Trials@uspto.gov
571-272-7822

Paper No. 18
Entered: July 23, 2018

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

EBAY INC. and PAYPAL, INC.,
Petitioner,

v.

XPRT VENTURES, LLC,
Patent Owner.

Case CBM2017-00024
Patent 7,610,244 B2

Before JAMESON LEE, KEVIN F. TURNER, and MICHAEL R. ZECHER, *Administrative Patent Judges*.

TURNER, *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

eBay Inc. and PayPal, Inc. (collectively, "Petitioner"), filed a Petition requesting a review under the transitional program for covered business method patents of claims 1, 2, 15, 19, 20, 34, 40, 47, 48, 52, and 53 ("challenged claims") of U.S. Patent No. 7,610,244 B2 (Ex. 1001, "'244 Patent"). Paper 1 ("Pet."). Patent Owner, XPRT Ventures, LLC ("Patent Owner"), did not file a Preliminary Response.

We preliminarily determined that the information presented in the Petition established that the '244 Patent qualifies as a covered business method patent that is eligible for review, and that it was more likely than not that the challenged claims are unpatentable under 35 U.S.C. § 101. Paper 8. Pursuant to 35 U.S.C. § 324 and § 18(a) of the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284, 329–31 (2011), we instituted a covered business method patent review as to all of the challenged claims. *Id.*

Patent Owner filed a corrected Response to the Petition (Paper 13 ("PO Resp.")), and Petitioner filed a Reply (Paper 14 ("Pet. Reply")). Neither Petitioner nor Patent Owner requested oral argument, and no oral argument was held. Papers 15, 16.

We have jurisdiction under 35 U.S.C. § 6(c). This decision is a Final Written Decision under 35 U.S.C. § 328(a). For the reasons discussed below, we hold that (1) the '244 Patent qualifies as a covered business method patent that is eligible for review, as defined by § 18(d)(1) of the AIA; and (2) Petitioner has demonstrated by a preponderance of the evidence that all of the challenged claims are unpatentable under 35 U.S.C. § 101.

A. Related Matters

The parties indicate that Patent Owner asserted the '244 Patent against Petitioner in a U.S. district court case captioned *XPRT Ventures, LLC v. eBay Inc.*, No. 1:10-cv-595-SLR (D. Del.) ("U.S. district court case"). Pet. 2–3; Paper 4, 2. Petitioner further indicates that, in the U.S. district court case, Patent Owner also asserted five other patents against Petitioner, specifically U.S. Patent Nos. 7,483,856 ("'856 patent"), 7,627,528 ("'528 patent"), 7,567,937 ("'937 patent"), 7,599,881 ("'881 patent"), and 7,512,563 ("'563 patent"). Pet. 2–3.

One Petitioner entity, eBay Inc., requested *inter partes* reexaminations of the '937 patent, '563 patent, '528 patent, '856 patent, '881 patent, and '244 Patent, which were instituted in Reexamination Control Nos. 95/001,588, 95/001,589, 95/001,590, 95/001,594 ("'594 Reexamination"), 95/001,596, and 95/001,597, respectively. Pet. 3. With the exception of the '594 Reexamination, decisions in each of those reexamination proceedings are currently on appeal to the U.S. Court of Appeals for the Federal Circuit. Pet. 3; Paper 4, 2.

The parties further indicate that Petitioner has requested covered business method patent reviews for the '528 patent, '563 patent, '856 patent, '881 patent, and '937 patent, in Cases CBM2017-00025, CBM2017-00026, CBM2017-00027, CBM2017-00028, and CBM2017-00029, respectively. Paper 4, 2. Also, Patent Owner identifies U.S. Patent Application Nos. 12/547,201 and 12/603,063 as related matters. Paper 4, 2.

B. Standing

Section 18 of the AIA governs the transitional program for covered business method patent reviews. Under § 18(a)(1)(B) of the AIA, a person

may not file a petition for such a review, unless that person, or the person's real-party-in-interest or privy, has been sued or charged with infringement of a covered business method patent. Petitioner contends that Patent Owner asserted the '244 Patent against Petitioner in the U.S. district court case. Pet. 2–3, 10. Petitioner also argues that it is not estopped from challenging the claims on the ground identified in the Petition. *Id.* at 10 (citing 37 C.F.R. § 42.302(b)). Patent Owner has not disputed either of those statements. Accordingly, based on the record before us, we determine that Petitioner satisfies the standing requirement.

C. Asserted Ground of Unpatentability

Petitioner asserts that the challenged claims are unpatentable under 35 U.S.C. § 101. Pet. 11, 21–76. Petitioner relies on the Declaration of Clifford Neuman (Ex. 1005) in support of the Petition. Petitioner also cites to Edward Preston Moxey, Jr., *Practical Banking* (1910) (Ex. 1006), and Robert C. Zimmer & Theresa A. Einhorn, *The Law of Electronic Funds Transfer* (1978) (Exs. 1007, 1008).

D. The '244 Patent

The '244 Patent generally relates to a computerized electronic auction payment system and method for effecting a real-time payment for an item won in an electronic auction. Ex. 1001, 1:20–26. The '244 Patent describes electronic auctions as typically involving a website, such as EBAY™ or YAHOO!™ Auctions, where a prospective seller lists an item for sale and specifies the date and time for the auction to end. *Id.* at 1:35–49. Prospective bidders using a remote terminal access the electronic auction website via an electronic network, such as the Internet, and may submit a bid on the item for sale. *Id.* at 1:60–65. At the conclusion of the auction, the

bidder who has the highest bid is deemed the winning bidder, and to effect payment for the item, an e-mail is sent to the seller and winning bidder informing them to contact each other to proceed with a payment transaction. *Id.* at 2:29–34.

The ’244 Patent describes several drawbacks of the known methods for effecting payment. Ex. 1001, 2:65–3:36. According to the ’244 Patent, one drawback is that a winning bidder is apt to wait prior to effecting payment as the winning bidder must perform several tasks, including drafting a check and mailing the check to the seller. *Id.* at 2:65–3:6. Also, the seller must wait at least two business days to several weeks before being paid. *Id.* at 3:7–8. Additionally, the ’244 Patent states that it is cumbersome for the winning bidder to enter credit card information every time an item is won, and the winning bidder may feel uneasy transferring credit card information or may wait until the start of a new credit card billing cycle before transferring the credit card information. *Id.* at 3:16–27. There is a further delay until the operator of the electronic auction website gets paid a commission by the seller, which usually involves the operator e-mailing the seller and receiving the seller’s authorization. *Id.* at 3:28–36.

The ’244 Patent seeks to address these drawbacks by setting up and maintaining electronic auction payment accounts—which the ’244 Patent describes as similar to bank accounts—for prospective bidders and sellers. *Id.* at 3:66–4:3, 7:63–64. The prospective bidders provide funds to their electronic auction payment accounts maintained by the electronic auction payment system, before being deemed as winning bidders, by direct deposit, using a credit card, or sending a check, money order, or other financial document to an operator of the electronic auction payment system. *Id.*

at 4:3–9. In one embodiment, the bidder can authorize the system to automatically pay the seller upon winning the auction. *Id.* at 9:64–10:1. After the winning bidder wins an auction item, the winning bidder can pay in real-time, e.g., by clicking an icon on the electronic auction web site or by clicking a hyperlink provided on an email transmitted by the electronic auction system to the winning bidder and seller for accessing a payment segment. *Id.* at 16:1–7.

Figure 1 of the ’244 Patent is reproduced below.

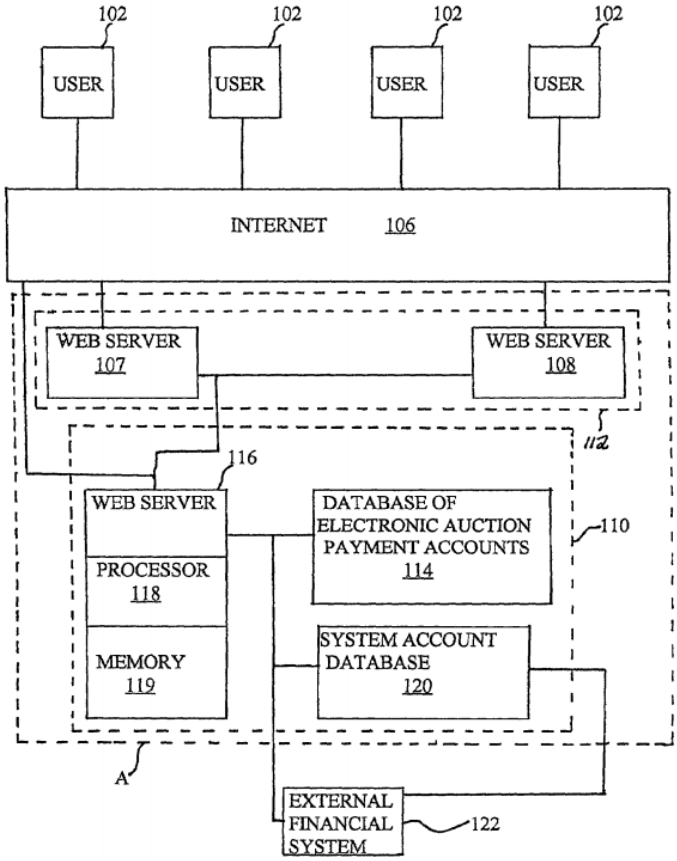

FIG. 1

Figure 1 is an overview of a network computing environment that includes the electronic auction payment system of the ’244 Patent. *Id.* at 6:21–23.

As shown in Figure 1, users 102 access an electronic auction website via a network, such as Internet 106. Ex. 1001, 6:56–59. Web server

computers 107 and 108 are components within electronic auction system 112 that operate to maintain the electronic auction website and allow each user 102 to browse the electronic auction website and bid for or sell items. *Id.* at 6:63–67. The web server computers 107 and 108 also allow each user to access computerized electronic auction payment system 110 for effecting a real-time payment at the conclusion of an electronic auction. *Id.* at 7:1–8.

Computerized electronic auction payment system 110 includes a database of electronic auction payment accounts 114 and web server computer 116 having processor 118 capable of executing a set of instructions stored within memory 119. *Id.* at 7:9–13. The instructions enable computerized electronic auction payment system 110 to allow the winning bidder to effect a real-time payment for an item won on the electronic auction website. *Id.* at 7:20–25.

Computerized electronic auction payment system 110 also provides the users a payment registration page, which is illustrated in Figure 4A of the ’244 Patent, and is reproduced below. *Id.* at 6:36–38.

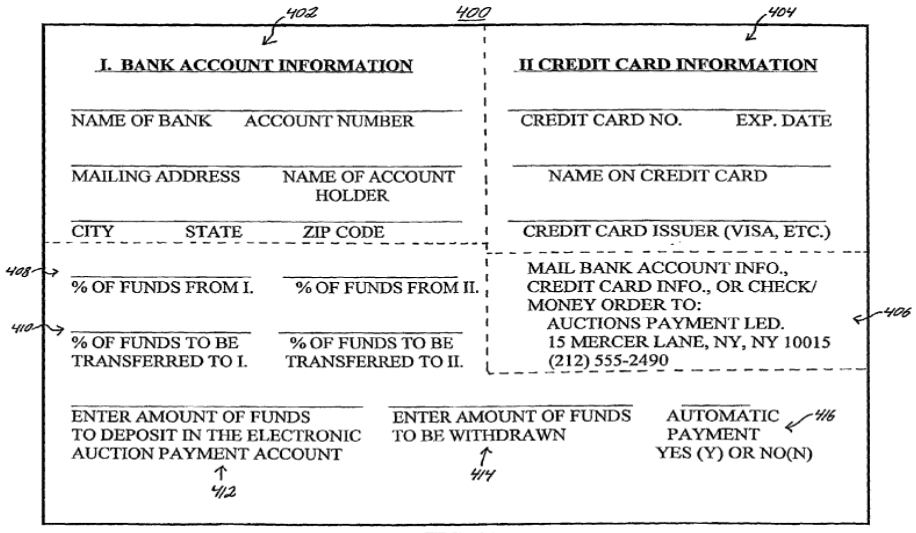

FIG. 4A

Figure 4A illustrates payment registration page 400 that allows each user to enter payment information. *Id.* at 8:43–45.

As shown in Figure 4A, the payment registration page includes several fields 402 for entering a user's bank account information to allow the computerized electronic payment system to transfer funds into the user's electronic auction payment account. Ex. 1001, 8:45–49. Likewise, the payment registration page includes several fields 404 for entering credit card information to allow the user's credit card to be charged so that funds are deposited into the user's electronic auction payment account, prior to the user becoming a winning bidder. *Id.* at 8:50–56. Automatic payment field 416 is provided for the user to authorize computerized electronic auction payment system 110 to debit the user's electronic auction payment account in real-time every time the user is deemed a winning bidder. *Id.* at 9:64–10:1. If the user checks this field, then at the conclusion of an electronic auction, if the user is deemed the winning bidder, the system debits the user's electronic auction payment account and credits the seller's account in real-time. *Id.* at 10:1–8.

E. Illustrative Claim

Of the challenged claims, claims 1, 15, 19, 34, 47, and 52 are independent. Independent claim 1 is directed to a method for effecting payment for a user of an electronic auction website. The other independent claims recite similar subject matter, with variations discussed in more detail below. *See infra* §§ I.F.1, II.B.3. Independent claim 1 is illustrative of the challenged claims and is reproduced below:

> 1. A method for effecting payment for at least one item offered for auction sale by a seller via an electronic auction web site and won by a winning bidder, where the electronic auction web site is accessible by a plurality of users and maintained by an electronic auction system, the method comprising:

receiving informational data from the plurality of users via at least one web page accessible via at least one web page of the electronic auction web site;

creating a plurality of payment accounts configured for storing funds therein and corresponding to the plurality of users of the electronic auction web site using the informational data received via the at least one web page accessible via the at least one web page of the electronic auction web site, wherein funds stored within the plurality of payment accounts can be used by said plurality of users for effecting payment for network transactions associated with said electronic auction web site;

providing the plurality of users an option to enable an automatic payment service, wherein the automatic payment service automatically effects payment after occurrence of a termination event associated with the network transactions;

linking said plurality of payment accounts to at least one computing device of the electronic auction system;

displaying a link on the electronic auction web site for providing said plurality of users which includes the winning bidder access to their respective payment accounts for viewing the amount of funds stored therein;

determining the conclusion of the auction sale by the electronic auction system; and

interacting with said winning bidder by the electronic auction system by performing the steps of:

sending an e-mail by the electronic auction system to the winning bidder;

receiving, via one of the electronic auction web site and the e-mail, at least one input from the winning bidder indicating an initiation to effect payment to the seller;

providing a payment page to the winning bidder after receiving the at least one input from the winning bidder, said payment page displaying the amount of funds to be deducted from a payment account of the plurality of payment accounts corresponding to the winning bidder, said payment account having been created using informational data received via the at

> least one web page accessible via the at least one web page of the electronic auction web site; and
>
> receiving, via the payment page, authorization from the winning bidder to proceed with effecting payment to the seller;
>
> deducting funds from the payment account storing funds therein and corresponding to the winning bidder; and
>
> using at least a portion of the deducted funds to effect payment to at least the seller, wherein the method for effecting payment does not require any interaction between the winning bidder and the seller.

Ex. 1001, 19:50–20:39.

F. Covered Business Method Patent

Under § 18(a)(1)(E) of the AIA, we may institute a transitional review proceeding only for a covered business method patent. A "covered business method 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"). Based on the record developed during trial, we conclude that the '244 Patent both (1) claims methods for performing data processing or other operations used in the practice, administration, or management of a financial product or service, and (2) is not for a technological invention.

1. Financial Product or Service

"[T]he definition of 'covered business method patent' is not limited to products and services of only the financial industry, or to patents owned by or directly affecting activities of financial institutions." *Versata Dev. Grp.*,

Inc. v. SAP Am., Inc., 793 F.3d 1306, 1325 (Fed. Cir. 2015). Pursuant to the AIA, "§ 18(d)(1) directs us to examine *the claims* when deciding whether a patent is a [covered business method] patent." *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1340 (Fed. Cir. 2016). The Federal Circuit has found claims that recite a limitation that is financial in nature to be subject to covered business method patent review under § 18(d)(1). *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1380 n.5 (Fed. Cir. 2016) (citing *Blue Calypso*, 815 F.3d at 1340).

Petitioner contends that the independent, challenged claims recite "effecting payment for at least one item offered for auction sale by a seller via an electronic auction web site and won by a winning bidder," or "for effecting an immediate payment for at least one item offered for auction sale by a seller and purchased by a buyer via an electronic commerce website," or "[a] method for effecting payment to an electronic commerce merchant." Pet. 6. Petitioner points to the method steps of "receiving informational data," "creating a plurality of payment accounts," "providing . . . an option to enable an automatic payment service," "providing a payment page," and ""receiving . . . authorization . . . to proceed with effecting payment." *Id*. Petitioner identifies all of these steps as activities that are financial in nature, and "compels a finding that the '244 patent is eligible for [covered business method patent] review." *Id*. at 6–7 (citing Ex. 1005 ¶12). Also in support of this contention, Petitioner refers to the classification of the '244 Patent—namely, class 705. *Id*. at 5–6.

Patent Owner does not address any of the claim limitations identified by Petitioner or contend that they are not financial in nature. *See generally* PO Resp. 5–9.

We agree with Petitioner that the challenged, independent claims contain limitations for performing data processing or other operations that include a financial activity element. Specifically, these claims recite "creating a plurality of payment accounts configured for storing funds therein;" "providing the plurality of users an option to enable an automatic payment service;" "deducting funds from the payment account storing funds therein;" and "using at least a portion of the deducted funds to effect payment to at least the seller." Ex. 1001, 19:50–20:39. Maintaining payment accounts that store funds and transferring the funds from those accounts to effect payment is financial activity. Accomplishing this task by maintaining electronic accounts, and using a processor to deduct funds from one account and transfer them into another, falls within the scope of data processing or other operations. Accordingly, we determine that these claims satisfy the "financial product or service" component of the definition for a covered business method patent set forth in § 18(d)(1) of the AIA.

2. Technological Invention

The definition of a "covered business method patent" in § 18(d)(1) of the AIA does not include patents for "technological inventions." When determining 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).

For the technological invention exception to apply, both prongs (1) and (2) of the inquiry must be met affirmatively, meaning that a negative answer under either prong renders inapplicable the technological invention

exception. *See, e.g.*, *Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240 (Fed. Cir. 2016) ("We need not address this argument regarding whether the first prong of 37 C.F.R. § 42.301(b) was met, as we affirm the Board's determination on the second prong of the regulation—that the claimed subject matter as a whole does not solve a technical problem using a technical solution."); *Blue Calypso*, 815 F.3d at 1341 (addressing only whether the claimed invention solves a technical problem using a technical solution); *Versata*, 793 F.3d at 1326 (deciding to put aside the first prong of the regulation in stating that there would be little cause to determine whether a technological invention is novel and nonobvious at the stage of determining whether the patent at issue is a covered business method patent). In this case, we discuss both prongs of the inquiry, even though the discussion of only one is sufficient. For the reasons discussed below, neither prong of the technological invention inquiry is met.

Petitioner argues that the challenged, independent claims are not directed to a technological invention, but instead are directed to business processes, i.e., activities that are financial in nature, using only known technology. Pet. 7. Petitioner asserts that the challenged, independent claims merely recite the use of conventional, nonspecialized processors, and that there is nothing novel or unobvious about using a computer processor to complete a financial transaction. *Id.* at 7–8 (citing Ex. 1005 ¶¶ 16–22). Petitioner further asserts that authorizing deductions from an account, such as a bank account or a deposit account, and loaning funds to effect payments, are not technical solutions. *Id.* at 9.

In response, Patent Owner contends that the challenged, independent claims are directed to novel and nonobvious improvements in computer-

related technology (i.e., technological inventions) as demonstrated by the claims having been found patentable over the prior art of record. PO Resp. 5–9. Patent Owner further argues that the specification of the '244 Patent sets forth drawbacks of prior art payment systems, and that the challenged, independent claims provide technological solutions to those drawbacks. *Id.* at 8–9 (citing Ex. 1001, 3:37–51).

In reply, Petitioner contends that the only patent claims that are eligible for review in covered business method patent review are claims of issued patents and that, if an examiner's decision to issue a claim was dispositive of whether the claim is novel and nonobvious, then no claim in an issued patent would ever be eligible for covered business method patent review. Pet. Reply 2. Petitioner further asserts that Patent Owner does not provide any evidence or analysis that establishes how the challenged claims address the drawbacks identified in the specification of the '244 patent in a technological way. *Id.* at 2–3. Instead, Petitioner argues that it is well-established that using generic computer technology to perform known financial practices, without more, does not amount to a technological invention. *Id.*

We agree with Petitioner that the challenged, independent claims do not recite a novel and unobvious technological feature. *See* Pet. 7–10. Dr. Neuman's unrebutted testimony shows that the challenged claims merely recite the use of conventional, non-specialized databases and processors. Ex. 1005 ¶ 18. We also agree with Petitioner that the challenged, independent claims do not recite a technical solution to a technical problem, but rather involve maintaining pre-funded accounts for effecting payment, which is more akin to maintaining and effecting payment from a bank

account. *Cf. Versata*, 793 F.3d at 1327 (finding that a patent did not fall within the technological invention exception where the representative claim did "not [constitute] a technical solution[,] but [was] more akin to creating organizational management charts"). Indeed, the '244 Patent itself analogizes its electronic auction payment accounts as being similar to bank accounts. Ex. 1001, 7:63–65.

A claim does not represent a technological invention where it contains "elements [that] are nothing more than general computer system components used to carry out the claimed process" and there is no "technological aspect in the claims that rises above the general and conventional." *Blue Calypso*, 815 F.3d at 1341; *see also SightSound Techs., LLC v. Apple Inc.*, 809 F.3d 1307, 1315 (Fed. Cir. 2015) ("Claiming a computer without 'specific, unconventional software, computer equipment, tools or processing capabilities' is insufficient." (quoting *Versata*, 793 F.3d at 1327)). That is, "conventional computer components cannot change the fundamental character" of the claim. *Blue Calypso*, 815 F.3d at 1341; *see also Versata*, 793 F.3d at 1327 ("[E]ven if the invention required the use of a computer, the claim did not constitute a technological invention.").

Here, the challenged, independent claims only generically recite, for example, an "electronic [auction/commerce] [web site/system]" and "at least one computing device." There is no indication from the record developed during trial that those components are used in anything other than in a general and conventional way. Rather, the '244 Patent only generically describes those components. *See* Ex. 1001, 7:9–13 ("The computerized electronic auction payment system 110 includes a database of electronic auction payment accounts 114 and a web server computer 116 having a

processor 118 capable of executing a set of programmable instructions stored within a memory 119."). Furthermore, Dr. Neuman's unrebutted testimony reinforces that the claims only recite the use of conventional, non-specialized databases, processors, and hardware. Ex. 1005 ¶ 20.

Patent Owner asserts that "the subject matter of the challenged claims provide technological solutions to the drawbacks set forth in the specification and/or recite patentable technological features." PO Resp. 9. Patent Owner, however, provides no further evidence or explanation, nor does Patent Owner identify with specificity the claimed technological solutions or features that Patent Owner is referring to.

Instead, Patent Owner focuses its argument on the fact that the claims were distinguished over "the prior art of record by addressing the technological and patentable features recited by the claims" in prosecution before the U.S. Patent and Trademark Office ("USPTO"). PO Resp. 7–8. ("[B]y the [USPTO]'s withdrawal of the rejections of the [pending claims] over the prior art of record during the prosecution of the patent by finding Applicant's arguments regarding the technical and technological differences between the claimed subject matter and the prior art teachings persuasive, is a strong indication the challenged claims were found by the [USPTO] to solve technical problems which the prior art fails to do."). *Id*. at 9. We, however, agree with Petitioner that an examiner's decision to issue a claim is not dispositive of whether the claim is novel and nonobvious in determining whether a patent is eligible for covered business method patent review. *See* Pet. Reply 2; *see also Versata*, 793 F.3d at 1326–27 (recognizing that "the invention under review, since it has already been covered by an issued patent, was earlier determined by the USPTO to be novel and nonobvious,"

but, nevertheless, finding the patent at issue to be eligible for covered business method patent review). If Patent Owner's position were correct, then covered business method patent review authorized by Congress under the AIA would be a nullity. As Petitioner points out, issued patent claims are the only claims that are eligible for covered business method patent review in the first place. Pet. Reply 2; *see also e.g.*, AIA § 18(a)(2) (stating that regulations establishing and implementing transitional program for covered business method patents "shall apply to any covered business method patent *issued* before, on, or after th[e] effective date" (emphasis added)).

3. Summary

Independent claims 1, 15, 19, 34, 47, and 52 satisfy the definition for a covered business method as set forth in § 18(d)(1) of the AIA, and they are not for a technological invention. Accordingly, the '244 Patent is eligible for review under the transitional program for covered business method patents.

II. ANALYSIS

A. Claim Construction

In a covered business method patent review, we interpret claim terms in an unexpired patent according to the broadest reasonable interpretation in light of the specification of the patent in which it appears. 37 C.F.R. § 42.300(b). "[W]e need only construe terms 'that are in controversy, and only to the extent necessary to resolve the controversy.'" *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013, 1017 (Fed. Cir. 2017) (quoting *Vivid Techs., Inc. v. Am. Sci. & Eng'g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999)).

Petitioner proposes a construction for the claim term "web site." Pet. 21. We, however, need not address the construction of any claim term to resolve the issues before us.

B. § 101 Ground

Petitioner contends that the challenged claims are directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 11, 21–76. Petitioner argues that the challenged claims are directed to an abstract idea, and when considering the elements of each claim both individually and as an ordered combination, there are no additional elements that transform the abstract idea into a patent-eligible application. *Id.* at 28–75. Patent Owner disputes this ground. *See* PO Resp. 5–7. Based on the record developed during trial, Petitioner has demonstrated that all of the challenged claims are directed to patent-ineligible subject matter under 35 U.S.C. § 101.

We begin our analysis with the principles of law that generally apply to a ground based on 35 U.S.C. § 101, and then we turn to the arguments presented by the parties.

1. Principles of Law

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 United States Supreme Court has held that this statutory provision contains an important implicit exception: laws of nature, natural phenomena, and abstract ideas are not patentable. *E.g.*, *Alice Corp. Pty. Ltd., v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014). Notwithstanding that a law of nature or an abstract idea, by itself, is not patentable, the application of these concepts to a structure or process may be

deserving of patent protection. *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 71 (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. In the analysis, "we 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 next step is to consider the elements of the claims "individually and 'as an ordered combination'" to determine whether there are additional elements that "'transform the nature of the claim' into a patent-eligible application." *Id.* (quoting *Mayo*, 566 U.S. at 78–79).

2. Independent Claim 1

We first address independent claim 1, which recites "[a] method for effecting payment for at least one item offered for auction sale by a seller via an electronic auction web site and won by a winning bidder" comprising the steps of "receiving informational data from the plurality of users;" "creating a plurality of payment accounts . . . storing funds therein;" "providing . . . an option to enable an automatic payment service;" "linking said plurality of payment accounts to . . . the electronic auction system;" and "displaying a link . . . for providing said plurality of users . . . access to their respective payment accounts for viewing the amount of funds stored therein;" and "determining the conclusion of the auction sale." Thereafter, "interacting with said winning bidder by the electronic auction system by performing the steps of: sending an e-mail . . . to the winning bidder; receiving . . . at least one input from the winning bidder indicating an initiation to effect payment

to the seller; providing a payment page to the winning bidder . . . displaying the amount of funds to be deducted from a payment account . . . corresponding to the winning bidder;" and "receiving . . . authorization from the winning bidder to proceed with effecting payment to the seller." Finally, the steps include "deducting funds from the payment account;" and "using at least a portion of the deducted funds to effect payment to at least the seller, wherein the method for effecting payment does not require any interaction between the winning bidder and the seller." Ex. 1001, 19:50–20:39.

a. Statutory Category

"It remains true after [*Alice*] that '[a] § 101 analysis begins by identifying whether an invention fits within one of the four statutorily provided categories of patent-eligible subject matter.'" *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1125 (Fed. Cir. 2018) (second alteration in original) (quoting *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–14 (Fed. Cir. 2014)).

Patent Owner first asserts that the challenged claims are directed to a statutory category because they are for payment systems and/or methods, which are patentable as illustrated by several patents recently issued by the USPTO. PO Resp. 5–6. Petitioner replies by contending that the fact that *some* payment systems and methods are patent-eligible does not demonstrate that the challenged claims in this case are patent-eligible. Pet. Reply 4. Petitioner further argues that Patent Owner has provided no evidence that the claims at issue bear any similarity to the claims of the patents identified by Patent Owner, except that those patents are related to payment systems. *Id.*

In determining whether independent claim 1 falls within a statutory category, we do not need to consider whether the '244 Patent is similar to

the patents that Patent Owner cites, because claim 1 recites a "method" (i.e., a process) with a series of steps for effecting payment for an item. A process, by definition, falls within a statutory category under 35 U.S.C. § 101. Turning now to the *Alice* two-step framework, we first must determine whether claim 1 falls under the abstract idea exception. *See Digitech Image Techs., LLC v. Elecs. for Imaging, Inc.*, 758 F.3d 1344, 1350 (Fed. Cir. 2014) ("There is no dispute that the asserted method claims describe a process. Claims that fall within one of the four subject matter categories may nevertheless be ineligible if they encompass laws of nature, physical phenomena, or abstract ideas.").

b. Abstract Idea

Petitioner contends that independent claim 1 "[is] directed to the abstract idea of using a previously-funded account or loan to effect a financial transaction in an electronic auction." Pet. 1. Petitioner asserts that making payments in electronic auctions by debiting from a previously-funded payment account, and providing a loan to a person with insufficient funds in his or her payment account, are fundamental economic concepts. *Id.* at 28–29. Petitioner cites evidence indicating as early as 1871 that individuals have been able to make payments via wire transfers, and also cites the routine use of debt cards and prepaid deposit accounts utilized by the USPTO for decades. *Id.* at 1 (citing Exs. 1006, 1008, 1011, 1012, 1013, Ex. 1005 ¶ 17). Petitioner also argues that the types of financial activity recited in independent claim 1 are fundamental economic practices that have been common business practices for decades. *Id.* at 29–30. Petitioner further asserts that this claim is directed to an abstract idea because it is purely functional, it is directed to the use of generic computer components,

rather than to an improvement of those computer elements, and it is unlike the claims found not to be directed to abstract ideas under Federal Circuit precedent. *Id.* at 30–33.

Patent Owner responds by contending that the challenged claims are not directed to a judicial exception to statutory subject matter based on Federal Circuit precedent and examination guidance issued by the USPTO. PO Resp. 7. Patent Owner further argues that the subject matter of the challenged claims provide technological solutions to the drawbacks identified in the specification of the '244 Patent and/or recite patentable technological features, such that the challenged claims are "not 'an abstract idea.'" *Id.* at 9. Petitioner replies by arguing that (1) Patent Owner's argument is conclusory, (2) Patent Owner provides no evidence, expert testimony, or other analysis to support its position, and (3) Patent Owner's unsupported attorney argument does not rebut the showing made in the Petition and supported by expert testimony that the challenged claims recite abstract ideas. Pet. Reply 5–6.

We agree with Petitioner that independent claim 1 is directed to an abstract idea, and we adopt Petitioner's description of the abstract idea as using a previously-funded account or loan to effectuate a financial transaction in an electronic auction. Patent Owner does not challenge Petitioner's description of the abstract idea, other than by making the conclusory statement that the challenged claims are not directed to an abstract idea based on Federal Circuit precedent and USPTO examination guidance. *See* PO Resp. 7–8.

The language of independent claim 1 supports the finding that it is directed to the abstract idea of using a previously-funded account or loan to

effectuate a financial transaction in an electronic auction. This independent claim recites methods for effecting payment by a process that includes the steps of creating payment accounts and storing funds therein for use in transactions in an electronic auction system; interacting with the winning bidder to effect payment to the seller through an authorization; and deducting funds from the payment account, whereby there is no requirement of interaction between the bidder and the seller. Ex. 1001, 19:50–20:39. This purchaser-seller arrangement is not meaningfully distinct from the activity relating to commercial practices found to be abstract ideas in *Alice*, 134 S. Ct. at 2356 ("method of exchanging financial obligations between two parties using a third-party intermediary to mitigate settlement risk"), and *Bilski v. Kappos*, 561 U.S. 593, 599 (2010) (arrangement between buyers and sellers to purchase commodities in the energy market at a fixed rate as a way of protecting, or "hedging," against risks of price changes).

The Supreme Court has explained that concepts like intermediated settlement and risk hedging are abstract ideas beyond the scope of 35 U.S.C. § 101 as they are "a fundamental economic practice long prevalent in our system of commerce." *Alice*, 134 S. Ct. at 2356 (quoting *Bilski*, 561 U.S. at 611). Likewise, in this case, the concept of using a previously-funded account to effectuate a financial transaction is a fundamental economic practice.

The '244 Patent itself references its electronic auction payment account configured to store funds, which can be used to effect payment, as being "similar to a bank account." Ex. 1001, 7:63–67. Meanwhile, the '244 Patent seeks to solve the problems of delays in effecting payment for an item purchased in an electronic auction and alternatives to providing credit card

information for paying for the item. *Id.* at 2:65–3:51. Those problems relate to conventional business practices. *See Inventor Holdings, LLC v. Bed Bath & Beyond Inc.* (*Inventor Holdings I*), 123 F. Supp. 3d 557, 561 (D. Del. 2015) ("The two business problems that the patent allegedly solves are (1) offering customers more payment options in connection with remote orders and (2) processing those payments without having to provide credit card information over the Internet, phone, or mail. These two problems relate to conventional business practices, as retailers have long sought to provide their customers with convenient, flexible payment options and to protect their customers' financial information."), *aff'd mem.*, 643 F. App'x 1014 (Fed. Cir. 2016). Furthermore, the Federal Circuit has found similar claims reciting, for example, "[a] method of processing a payment for a purchase of goods" to be "manifestly directed to an abstract idea, . . . accurately described as "local processing of payments for remotely purchased goods." *Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.* (*Inventor Holdings II*), 876 F.3d 1372, 1374, 1378 (Fed. Cir. 2017). The Federal Circuit explained that "[t]he idea that a customer may pay for items ordered from a remote seller at a third-party's local establishment is the type of fundamental business practice that, when implemented using generic computer technology, is not patent-eligible under *Alice*." *Id.* at 1378.

Additional extrinsic evidence, in the form of a 1910 publication, shows that the use of a deposit account as a ready means for paying debts in a way that is more convenient than cash, is a longstanding, fundamental economic practice. Ex. 1006, 4[1]; *cf. Alice*, 134 S. Ct. at 2356 (citing to a

[1] All references to the page numbers in Exhibit 1006 refer to the page numbers inserted by Petitioner in the bottom, right-hand corner of each page.

publication from 1896 discussing the use of a clearinghouse as an intermediary to reduce settlement risk in finding that "the concept of intermediated settlement is 'a fundamental economic practice long prevalent in our system of commerce'" (quoting *Bilski*, 561 U.S. at 611)). Dr. Neuman's unrebutted testimony serves as further evidence that using pre-funded accounts in financial transactions is a fundamental economic practice. Ex. 1005 ¶¶ 17, 19–20.

The fact that the claimed process occurs in the context of an electronic auction over the Internet does not make the abstract idea any less abstract. *See Priceplay.com, Inc. v. AOL Advert., Inc.*, 83 F. Supp. 3d 577, 581 (D. Del. 2015) ("Performing a sales transaction over the Internet, or in conjunction with an auction and a competitive activity, does not make the concept any more 'concrete.'"), *aff'd mem.*, 627 F. App'x 925 (Fed. Cir. 2016); *see also e.g.*, *Smart Sys. Innovations, LLC v. Chi. Transit Auth.*, 873 F.3d 1364, 1373 (Fed. Cir. 2017) ("[A]s we have said before, 'merely limiting the field of use of the abstract idea to a particular . . . environment does not render the claims any less abstract.'" (quoting *Affinity Labs of Tex., LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1259 (Fed. Cir. 2016))).

Moreover, we agree with Petitioner and Dr. Neuman that an auction—whether it is in its traditional, offline form, or electronic—is itself a fundamental economic practice. Pet. 29–30 (citing *Advanced Auctions LLC v. eBay Inc.*, No. 13CV1612 BEN (JLB), 2015 WL 1415265, at *4 (S.D. Cal. Mar. 26, 2015)); Ex. 1005 ¶ 21. Patent Owner does not dispute this point. Indeed, the '244 Patent admits that electronic auctions are commonplace. *See* Ex. 1001, 1:36 ("[E]lectronic auctions have become tremendously popular."). Adding one abstract idea (an electronic auction) to

another abstract idea (a previously-funded account to effect a financial transaction) does not render a claim non-abstract. *See RecogniCorp, LLC v. Nintendo Co.*, 855 F.3d 1322, 1327 (Fed. Cir. 2017) ("Adding one abstract idea (math) to another abstract idea (encoding and decoding) does not render the claim non-abstract.").

We also find no evidence that the method of independent claim 1 includes any improvement in computer functionality as in *McRO, Inc. v. Bandai Namco Games America Inc.*, 837 F.3d 1299, 1314 (Fed. Cir. 2016), and *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016). In *McRO*, a claim was found to be directed to eligible subject matter because "the automation [went] beyond . . . carrying out a fundamental economic practice." 837 F.3d at 1315–16. Similarly, *Enfish* distinguished claims directed to a specific improvement to the way computers operate (which are not abstract ideas), from claims focusing on economic or other tasks in which computers are invoked merely as a tool and in an ordinary capacity. 822 F.3d at 1336.

The improvement that the '244 Patent seeks to provide is over manual payment processes such as drafting and mailing a check (Ex. 1001, 2:65–3:3), typing and transferring credit card information (*id.* at 3:16–18), or exchanging e-mails to authorize a commission (*id.* at 3:19–22). These types of improvements do not represent patentable improvements in computer technology. *See Credit Acceptance Corp. v. Westlake Servs.*, 859 F.3d 1044, 1055 (Fed. Cir. 2017) (finding that claims do not improve the functionality of a general purpose computer where they only permit automation of previously manual processing of loan applications because "prior cases have made clear that mere automation of manual processes using generic

computers does not constitute a patentable improvement in computer technology").

Patent Owner makes a conclusory argument that the subject matter of the challenged claims provides technological solutions to the drawbacks identified in the specification of the '244 Patent and/or recites patentable technological features, such that the challenged claims are "not 'an abstract idea.'" PO Resp. 9. Patent Owner, however, provides no further evidence or explanation, nor does Patent Owner identify with specificity the claimed technological solutions or features that Patent Owner is referring to. Accordingly, we do not find Patent Owner's mere attorney argument sufficient to overcome the evidence of record set forth above showing that independent claim 1 is directed to an abstract idea. *Cf. In re Geisler*, 116 F.3d 1465, 1470 (Fed. Cir. 1997) (explaining that attorney arguments and conclusory statements that are unsupported by factual evidence are entitled to little probative value).

c. Inventive Concept

The next step in our analysis requires us to look for additional elements that may "transform the nature of the claim[s]" into a patent-eligible application of an abstract idea. *Mayo*, 566 U.S. at 78. In other words, this step is a "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.'" *Alice*, 134 S. Ct. at 2355 (alteration in original) (quoting *Mayo*, 566 U.S. at 72–73). "[M]ethod claims, which merely require generic computer implementation, fail to transform [an] abstract idea into a patent-eligible invention." *Id.* at 2357.

Petitioner states that independent claim 1 merely recites generic computer components, which are arranged in a conventional way. Pet. 33–34. Petitioner provides a detailed analysis of each individual claim element, supported by the testimony of Dr. Neuman, in asserting that the claim limitations, taken individually, do not contain an inventive concept. *Id.* at 35–49 (citing Ex. 1005 ¶¶ 24–42). Considered as an ordered combination, Petitioner and Dr. Neuman contend that the computer components add nothing more than what is not already present when the steps are considered separately. *Id.* at 73–75; Ex. 1005 ¶ 102. Petitioner and Dr. Neuman assert that, viewed as a whole, these claims simply recite the well-known, conventional process of debiting and crediting a funded account to pay for an item won in an electronic auction, and amount to nothing significantly more than an instruction to apply this abstract idea using a generic computer. Pet. 74–75; Ex. 1005 ¶ 104.

Patent Owner makes no argument that a particular claim element or combination of claim elements provides an inventive concept. Instead, because Patent Owner takes the position that the challenged claims are not directed to an abstract idea in the first instance, Patent Owner contends that "the claims do not require further analysis of whether they recite significantly more than a judicial exception." PO Resp. 7.

We, however, agree with Petitioner that independent claim 1 is directed to an abstract idea as discussed above. *See supra* Section II.B.2.b. Accordingly, we proceed to the next step and look to whether any claim element or combination of claim elements recite an inventive concept.

Considering the claim elements individually, independent claim 1 requires the following steps: (1) "creating" electronic auction payment

accounts, based on received information and linking those accounts to the electronic auction system; (2) "interacting" with the winning bidder to receive an indication of an initiation to effect payment to the seller after the conclusion of an electronic auction; and (3) "providing" a payment page to receive authorization from the winning bidder to proceed with effecting payment to the seller—by "deducting" funds from the payment account and whereby the method for effecting payment does not require any interaction between the winning bidder and the seller. Ex. 1001, 19:50–20:39. This claim further recites an "electronic auction web site," "a plurality of payment accounts" and "web pages[s]" configured to receive "informational data," displaying "the amounts of funds to be deducted," and receiving "authorization." *Id.*

As *Alice* explains, "[u]sing a computer to create and maintain . . . electronic recordkeeping" (like the "maintaining" step here) is "one of the most basic functions of a computer." *Alice*, 134 S. Ct. at 2359. Also, under *Alice*, "[t]he same is true with respect to the use of a computer to obtain data [and] adjust account balances" (like the "debiting"/"withdrawing" and "crediting" actions here). *Id.* Furthermore, Dr. Neuman provides unrebutted testimony that all of the individual claim elements, including the "maintaining" step and electronic database, the "performing" step and payment-related activity, and the "crediting" step, are conventional practices. Ex. 1005 ¶¶ 16–19.

There is no indication from the record that the "electronic auction web site," "electronic auction system," and "at least one computing device" recited in independent claim 1 are used in anything other than in a general and conventional way. Rather, the '244 Patent only generically describes

those components. *See, e.g.*, Ex. 1001, 7:9–13 ("The computerized electronic auction payment system 110 includes a database of electronic auction payment accounts 114 and a web server computer 116 having a processor 118 capable of executing a set of programmable instructions stored within a memory 119."). Performing steps with a generic computer processor or on a website over the Internet does not add an inventive concept. *See Intellectual Ventures I LLC v. Capital One Fin. Corp.*, 850 F.3d 1332, 1341 (Fed. Cir. 2017) (claims reciting a generic computer element—a processor—do not contain an inventive concept); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014) ("The claims' invocation of the Internet also adds no inventive concept. As we have held, the use of the Internet is not sufficient to save otherwise abstract claims from ineligibility under § 101."). Again, Dr. Neuman's unrebutted testimony supports this finding. Ex. 1005 ¶¶ 16–19. Lastly, limiting independent claim 1 to the particular technological environment of electronic auctions is not enough to impart patent eligibility. *See Alice*, 134 S. Ct. at 2358.

Considering the claim elements as an ordered combination, each claimed method, as a whole, is simply indicative of the abstract idea of using a previously-funded account to effectuate a financial transaction in an electronic auction, applied using a website and a generic processor. *See Alice*, 134 S. Ct. at 2359–60 (explaining that the application of an abstract idea using some unspecified, generic computer is not enough to transform an abstract idea into a patent-eligible invention). There is no indication on the record developed during trial that these claims improve the functioning of a computer, or result in an improvement in any other technology or technical field. *See id.* at 2359. On the contrary, Dr. Neuman's unrebutted testimony

explains that the computer components recited in the claims add nothing that is not already present when the steps are considered separately, and viewed as a whole, the claims simply recite the well-known, conventional process of debiting and crediting a funded account. Ex. 1005 ¶ 102.

Furthermore, there is no evidence of record that independent claim 1 is like those of *BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC* (i.e., a "non-conventional and non-generic arrangement of known, conventional pieces"). 827 F.3d 1341, 1350 (Fed. Cir. 2016). *BASCOM* explains that where claims "merely recite the abstract idea . . . along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components[, s]uch claims would not contain an inventive concept." *Id.* At most, the '244 Patent makes a known payment process, in which a buyer transfers payment to a seller for an item in an electronic auction, faster and more efficient through a computer system that allows for payment in real-time. *See* Ex. 1001, 3:55–65. That computer system, however, includes a set of generic computer components functioning in a generic way. *See id.* Fig. 1; Ex. 1005 ¶ 21.

Meanwhile, the method of independent claim 1 may offer an improvement to the previously-known manual processes identified in the '244 Patent—the need for a winning bidder to "draft a check, obtain a money order, or some other payment document, and mail it to the seller" (Ex. 1001, 3:9–11), or "to type and transfer credit card information" (*id.* at 3:39–43), or for the website operator and seller to exchange e-mails to authorize a commission payment (*id.* at 3:28–36). "But merely 'configur[ing]' generic computers in order to 'supplant and enhance' an otherwise abstract manual process is precisely the sort of invention that the

Alice Court deemed ineligible for patenting." *Credit Acceptance Corp.*, 859 F.3d at 1056 (alteration in original).

Accordingly, we agree with Petitioner that for independent claim 1, the claim elements recited therein, when considered both individually and as an ordered combination, does not add an inventive concept amounting to significantly more than the abstract idea itself.

3. Dependent Claim 2

Petitioner also argues that dependent claim 2 is not patent eligible. Pet. 49–50 (citing Ex. 1005 ¶ 43). Patent Owner does not argue this dependent claim separately. Based on the record developed during trial, we agree with Petitioner's arguments that this dependent claim is not patent eligible.

Claim 2 provides for using at least another portion of the deducted funds to effect payment to an operator of the electronic auction web site. Ex. 1001, 20:40–42. The claimed method, however, is still directed to using a previously-funded account or loan to effectuate a financial transaction in an electronic auction. Dr. Neuman provides unrebutted testimony that a "commission" to the operator of the auction site is not a technological innovation, and it was a well-known, routine way to incentivize third parties to facilitate transactions. Ex. 1005 ¶ 43. Dr. Neuman also provides that "the specification discloses that paying commissions and transaction fees in connection with electronic auctions was known and practiced in the prior art." *Id*. (citing Ex.1001, 2:57–59).

As such, we determine that claim 2 is still directed to the abstract idea of using a previously-funded account or loan to effectuate a financial transaction in an electronic auction. Specifying that the financial transaction may involve the provision of a commission to a third party does not deviate from this abstract idea in a significant way that would require a change to the analysis. *See buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1355 (Fed. Cir. 2014) ("The dependent claims' narrowing to particular types of such relationships, themselves familiar, does not change the analysis."). Accordingly, we agree with Petitioner that for dependent claim 2 does not add an inventive concept amounting to significantly more than the abstract idea itself.

4. Independent Claims 15, 19, 34, 47, and 52

With respect to independent claims 15, 19, 34, 47, and 52, Petitioner's analyses parallel the analysis discussed above with respect to independent claim 1. Patent Owner does not separately traverse the unpatentability of these independent claims from independent claim 1. We consider the differences in the claim limitations discussed by Petitioner below.

With respect to independent claim 15, Petitioner analogizes many of the claimed steps to those recited in independent claim 1. Pet. 50–55. Petitioner argues that the preamble of independent claim 15 adds nothing more than that the auction sale is made via an electronic commerce web site, and that limiting the auction to an electronic environment does not render the claims non-abstract, as an auction itself is a fundamental economic practice that has been held to be an abstract idea. *Id.* at 50 (citing *Advanced Auctions LLC v. eBay Inc.*, 2015 WL 1415265, at *4 (S.D. Cal. Mar. 26, 2015); Ex. 1005 ¶ 44). Petitioner also argues that independent claim 15

recites a limitation that the user input indicating a desire to initiate a purchase is received, which is a mere "data-gathering" step and merely indicates use of the Internet. *Id.* at 52–53. *See* Ex. 1005 ¶ 47. Petitioner also argues that independent claim 15 recites the termination of the auction sale by the electronic commerce system, but that the Specification and claims of the '244 Patent fails to suggest that such a termination involves anything other than a conventional computer. *Id.* at 54 (citing Ex. 1005 ¶ 54). Additionally, Petitioner argues that notifying users of the buyer's purchase is conventional in that sending and receiving information over a network is not an inventive step as it would involve computers being used conventionally for ordinary and routine purposes. *Id.* at 55 (citing Ex. 1005 ¶ 55).

Based on the record developed during trial, we agree with Petitioner's arguments that independent claim 15 is directed to the abstract idea of using a previously-funded account or loan to effectuate a financial transaction in an electronic auction, as argued by Petitioner and discussed above, with respect to independent claim 1. Petitioner has accounted for the differences between independent claims 1 and 15, supported by the testimony of Dr. Neuman, arguing they amount to mere data-gathering or the use of conventional electronic commerce systems. *Id.* at 50–55 (citing Ex. 1005 ¶¶ 44–55). Accordingly, we agree with Petitioner that independent claim 15 is also directed to the abstract idea discussed above and that the claim elements recited therein, when considered both individually and as an ordered combination, do not add an inventive concept amounting to significantly more than the abstract idea itself.

With respect to independent claim 19, Petitioner analogizes the claim's preamble and many of the claimed steps to those recited in independent claim 1. *Id.* at 56–60. Independent claim 19 also recites "receiving instructions from an electronic commerce customer via a second web page to authorize payment to said electronic commerce merchant," where Petitioner argues that this limitation merely requires receiving an instruction from a user authorizing payment, which is simply routine, conventional activity. *Id.* at 57 (citing Ex. 1005 ¶ 59). Independent claim 19 also recites that the user can authorize a loan from another financial institution to effect payment, where Petitioner argues that the limitation "describes nothing more than providing overdraft protection (the loaning of funds to cover shortfalls in a financial account), which is a service that has been provided to consumers by banks for decades." *Id.* at 58 (citing Ex. 1005 ¶ 60; Ex. 1006, 5). Petitioner further argues that this limitation does no more than take this conventional process and implement it in a "financial system." *Id.* Independent claim 19 also recites limitations that the customer does not have to provide credit card information in order to effect payment, where Petitioner asserts that the limitation is a routine and conventional step, and it would have been well-understood that payments made using funds loaned from a financial institution would not require the use of a credit card or its information. *Id.* at 60 (citing Ex.1005 ¶ 63).

Based on the record developed during trial, we agree with Petitioner's arguments that independent claim 19 is directed to the abstract idea of using a previously-funded account or loan to effectuate a financial transaction in an electronic auction, as argued by Petitioner and discussed above, with respect to independent claim 1. Petitioner has accounted for the differences

between independent claims 1 and 19, supported by the testimony of Dr. Neuman, arguing they amount to routine, conventional activity that are well-known in conventional electronic commerce systems. *Id.* at 56–60 (citing Ex. 1005 ¶¶ 56–63). Accordingly, we agree with Petitioner that independent claim 19 is also directed to the abstract idea discussed above and that the claim elements recited therein, when considered both individually and as an ordered combination, do not add an inventive concept amounting to significantly more than the abstract idea itself.

With respect to independent claim 34, Petitioner analogizes the claim's preamble and a majority of the claimed steps to those recited in independent claim 1. *Id.* at 61–65 (citing Ex. 1005 ¶¶ 65–78). Independent claim 34 also recites the use of a link displayed on a graphical user interface to enable at least one payment account management function that includes changing a source for use in obtaining funds for transferring to the payment account, where Petitioner argues that those aspects are conventional. *Id.* at 63–65. Petitioner argues that providing hyperlinks that generate a web page upon activation is "merely routine computer technology used in conjunction with a conventional network," and managing a user's accounts is merely an abstract method. *Id.* (citing *LinkedIn Corp v. AVMarkets, Inc*., Case CBM2013-00025, slip op. at 14 (PTAB Nov. 10, 2014) (Paper 30), *SAP America, Inc. v. Arunachalam*, Case CBM2014-00018, slip op. at 17 (PTAB Mar. 6, 2015) (Paper 33), *appeal dismissed by Arunachalam v. SAP America, Inc.*, Nos. 2015-1424, 1429, 1433, 1869, slip op. at 10 (Fed. Cir. Sep. 23, 2016)).

Based on the record developed during trial, we agree with Petitioner's arguments that independent claim 34 is directed to the abstract idea of using

a previously-funded account or loan to effectuate a financial transaction in an electronic auction, as argued by Petitioner and discussed above, with respect to independent claim 1. Petitioner has accounted for the differences between independent claims 1 and 34, supported by the testimony of Dr. Neuman, arguing they amount to use of routine computer technology used in conjunction with a conventional network. *Id.* at 61–65 (citing Ex. 1005 ¶¶ 65–78). Accordingly, we agree with Petitioner that independent claim 34 is also directed to the abstract idea discussed above and that the claim elements recited therein, when considered both individually and as an ordered combination, do not add an inventive concept amounting to significantly more than the abstract idea itself.

With respect to independent claim 47, Petitioner analogizes the claim's preamble and steps of "providing," "displaying," "receiving," and "effecting payment" to the steps recited and analyzed for independent claim 1. *Id.* at 66–69 (citing Ex. 1005 ¶¶ 80–87). Independent claim 47 also recites "receiving an input from the buyer via selection of an icon displayed by a graphical user interface of the electronic commerce web site," which Petitioner argues is simply routine and conventional activity, and there is nothing disclosed in the Specification or recited in this claim suggesting that is done by anything other than conventional computers. *Id.* at 66–67 (citing Ex. 1005 ¶ 82). Independent claim 47 also recites that the "electronic commerce web site [is] maintained by at least one computing device," and that the payment system is in "operative communication" with the electronic commerce system. Petitioner argues that these limitations add "well-understood, routine, conventional" elements, and are not sufficient to save

an otherwise abstract claim from ineligibility under § 101. *Id.* at 67–69 (citing Ex. 1005 ¶ 83).

Based on the record developed during trial, we agree with Petitioner's arguments that independent claim 47 is directed to the abstract idea of using a previously-funded account or loan to effectuate a financial transaction in an electronic auction, as argued by Petitioner and discussed above, with respect to independent claim 1. Petitioner has accounted for the differences between independent claims 1 and 47, supported by the testimony of Dr. Neuman, arguing they amount to use of routine and conventional activity used in conventional electronic commerce systems. *Id.* at 66–69 (citing Ex. 1005 ¶¶ 80–87). Accordingly, we agree with Petitioner that independent claim 47 is also directed to the abstract idea discussed above and that the claim elements recited therein, when considered both individually and as an ordered combination, do not add an inventive concept amounting to significantly more than the abstract idea itself.

With respect to independent claim 52, Petitioner analogizes all of the method steps of that claim to the steps recited and analyzed for independent claims 1 and 19. *Id.* at 71–73 (citing Ex. 1005 ¶¶ 89–100). We agree with Petitioner's analysis and determine that all of the steps of independent claim 52 are analogous to the steps of independent claim 1. Accordingly, we agree with Petitioner that independent claim 52 is also directed to the abstract idea discussed above and that the claim elements recited therein, when considered both individually and as an ordered combination, do not add an inventive concept amounting to significantly more than the abstract idea itself.

5. Dependent Claims 20, 40, 48, and 53

With respect to dependent claims 20, 40, 48, and 53, Petitioner's analyses parallel the analysis discussed above with respect to independent claims 1, 15, 19, 34, 47, and 52, and the dependent claim 2. Patent Owner does not separately traverse the unpatentability of these dependent claims from independent claim 1. We consider the differences in the claim limitations discussed by Petitioner below.

With respect to dependent claim 20, Petitioner asserts that the limitations of that claim recite the charging of interest on a loan, a longstanding, basic banking principle applied to conventional computers. *Id.* at 60–61. Petitioner continues that "[n]either the specification nor the claims suggests that the accruing of interest charges is done by anything other than a conventional computer or computers." *Id*. Dr. Neuman provides unrebutted testimony that "[t]he limitation [of claim 20] does not improve the functioning of the computer itself or effect an improvement in any other technology or technical field." Ex. 1005 ¶ 64.

As such, we determine that claim 20 is still directed to the abstract idea of using a previously-funded account or loan to effectuate a financial transaction in an electronic auction. Specifying that a loan may require the accruing of interest charges for use of funds is well-known, and does not deviate from this abstract idea in a significant way that would require a change to the analysis. *See buySAFE*, 765 F.3d at 1355 ("The dependent claims' narrowing to particular types of such relationships, themselves familiar, does not change the analysis."). Accordingly, we agree with Petitioner that for dependent claim 20 merely requires the use of generic

components and does not add an inventive concept amounting to significantly more than the abstract idea itself.

With respect to dependent claims 40 and 53, Petitioner asserts that these dependent claims recite similar limitations to those found in dependent claim 2 discussed above. Pet. 65, 73. *See* Ex. 1005 ¶¶ 79, 101. As discussed above, dependent claims 40 and 53, like claim 2, are still directed to using a previously-funded account or loan to effectuate a financial transaction in an electronic auction. We agree with Petitioner that dependent claims 40 and 53 do not add inventive concepts amounting to significantly more than the abstract idea itself.

With respect to dependent claim 48, that claim recites that the plurality of payment accounts come from a database, the particular payment account being identified prior to the effecting payment step, and the payment accounts are maintained by an operator of the payment web site. Petitioner argues that an account must be identified before it is used to effect payment, that a "database" is a "well-understood, routine, conventional" element, and that creating and maintaining accounts with a computer "amounts to electronic record-keeping—one of the most basic functions of a computer." *Id.* at 69–70 (citing *Alice*, 134 S. Ct. at 2359). Dr. Neuman also testifies that "[b]efore computers, accounts were kept in just this way, by relying on a written list [and that c]reating and maintaining accounts with a computer amounts to nothing more than the basic computer function of electronic recordkeeping." Ex. 1005 ¶ 88 (citing Ex. 1008, 7–8).

As such, we determine that claim 48 is still directed to the abstract idea of using a previously-funded account or loan to effectuate a financial transaction in an electronic auction. Specifying that a particular payment

account is used amounts to mere recordkeeping, and does not deviate from this abstract idea in a significant way that would require a change to the analysis. *See buySAFE*, 765 F.3d at 1355 ("The dependent claims' narrowing to particular types of such relationships, themselves familiar, does not change the analysis."). Accordingly, we agree with Petitioner that for dependent claim 48 does not add an inventive concept amounting to significantly more than the abstract idea itself.

6. Summary

In summary, we determine that Petitioner has demonstrated by a preponderance of the evidence that all of the challenged claims are directed to patent-ineligible subject matter under 35 U.S.C. § 101.

C. Constitutional Arguments

Patent Owner devotes a substantial majority of the Patent Owner Response making a variety of constitutional arguments. PO Resp. 10–43. A large part of those arguments are essentially the same arguments that were presented to the Supreme Court in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365 (2018), in an *amici curiae* brief. *Compare* PO Resp. 1–3, 12–45, *with* Brief of Biotechnology Innovation Organization (BIO) and Association of University Technology Managers (AUTM) as Amici Curiae in Support of Petitioner at 2, 4–32, *Oil States*, 138 S. Ct. 1365 (No. 16-712), 2017 WL 3888208, at *2, *4–32. Additionally, Patent Owner also argues that (1) our procedures fail to satisfy the Fifth Amendment, (2) covered business method patents are undermined because they may be reviewed irrespective of their priority date, and (3) covered business method patent reviews deny the right to a jury trial under the Seventh Amendment. PO Resp. 3–4, 39–44 & n.20.

Furthermore, Patent Owner argues that covered business method patent reviews are unfair in that they allow an alleged patent infringer to challenge a patent on grounds that reasonably could have been asserted in related district court litigation. PO Resp. 4–5, 44–45. Patent Owner premises this argument on a misunderstanding of the estoppel provision that applies to covered business method patent reviews, which Patent Owner states "extends only to grounds actually asserted but not to grounds that reasonably could have been asserted." *Id.* AIA § 18(a)(1)(D), however, concerns what grounds a petitioner may assert in a civil action after a final written decision in the covered business method patent review has issued. Whether a petitioner is barred from filing a covered business method patent review based on a prior civil action is covered by a different statutory provision—namely, 35 U.S.C. § 325(a).

Petitioner replies by contending that the constitutionality of AIA reviews has been addressed by the Federal Circuit and is at issue in *Oil States*. Pet. Reply 1. Furthermore, Petitioner argues that Patent Owner's constitutional arguments are not within our statutory authority to adjudicate. *Id.*

While this trial was pending, the Supreme Court issued its opinion in *Oil States*. 138 S. Ct. 1365. *Oil States* held that *inter partes* reviews do not violate Article III or the Seventh Amendment. *Id.* at 1370. Covered business method patent reviews and *inter partes* reviews were enacted simultaneously in the AIA and the statutory provisions of covered business method patent reviews parallel those of *inter partes* reviews. *Credit Acceptance Corp.*, 859 F.3d at 1053. Although there are some differences between covered business method patent reviews and *inter partes* reviews

(*id.*), the large majority of Patent Owner's arguments apply equally to *inter partes* and covered business method patent reviews (*see* PO Resp. 1–5, 10–45).

To the extent that Patent Owner presents additional constitutional arguments regarding covered business method patent reviews separately, or arguments that the *Oil States* Court did not reach, we decline to consider those constitutional challenges. The "[a]djudication of the constitutionality of congressional enactments has generally been thought beyond the jurisdiction of administrative agencies." *Thunder Basin Coal Co. v. Reich*, 510 U.S. 200, 215 (1994) (alteration in original) (quoting *Johnson v. Robison*, 415 U.S. 361, 368 (1974)). Although "[t]his rule is not mandatory" (*id.*), "[a] finding that the agency lacks jurisdiction to decide constitutional questions is especially likely when the constitutional claim asks the agency to act contrary to its statutory charter" (*Riggin v. Office of Senate Fair Emp't Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995)). Considerations in determining whether an agency may decide a constitutional issue include whether "the constitutional issue . . . require[s] the agency to question its own statutory authority or to disregard any instructions Congress has given it," and whether the defense would "disable the board from fulfilling its responsibility to decide the statutory claim presented to it." *Id.* at 1569–70.

Patent Owner challenges the constitutionality of congressional enactments, including the constitutionality of covered business method patent reviews as set forth in the AIA. Patent Owner's constitutional arguments are not directed to a particular statutory provision—instead, they concern the entire statutory scheme of covered business method patent

reviews, and often also include *inter partes* reviews. It is, however, our statutory duty to "conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32" (35 U.S.C. § 6(b)(4)), which include covered business patent reviews (AIA § 18(a)(1)). Patent Owner, in generally arguing that those reviews are unconstitutional, would have us question our statutory authority and our ability to conduct those reviews—something we decline to do.

III. CONCLUSION

We determine that Petitioner has proven by a preponderance of the evidence that (1) the '244 Patent qualifies as a covered business method patent that is eligible for review, as defined by § 18(d)(1) of the AIA; and (2) all of the challenged claims are directed to patent-ineligible subject matter under 35 U.S.C. § 101.

IV. ORDER

Accordingly, it is:

ORDERED that claims 1, 2, 15, 19, 20, 34, 40, 47, 48, 52, and 53 of the '244 Patent are held to be unpatentable; and

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

For PETITIONER:

Adrian Percer
Brian Chang
WEIL, GOTSHAL AND MANGES LLP
adrian.percer@weil.com
brian.chang@weil.com

Naveen Modi
PAUL HASTINGS LLP
naveenmodi@paulhastings.com

For PATENT OWNER:

George Likourezos
g.likourezos@verizon.net

Michael A. Scaturro
adcourt@optonline.net