and selling advertisements.” *Id.* at 13. Independent claim 6 recites similar limitations. Petitioner argues that the ’059 patent also is directed to a financial activity because it claims a model for selling a

service—presentation of advertisements. *Id.* Petitioner submits that the sale of a good or service is “plainly a ‘financial activity.’” *Id.*

Patent Owner argues that “[a]s opposed to claiming an activity that is financial in nature, the claims of the ‘059 Patent recite activity that, as discussed, improve the performance of ad servers.” PO Resp. 60. Patent Owner asserts that “[t]he 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.” *Id.* Thus, Patent Owner contends that the ‘059 patent does not meet the financial product or service requirement. *Id.* at 60–61.

We agree with Petitioner. Independent claims 1 and 6 explicitly recite “ascertaining . . . a cost [i.e., price]” for advertising or an advertising campaign and then decreasing that price in response to user activity. We find that setting of a price for advertising, and adjusting a price based on customer behavior, are quintessential financial activities, and are financial elements expressly recited in the claims of the ‘059 patent. *See Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1340 (Fed. Cir. 2016) (affirming the Board’s finding that claims met financial activity requirement when they recited providing “a subsidy, or financial inducement that encourages consumers to participate in the distribution of advertisements”); *SightSound Techs., LLC v. Apple Inc.*, 809 F.3d 1307, 1315–16 (Fed. Cir. 2015) (affirming Board’s finding that claims met financial activity requirement when they involved the electronic sale of something, including charging a fee to a party’s account); *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1318 (2015) (affirming Board’s finding that claims involving price calculations are financial in nature).

We disagree with Patent Owner that the claimed system is of “general utility” and “not limited to a specific application.” PO Resp. 60. This contention is contradicted by the claims themselves, which specifically recite that the system is for pricing Internet advertisements based on the particular pricing algorithm. We also find that, analogous to the recitation of “subsidy” in *Blue Calypso*, 815 F.3d at 1340, the limitations of independent claims 1 and 6 concerning the ascertainment and adjustment of pricing of Internet advertisements is central to the operation of the claims. For these reasons, we determine that at least independent claims 1 and 6 recite an apparatus programmed to perform 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” (AIA § 18(d)(1)). See 37 C.F.R. § 42.301(a). Accordingly, the financial product or service requirement is satisfied.

2. *Exclusion for Technological Inventions*

Section 18 of the AIA states that the term “covered business method patent” does not include patents for “technological inventions.” AIA § 18(d)(1); see 37 C.F.R. § 42.301(a). To determine whether a patent is for a technological invention, we consider “whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.” 37 C.F.R. § 42.301(b). The following claim drafting techniques, for example, 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, 48,764 (Aug. 14, 2012).

Petitioner indicates that the challenged patent is not directed to a technological invention because the claims “recite generic components—such as a ‘processor,’ ‘storage device,’ and ‘website’—operating in conventional ways.” Pet. 14; *see id.* at 14–16. Petitioner argues 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.’” *Id.* at 14 (quoting *Blue Calypso*, 815 F.3d at 1341). Petitioner submits that the specification of the challenged patent acknowledges that the present invention can also be performed with a generic computer, *id.* at 15 (citing Ex. 1002, 5:3–5 (“Embodiments of the present invention may be implemented using general purpose processors.”)), or even without a computer, *id.* (citing Ex. 1002, 3:61–63, 11:44–48, 11:49–12:12). Patent Owner argues that Petitioner “failed to show that the solution claimed in the ’059 Patent, as a whole, is not novel and unobvious over the prior art and does not compare prior art to the claim[s] as a whole.” PO Resp. 61. Patent Owner asserts that Petitioner “addressed only certain elements of the claims, such as ‘processor,’ ‘storage device,’ and ‘website,’ and fails to assess any of the claims as a whole through a sufficient

comparison between the prior art and any claim as a whole.” *Id.* Patent Owner argues that Petitioner “has also failed to demonstrate that the use of the claimed system as a whole only would achieve the normal, expected, or predictable result of the combination of hardware and software recited in the claims.” *Id.* Patent Owner also asserts that Petitioner fails to address technical aspects of the problem and solution described in the ’059 patent. *Id.* at 62.

Patent Owner’s arguments are a truncated version of substantively identical arguments set forth previously in Patent Owner’s Preliminary Response. *See* PO Resp. 61–62; Prelim. Resp. 16–26. Upon consideration anew, our analysis is the same as that set forth previously in our Decision to Institute. Accordingly, for the reasons provided in our Decision to Institute, which we adopt here, we agree with Petitioner that the subject matter claimed in the ’059 patent is not for a technological invention, and, thus, does not fall within the exception for technological inventions. *See* Dec. 11–14.

3. Conclusion as to Eligibility for CBM Review

Having determined that 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 and does not fall within the exception for technological inventions, we conclude that the challenged patent is eligible for a covered business method patent review.

C. Level of Skill in the Art

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. 17. 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. 29. For the reasons set forth below, we agree with Petitioner.

“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)). Considering these factors, we agree with Petitioner that a degree in computer science is not required for a person of ordinary skill in the art. *See* Reply 4.

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 the field of the ’059 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. 5–7. 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. *See* Ex. 1003 ¶ 36. 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 ¶¶ 36–40. Indeed, this understanding is confirmed by the '059 patent, which describes the business problems Internet advertising had on sellers of advertising. See, e.g., Ex. 1002, 1:55–59 (“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.”); 1:60–63 (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”); 1:63–3:24 (describing characteristics of the Internet advertising market); 3:27–31 (“[T]he 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 '059 patent is only at a very high level. See, e.g., *id.* at 8:33–9:9 (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 '059 patent are all in terms of different pricing models—“fixed fee” or “performance based”—not in terms of technical solutions. See *id.* at 1:55–3:24. 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. 29 (citing Ex. 2006 (Google Technical Program Manager, Ads Quality, AdWords Job

Announcement)). 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 '059 patent, beyond the fact that they both nominally involve Internet advertising. *See* PO Resp. 29. 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 '059 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. 17.

D. Qualifications of Petitioner’s Declarant, Dr. Farris

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. 29. As set forth above, we are unpersuaded that Patent Owner’s definition of a person of ordinary skill above is correct. Accordingly, this argument is unpersuasive.

Dr. Farris is a tenured professor of business and during his career, 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 '059 patent. Accordingly, we decline to give his testimony no weight.

E. Claim Construction

In a covered business method patent review, a claim term in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears. 37 C.F.R. § 42.300(b); *Cuozzo Speed Techs., LLC, v. Lee*, 136 S. Ct. 2131, 2144 (2016); *Versata*, 793 F.3d at 1328. Under the broadest reasonable construction standard, claim terms are presumed to be 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). To rebut this presumption by acting as a lexicographer, the patentee must give the term a particular meaning in the specification with “reasonable clarity, deliberateness, and precision.” *In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

We construe the challenged claims according to these principles. In our Decision to Institute, we determined that no terms required express construction. In its Patent Owner Response, Patent Owner contends that we should construe the term “impression,” recited in claim 1, as “presentation of an Internet advertising message.” PO Resp. 29–31. 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. Reply 5–6 (citing Ex. 1003 ¶ 27, Ex. 1017, 44:19–45:19, 142:15–143:12). This is also the construction we adopted in our Decision to Institute in the related proceeding, CBM2016-00049. See *Google Inc. v. Performance Price Holdings, LLC*, Case

CBM2016-00049, slip op. 5–6 (PTAB Sept. 21, 2016) (Paper 10). Given that this construction is consistent with the specification, we adopt Patent Owner’s construction of “impression” as “presentation of an Internet advertising message.” See Ex. 1002, 2:36–44, 5:12–16.

F. Instituted Ground under 35 U.S.C. § 101

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 postsolution 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.”).

1. 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. Claim 1, as a whole, relates to “a system for presentation of at least one advertisement message to viewers of at least one website,” comprising a method in which “the cost per impression of the advertising message” decreases “as the quality of the detected actions increases.” Ex. 1002, 12:21–22, 12:40–43. Claim 6 has similar limitations, but recites a “cost to an entity of an advertising campaign” in place of “cost per impression” of claim 1. Ex. 1002, 12:53–13:7. Petitioner argues that precedent establishes that such a “pricing model” is an abstract idea. Pet. 20.

Patent Owner submits that the claims of the '059 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. 32–40. 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 32–33 (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 34.

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 38. Patent Owner argues that “[b]y improving the functionality of the ad server, the ’059 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 lower the cost of an ad campaign (e.g., cost per impression or cost per click) as the quantity of view action (e.g., clicks) increases.” *Id.* at 40.

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 decreasing the cost of an advertisement based on the performance of the ad, and that such a concept is an abstract idea. Pet. 19. More succinctly, 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 and 6, the only equipment that those claims identify are a “processor” and “at least one storage device in communication with the at least one processor.” Ex. 1002, 12:24–25, 12:56–57. The remainder of the claim is simply a method embodied in instructions stored on the storage device. As discussed above, these claimed method steps include having the processor (i) “ascertain[] . . . a predetermined cost to an entity per impression of an advertising message,”

(ii) “present[] . . . the advertising message for display on a website such that the advertising message is viewable via one or more viewer computers,” (iii) “detect[] . . . a quantity of actions performed by users of the one or more viewer computers,” and (iv) “decrease[e] the cost per impression of the advertising message to the entity below the predetermined cost” as the “quantity of detected actions increases.” *Id.* at 12:30–43. Thus, the focus of the claims is on collecting and analyzing data for the pricing method, 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 3:27–33. 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 3:34–39. 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 3:61–63 (“The present invention can be applied outside of a computer network environment and should not be considered

limited to such an environment.”); 11:47–61 (describing the use of the pricing model in billboard, television, and radio 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. 36, it is the advertisers’ reactions to the prices calculated that result in any change in the ads that are served. The *claims* of the ’059 patent simply recite that an ad is served, data is collected, and a cost is 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 *FairWarning 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 *FairWarning*, the claims of the ’059 patent collect and analyze information and present the result—in this case, a cost for an advertisement or advertising campaign—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 price. Ex. 1003 ¶¶ 62–67 (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 the Federal Circuit’s full discussion of *McRO* in *FairWarning*—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. *FairWarning*, 839 F.3d at 1094 (quoting *McRO*, 837 F.3d at 1313). The court in *FairWarning* 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 and 6 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 and 6, 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 ¶¶ 41–53

(discussing how the individual functions described in claims 1 and 6 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. 34–38. 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 ’059 patent “does not claim all methods for tethering user action to performance-based incentives.” PO Resp. 36. We agree with Petitioner, however, that “the absence of complete preemption does not demonstrate patent eligibility.” Pet. 24 (*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 ’059 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 ¶¶ 32–53.

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 ¶¶ 54–62 (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.

2. *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 a “processor” and “at least one storage device in communication with the at least one processor.” We find 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. Ex. 1003 ¶¶ 32–53. 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. *buySAFE*, 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); *buySAFE*, 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. 40–53. 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 ascertaining a price, serving an advertisement, detecting user actions, and, based upon quantity of actions detected then decreasing the cost of advertisement or advertising campaign. 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. 43–45) is belied by statements in the ’059 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. 1002, 1:55–59 (emphasis added). Indeed, the ’059 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 1:55–56, 2:22–23. 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 ¶ 36 (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. 54–60. 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 ’059 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 and 6 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. Ex. 1003 ¶¶ 54–61; see *Content Extraction*, 776 F.3d at 1349; *buySAFE*, 765 F.3d at 1355. Thus, we conclude claims 2–5 and 7–14 also lack an inventive concept.

3. Summary

In sum, Petitioner has shown that each of the challenged claims recites an abstract idea, and the generic computer components recited in those claims do not transform the claims into patent-eligible applications of that idea.

G. Instituted Ground Based on Lack of Written Description

Petitioner contends that claims 1–14 of the challenged patent are unpatentable under 35 U.S.C. § 112(a) as lacking written description support. Petitioner supports its contentions with citations to the Declaration testimony of Paul W. Farris, dated March 24, 2016 (Ex. 1003). Pet. 46–60. Patent Owner opposes. PO Resp. 62–73.

1. Principles of Law

To satisfy the written description requirement under 35 U.S.C. § 112(a), the specification must sufficiently describe an invention understandable to a person of ordinary skill in the art and “show that the inventor actually invented the invention claimed.” *Ariad Pharm., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (en banc). In other words, a patent applicant must “convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention. The invention is, for purposes of the ‘written description’

inquiry, whatever is now claimed.” *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1563–64 (Fed. Cir. 1991). “Such description need not recite the claimed invention *in haec verba* but must do more than merely disclose that which would render the claimed invention obvious.” *ICU Med., Inc. v. Alaris Med. Sys., Inc.*, 558 F.3d 1368, 1377 (Fed. Cir. 2009).

2. *The Parties’ Contentions*

Petitioner argues that the “premise” of the challenged patent “is that seller receive a fixed fee in exchange for displaying an advertisement.” Pet. 48. In contrast to the invention described in the specification, Petitioner contends that claims 1 and 6 diverge from this premise by claiming decreasing the cost per impression or the cost of the advertising campaign. *Id.* at 52, 58. Petitioner argues that “[t]his decrease in the cost per impression—and hence, a decrease in the predetermined revenue of the seller—is not described in the specification.” *Id.* at 52; *see also id.* at 57 (“Claim 6 is identical to claim 1 except that it recites decreasing the cost of ‘the advertising campaign to below the predetermined cost’ instead of the ‘cost per impression.’”). Petitioner submits that “the specification describes precisely the opposite, by presenting ‘a fixed-price model . . . that can guarantee revenue to the seller.’” *Id.* at 53 (quoting Ex. 1002, 11:19–20); *see also id.* at 58 (“Claim 6 recites a ‘performance-based pricing model’ of the kind denigrated throughout the specification.”). Petitioner quotes its Declarant who testified that “[a] person of ordinary skill in the art certainly would not expect to find a claim directed to a system in which the fee paid to the seller is variable given that the specification describes ‘methods and systems [that] help Sellers secure fixed-fee pricing.’” *Id.* at 55 (quoting Ex. 1003 ¶ 79); *see also id.* at 58 (“The fee received by the seller is

inherently unpredictable because the seller cannot know in advance how many viewers will take the specified action in response to the advertisement. That is precisely what the purported invention disclosed in the specification seeks to avoid.” (citing Ex. 1003 ¶ 86)). Petitioner submits that “[t]he written description requirement is not satisfied where, as here, a claim is directed to subject matter that is contrary to purpose of the invention disclosed in the specification.” *Id.* at 55 (citing *Bamberg v. Dalvey*, 815 F.3d 793, 798 (Fed. Cir. 2016); *In re Bimeda Research & Dev. Ltd.*, 724 F.3d 1320, 1323–24 (Fed. Cir. 2013)). Thus, Petitioner concludes that independent claims 1 and 6, and the claims that depend from them, fail to satisfy the written description requirement. *Id.* at 55–57, 59–60.

Patent Owner raises three main arguments in response. First, Patent Owner points to description in column 10, line 53, through column 11, line 17, as providing support for the claims. PO Resp. 63–69. This portion of the specification describes a rewards program where bonus impressions are awarded and the “effective” cost per thousand (“CPM”) of the impressions is lowered. Ex. 1002, 10:53–11:17. Patent Owner argues that a person of ordinary skill in the art reviewing this portion of the specification would understand that the rewards program “lowers both the cost per thousand impressions (CPM) of the ad campaign and the cost per click (CPC) achieved by rewarding bonus impressions each time an ad generates a click.” PO Resp. 67. Patent Owner argues that the “cost to an entity of an advertising campaign,” as recited in claim 6, includes “cost per action, CPM, effective CPM, and cost per click.” *Id.* at 63–64 (citing Ex. 1002, 13:18–25; Ex. 2024 ¶ 198). Patent Owner distinguishes the “cost” of an advertising campaign from its “budget,” which Patent Owner submits is only “the

amount of money that is available for, required for, or assigned to a particular purpose.” *Id.* at 64 (citing Ex. 2032; Ex. 2024 ¶ 199). Patent Owner submits that a person of ordinary skill in the art reading the specification would also understand that “instead of lowering the costs through the awarding of bonus impressions each time an add gets clicked, the same exact results can be achieved by directly and incrementally lowering the predetermined cost per ad (either CPM or CPC) based on viewer actions.” *Id.* at 67–68. Patent Owner continues that “so the more viewer actions generated[,] the lower the cost the advertiser pays per ad.” *Id.* at 68. Patent Owner argues that this lower cost paid per ad would, on a CPM basis, result in more total impressions for the same allocated budget. *Id.* Moreover, Patent Owner contends that, on a CPC basis, this lower cost paid per ad would result in more total clicks for the same allocated budget, or it could result, on either a CPC or CPM basis, in a lower overall cost of the campaign, i.e., the buyer could spend less than its entire budget. *Id.*

Second, Patent Owner argues that Petitioner’s arguments and our Decision “conflict with patent law,” because “claims should not be confined to the disclosed embodiments” and the “specification need not describe every embodiment of the claimed invention.” *Id.* at 69 (quoting *Woods v. DeAngelo Marine Exhaust, Inc.*, 692 F.3d 1272, 1283 (Fed. Cir. 2012)). Patent Owner further asserts that there is no requirement that the claimed invention achieve all of the objectives described in the specification. *Id.* at 70. Patent Owner contends that there are a number of advantages and benefits of the claimed invention in addition to securing fixed-fee pricing for ad sellers. Thus, Patent Owner argues, “even assuming the claims do not

‘secure fixed-fee pricing,’ the claims are not required under the law to achieve that objective.” *Id.*

Finally, Patent Owner contends that this case does not fall into the situation we identified in our Decision to Institute—“‘that when the specification categorizes the prior art of subject matter as inferior, claims attempting to capture that excluded subject matter lack written description support.’” *Id.* at 71 (quoting Dec. 33). Patent Owner argues that the cases that Petitioner relied on—*Bamberg*, 815 F.3d 793 and *In re Bimeda*, 724 F.3d 1320—are “readily distinguishable.” *Id.* Patent Owner asserts that “[i]n contrast to *Bamberg* and *In re Bimeda*, nowhere does the specification of the ’059 patent state that lowering the rate (e.g., eCPM, CPC, or CPM) or overall cost of advertising produces an ‘undesired’ result.” *Id.* at 72. Patent Owner argues that “[i]n fact, the specification describes lowering the eCPM as resulting in benefits such as ‘Buyers are encouraged to maintain loyalty to Sellers.’” *Id.* (quoting Ex. 1002, 11:14–22). Patent Owner contends this is consistent with the specification’s contemplation of lowering actual CPM, and that the overall ad budget might not be used up. *Id.* at 72–73 (citing Ex. 1002, 10:59–61, 11:23–24). Patent Owner argues that “unlike ‘leav[ing] no room for argument’ as in *Bimeda*, the specification contemplates that the pricing rate (e.g., CPM or CPC) or overall cost might be lower than the budget originally submitted.” *Id.* at 73. Thus, Patent Owner asserts that the claims do not attempt to capture excluded subject matter and satisfy the written description requirement. *Id.*

3. Analysis

We determine that Petitioner has met its burden of showing that claims 1–14 are unpatentable for failure to satisfy the written description

requirement. As we explained in our Decision to Institute, there was no dispute that, at the very least, the '059 patent discloses reducing the effective cost per thousand of impressions ("effective CPM"). See Dec. 30 (noting "we agree with Patent Owner that the specification describes embodiments where the effective cost per impression is reduced through the awarding of bonus impressions"); see also Pet. 30 ("The specification of the '059 Patent does include an example in which the 'Effective CPM' decreases as the seller awards 'bonus impressions' to the advertiser."). We noted, however, that "Petitioner has offered testimony of its declarant that a person of ordinary skill reviewing the specification of the challenged patent would expect the claimed invention to offer a solution that provides a fixed fee to sellers." Dec. 32–33 (citing Ex. 1003 ¶¶ 68–78). Based on this testimony, and our review of the portions of the specification cited in the Petition and Preliminary Response, we determined that, on that record, "Petitioner ha[d] shown that these claims fall into the situation identified in the cases identified by Petitioner that when the specification categorizes the prior art or subject matter as inferior, claims attempting to capture that excluded subject matter lack sufficient written description support." *Id.* at 33–34 (citing *Bamberg*, 815 F.3d at 798; *Bimeda*, 724 F.3d at 1323; *Tronzo v. Biomet, Inc.*, 156 F.3d 1154, 1159 (Fed. Cir. 1998)). Thus, the critical question is whether the specification excludes the claimed subject matter, as in *Bamberg* and *In re Bimeda*.

With a full record, we agree with Petitioner that the '059 patent specification does not contemplate pricing models where the amount of money paid to the seller of advertising is decreased, so these claims, whose scope includes situations where the amount of money paid to the seller is

decreased, lack written description support. Patent Owner's arguments do not persuade us otherwise. As we discussed above, there is no dispute that the specification discusses reducing the effective cost of impressions, but the problem is that the claims are far broader than that. They include situations where the amount paid to the seller is decreased. Thus, Patent Owner's assertions about the disclosure of column 10, line 53, through column 11, line 17 are beside the point. The specification not only criticizes some performance-based fee arrangements, where the fee paid by the buyer is variable, but states that the invention is intended to overcome their shortcomings by offering fixed-fee, not performance-based pricing. *See* Ex. 1002, 1:60–2:25 (noting “difficulty of striking a fair and reasonable balance between fixed-fee based pricing and performance-based pricing” and describing known performance-based pricing models), 2:9–10 (“Sellers have been pressured into offering more performance-based pricing models because of the increase in the accountability of delivery systems....”), 2:34–3:19 (noting pressures on sellers to adopt performance-based pricing because they “cannot maintain fixed-fee-based commodity pricing” and sellers are “forced to compete with one another by offering performance based pricing”), 3:27–39 (“Embodiments of the present invention include methods and systems for selling advertising, which incorporates a unique pricing model wherein advertising Buyers earn bonus exposure . . . based on the reflected interest by Viewers . . . [t]he methods and systems help Sellers secure fixed-fee pricing while offering a performance-based incentive to Buyers.”), 2:34–35 (“Sellers have also been pressured into a more performance based pricing model by surplus in inventory....”), 2:53–55 (“Sellers are leveraged into offering a more performance-based pricing

model because they cannot maintain fixed-fee based commodity pricing.”), 3:3–5 (“Sellers of Internet advertising are forced to compete with one another by offering performance based pricing...”), 3:10–12 (“If a Seller’s revenues are based entirely on performance-based pricing models, it will run the risk of not being able to cover costs.”), 3:16–18 (“If that Seller had based its revenue primarily on a performance-based pricing model, its revenue may be so low as to not cover overhead costs.”), 11:19–20 (“For the seller, a fixed-price model is presented that can guarantee revenue.”).

Patent Owner also argues that not only is the effective CPM lowered in the examples in the specification, but a person of ordinary skill would understand that the “cost per click” (“CPC”) is lowered as well. PO Resp. 67. This argument is not persuasive, because although the pricing model claimed is abstract enough that any number of mathematical calculations or numerical analyses can be performed on the data shown in the specification to obtain a result that fits within the model, all of the specific examples in the specification relied on by Patent Owner still contemplate that the amount of money paid to the seller remains fixed at \$50,000. Ex. 1002, 10:63–67; Ex. 1017, 128:5–14 (Mr. Zatkovich agreeing that specification does not describe a scenario in which the seller would not receive the predetermined fee).

Patent Owner argues that there is a distinction between “budget”—which Patent Owner argues is only “the amount of money that is available for, required for, or assigned to a particular purpose”—and the amount actually paid to the seller. PO Resp. 63–64; Tr. 82:2–19. Patent Owner argues that a person of ordinary skill would understand that, instead of awarding bonus impressions, the amount actually paid by the buyer to the

seller could be lowered below the “budget.” PO Resp. 67–68. Patent Owner contends that Dr. Farris recognizes that there could be an agreement on a guaranteed number of impressions and CPM where during the campaign the CPM was lowered, resulting in lower cost for the advertising campaign for that guaranteed number of impressions. *Id.* at 68 (citing Ex. 2026, 101:15–23).

We determine that this distinction between “budget” and the “amount paid,” which Patent Owner attempts to draw, is illusory for several reasons. First, Mr. Zatkovich agrees that, in all the examples in the ’059 patent specification, the amount paid remains constant. Ex. 1017, 128:5–14 (Mr. Zatkovich agreeing that specification does not describe a scenario in which the seller would not receive the predetermined fee). Thus, although such an understanding is possible, it is not consistent with what is disclosed in the specification. Second, Dr. Farris’s cited testimony does not support Patent Owner’s argument. Although Dr. Farris agreed that models where the amount paid is lower than the budget are possible, he further testified that such a model would be inconsistent with the written description. *See* Ex. 2026, 101:15–102:3 (Dr. Farris testifying that “the arithmetic would work as described, but that would be inconsistent with the written description.”). Given Mr. Zatkovich’s concession at his deposition that the amount paid in the actual examples in the specification stays the same, *see* Ex. 1017, 128:5–14, we determine that his testimony drawing this distinction between budget and the amount paid, *see* Ex. 2024 ¶¶ 214–217, is entitled to less weight than Dr. Farris’s testimony, *see* Ex. 1003 ¶¶ 77–86. We determine that Dr. Farris’s testimony is consistent with, and based on, the actual examples disclosed in the specification, not from abstract mathematical calculations

designed to fit, after the fact, the data in the specification to the pricing model claimed. Thus, Patent Owner's distinction and arguments have no persuasive support in the evidence.

Patent Owner argues that our Decision to Institute and Petitioner's arguments "regarding written description conflict[] with patent law" because a patentee is "not required to include within each of [its] claims all of the[] advantages or features described as significant or important in the written description." PO Resp. 69–70. Patent Owner contends there "are other advantages/benefits described in the specification: retaining advertisers (e.g., preventing cancellation and encouraging renewal of campaigns by lowering costs and providing more clicks on their ads) and retaining website visitors (e.g., by displaying more advertising content that is interesting to viewers, i.e., gets clicked on more often)," which Petitioner ignores. *Id.* at 69–71.

Yet, a review of the portion of the specification relied on by Patent Owner (*see id.* at 70 (citing Ex. 1002, 3:33–35)) demonstrates that Patent Owner is overstating that these are independent problems addressed by the claims, rather than by-products of the specific fixed-fee pricing model proposed. *See* Ex. 1002, 3:29–31. Indeed, the portions cited by Patent Owner to establish these independent goals of the invention refer to "these methods and systems," which is defined earlier in that section as "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." *Id.* at 3:27–31. Thus, rather than independent of the goals of the

inventions, these are the beneficial results the specification contends the “unique pricing model” allows.

In addition, there is nothing inconsistent with our analysis and “patent law.” PO Resp. 69. As we acknowledged in our Decision to Institute, a general rule regarding written description is: “[T]hat a claim may be broader than the specific embodiment disclosed in a specification is in itself of no moment.” *Bilstad v. Wakalopulos*, 386 F.3d 1116, 1123–24 (Fed. Cir. 2004) (quoting *In re Rasmussen*, 650 F.2d 1212, 1215 (CCPA 1981)). However, Patent Owner fails to acknowledge that there are exceptions to this general rule. One such exception is where the specification contains criticism of the prior art and touts the advantages of a particular features, which makes clear that the patent discloses only certain species of the genus and “nothing broader.” *Id.* (citing *Tronzo*, 156 F.3d at 1159). Thus, although Patent Owner focuses on the general rule, we determine this exception to the general rule applies to the ’059 patent.

We are persuaded by Dr. Farris’s testimony that a person of ordinary skill reviewing the specification of the challenged patent would have expected the claimed invention to offer a solution that provides a fixed fee to sellers. Ex. 1003 ¶¶ 68–78. Given this evidence, and our review of the portions of the specification cited by the parties, we agree with Petitioner that the challenged claims fall into the situation identified in the cases cited by Petitioner that, when the specification categorizes the prior art or subject matter as inferior, claims attempting to capture that excluded subject matter lack sufficient written description support. *See Bamberg*, 815 F.3d at 798 (“[W]e find that Bamberg does not possess a white layer that melts below 220°C because it specifically distinguished white layers that melt below

220°C as producing an ‘undesired’ result.”); *In re Bimeda*, 724 F.3d at 1323 (claims directed to a treatment that included antibiotics were not supported by a specification that “distinguishes the invention due to its ability to prevent [the disease] without using antibiotics”); *Tronzo*, 156 F.3d at 1159 (Statements that the prior art is “inferior” “make clear that the [parent patent] discloses only conical shaped cups and nothing broader.”).

Patent Owner attempts to distinguish *Bamberg* and *In re Bimeda*, but these efforts are not persuasive. PO Resp. 71–73. Patent Owner asserts that, contrary to *Bamberg* and *In re Bimeda*, “nowhere does the specification of the ’059 patent state that lowering the rate (e.g., eCPM, CPC or CPM) or overall cost of advertising produces an ‘undesired’ result.” *Id.* at 72. There is no need, however, that the specification recite some magic words that results are “undesired” or “inferior.” All that is necessary is that the “disclosure [be] generally inconsistent” with the scope of the claims. *See In re Bimeda*, 724 F.3d at 1323 (“Substantial evidence supports the Board’s contrary interpretation because the disclosure is generally inconsistent with a formulation which, like claim 32, excludes acriflavine but could include antibiotics.”). In *In re Bimeda*, the Federal Circuit found support for the Board’s finding, that the written description was inconsistent with formulations that contain antibiotics, in a statement in the summary of the invention that reads “the invention’s ‘non-antibiotic approach’ to preventing mastitis[] explains how this approach achieves the benefit of ‘meeting consumer preferences for reducing the levels of antibiotics used in food production.’” *Id.* In this case, we determine that the specification similarly denigrates performance-based models, *see, e.g.*, Ex. 1002, 3:10–19, and

states that “[t]he methods and systems help Seller secure fixed-fee pricing while offering a performance-based incentive to Buyers,” *id.* at 3:33–35.

Moreover, Patent Owner is over-inclusive in its list of rates that it contends must be classified as undesirable for this case to fall within scope of the rule articulated in *Bamberg* and *In re Bimeda*. As explained above, the problem is that the claims include situations where the amount paid to the seller is reduced, not just that the effective cost or rate for the advertising is reduced. As Petitioner explained, and we agree, it is this problem—reducing the amount paid to the seller—that the specification denigrates and attempts to solve. See Reply 21–22. Although the specification may not exclude variations in rates, see PO Resp. 72–73, we determine the specification does exclude situations where the amount paid to the seller is decreased. See Ex. 1003 ¶¶ 70–73. Thus, we determine that the evidence shows that the disclosure of the ’059 patent is inconsistent with claims, such as claims 1 and 6, where the amount paid to the seller could be reduced. See *Bamberg*, 815 F.3d at 797; *In re Bimeda*, 724 F.3d at 1323–24.

Here, we agree with Petitioner that the written description patentability challenge to the independent claims coincides with the patentability challenge to the dependent claims. See Pet. 57, 59–60. Patent Owner does not dispute this in its Patent Owner Response. Thus, the sameness of the inquiries permit the treatment of all claims at once. See *Chiron Corp. v. Genentech, Inc.*, 363 F.3d 1247, 1252, 1260 (Fed. Cir. 2004) (holding where independent and dependent claims have similar written description issues it is permissible to treat them together). Therefore, we also determine that Petitioner has shown, by a preponderance of the evidence, that dependent claims 2–5 and 7–14 are unpatentable under §

112(a) because they lack written description support by virtue of their dependencies from independent claims 1 and 6.

Accordingly, we determine, based on the full record developed at trial, that Petitioner has shown, by a preponderance of the evidence, that claims 1–14 are unpatentable under § 112(a) because they lack written description support.

H. 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 because 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.

1. 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.

2. 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. 58. 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 9 (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.

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.

III. CONCLUSION

Petitioner has demonstrated, by a preponderance of the evidence, that claims 1–14 of the '059 patent are unpatentable as directed to non-statutory subject matter. Petitioner has demonstrated by a preponderance of the evidence that claims 1–14 of the '059 patent are unpatentable due to lack of written description support. Exhibits 2014, 2015, and 2016 are excluded as irrelevant. Exhibit 2006 is not excluded.

IV. ORDER

For the reasons given, it is

ORDERED that, based on a preponderance of the evidence, claims 1–14 of the '059 patent are held *unpatentable*;

FURTHER ORDERED that Petitioner's Motion to Exclude is *granted-in-part* and *denied-in-part*; and

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

CBM2016-00050
Patent 8,799,059 B2

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