

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 CBM2017-00026
Patent 7,512,563 B2

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

LEE, *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, 6, and 7 (“challenged claims”) of U.S. Patent No. 7,512,563 B2 (Ex. 1001, “’563 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 ’563 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 ’563 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

Petitioner indicates that Patent Owner asserted the '563 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. 3. 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. 7,567,937 ("937 patent"), 7,627,528 ("528 patent"), 7,610,244 ("244 patent"), 7,599,881 ("881 patent"), and 7,483,856 ("856 patent").
Pet. 3.

The Petitioner also indicates that one Petitioner entity, eBay Inc., filed requests for *inter partes* reexaminations of the '856 patent, '937 patent, '563 patent, '528 patent, '881 patent, and '244 patent, which were granted in Reexamination Control Nos. 95/001,594 ("594 Reexamination"), 95/001,588, 95/001,589, 95/001,590, 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. 4; Paper 4, 2.

The '244 patent, '528 patent, '856 patent, '881 patent, and '937 patent are the subjects of covered business method patent reviews in Cases CBM2017-00024, CBM2017-00025, CBM2017-00027, CBM2017-00028, and CBM2017-00029, respectively. 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 '563 patent against Petitioner in the U.S. district court case. Pet. 3, 11. Petitioner also argues that it is not estopped from challenging the claims on the ground identified in the Petition. *Id.* at 11 (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. 12, 20–54. Petitioner relies on the Declaration of Clifford Neuman (Ex. 1005) in support of the Petition. Petitioner also cites to Robert C. Zimmer & Theresa A. Einhorn, *The Law of Electronic Funds Transfer* (1978) (Ex. 1006), and Edward Preston Moxey, Jr., *Practical Banking* (1910) (Ex. 1010).

D. The '563 Patent

The '563 patent is titled: “System and Method to Automate Payment for a Commerce Transaction.” Ex. 1001, [45], [54]. More specifically, the '563 patent relates to a method for automatically effecting payment for a user of an electronic auction web site (claim 1) or a method for automatically effecting payment for a user of an electronic commerce web site (claim 7). The '563 patent states: “With the advent of electronic networks, such as the Internet, electronic auctions have become tremendously popular.” Ex. 1001, 1:33–34. The '563 patent identifies preexisting electronic auction websites EBAY and YAHOO! Auctions. *Id.*

at 1:35–38. The '563 patent describes three preexisting methods for effecting payment at the conclusion of an electronic auction for an item. *Id.* at 2:27–62. The first method is described as follows:

To effect payment for the item, an email is sent to the seller and the winning bidder informing them to contact each other to proceed with a payment transaction. Upon the seller notifying the winning bidder of where to send payment, e.g., a check or money order, the winning bidder sends payment equal to the highest bid plus any other costs, such as shipping and handling, shipping insurance, and taxes, as indicated by the seller. Soon after receiving the payment from the winning bidder, the seller ships the item to the winning bidder.

Id. at 2:29–38. The second method is described as this:

Another prior art method for effecting payment for the item won on the electronic auction entails clicking an icon on the electronic auction web site and accessing a payment web site (or a payment segment of the electronic auction web site). The payment web site typically lists the seller's user-name and the item won. While at the payment web site, the winning bidder enters credit card information and the amount to be charged to his credit card. Subsequently, a management system overseeing the payment web site charges the credit card for the entered amount to a company or entity affiliated with an operator or owner of the payment web site. Upon payment confirmation, an email is sent to the seller instructing the seller to ship the item to the winning bidder. After two to three business days, the payment web site management system pays the seller by direct deposit an amount equal to the charged amount minus a commission and a transaction fee. The commission typically [is] paid to the operator or owner of the electronic auction web site and the transaction fee is paid to the operator or owner of the payment web site.

Id. at 2:39–57. The third method is a variation of the second method, where the winning bidder directly transfers his credit card information to the seller,

and the seller then charges the credit card and waits for a confirmation of payment prior to shipping the item to the winning bidder. *Id.* at 2:58–62.

The '563 patent describes several problems with these three preexisting methods for a user to effect payment. It is described that “the winning bidder is apt to waiting prior to effecting payment, since the winning bidder will need to perform several tasks, such as, for example, draft a check made payable to the seller, and mail the check to the seller.” *Id.* at 2:64–3:1. The '563 patent also describes that “[t]he winning bidder is also apt to [wait] when he is bidding on other items, since the winning bidder usually prefers to draft checks, obtain money orders, etc. and mail them to the various sellers at one time.” *Id.* at 3:1–4. The '563 patent describes that the seller must wait at least two business days to several weeks before being paid, because of the winning bidder’s delay in making payment through a two-step process (i.e., draft a check, obtain a money order or some other payment document, and then mail to the seller). *Id.* at 3:5–13.

The '563 patent further describes that “a percentage of the population feels uneasy transferring their credit card information via the electronic network, especially to unknown sellers,” and that “the winning bidder is apt to waiting until the start of a new credit card billing cycle before transferring his credit card information to pay for the item won on the electronic auction.” *Id.* at 3:16–23. The '563 patent also describes that “the winning bidder must enter his credit card information every time he wins an item on the electronic auction.” *Id.* at 3:14–16. Finally, the '563 patent describes as a problem that “the operator of the electronic auction web site must wait several days to several weeks before being paid a commission by the seller,”

usually by sending an email request to the seller for an authorization to charge the seller's credit card. *Id.* at 3:26–31.

To address these and other issues, the '563 patent provides a computerized electronic auction payment system and method for effecting a real-time payment for an item won in an electronic auction. *Id.* at 3:53–56. The method sets up and maintains electronic auction payment accounts for prospective bidders and sellers, and the prospective bidders provide funds, prior to being deemed as winning bidders, to their electronic auction payment accounts via direct deposits, credit card, check, money order, or other financial document. *Id.* at 3:64–4:7.

In one embodiment, upon being deemed a winning bidder, the winning bidder accesses a payment page, enters the total amount of the funds to be transferred to the seller, and authorizes the computerized electronic auction payment system to effect a real-time payment by debiting the winning bidder's electronic auction payment account and crediting the electronic auction payment account of the seller, and/or another account specified by the seller. *Id.* at 4:7–15. In another embodiment, the winning bidder need not access a payment page, but simply authorizes the computerized electronic auction payment system to effect a real-time payment to the seller upon the bidder being deemed the winning bidder, immediately upon the conclusion of the electronic auction. *Id.* at 4:16–21. In still another embodiment, the computerized electronic auction payment system enables the operator of the electronic auction web site to be paid its commission in real-time at the conclusion of an auction or upon authorization by the winning bidder. *Id.* at 4:35–39.

Figure 1 of the '563 patent is reproduced below.

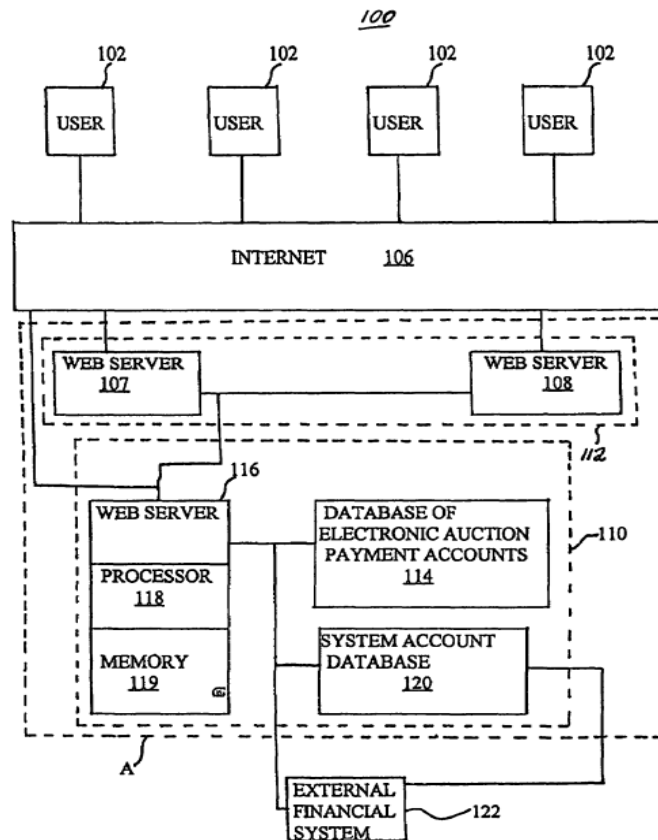


FIG. 1

Figure 1 is an overview of the network computing environment including the computerized electronic auction payment system of the '563 patent. *Id.* at 5:47–49. 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 6:35–39. The instructions enable computerized electronic auction payment system 110 to maintain the database of electronic auction payment accounts. *Id.* at 6:39–44. They also enable the computerized electronic auction payment system to allow the winning bidder to effect real-time payment for an item won on the electronic auction web site. *Id.* at 6:46–51.

Illustrated in Figure 1 are users 102 who have access to an electronic auction web site via a network, such as Internet 106. *Id.* at 6:15–18. Web server computers 107 and 108 are components within electronic auction system 112 and they operate to maintain the electronic auction web site and allow each user 102 to browse the electronic auction web site and bid for items and/or sell items in an electronic auction. *Id.* at 6:20–26. 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 6:27–30.

The challenged independent claims are claims 1 and 7, which are reproduced below:

1. A method for automatically effecting payment for a user of an electronic auction web site maintained by at least one computing device to an operator associated with the electronic auction web site, said method comprising the steps of:

executing by at least one processor a sequence of events, the sequence of events including the steps of providing the user with an option prior to the conclusion of an electronic auction provided by the electronic auction web site, the option enabling the user to authorize a payment system to execute an automatic payment method after the conclusion of the electronic auction, the automatic payment method includes automatically deducting funds from a payment account storing funds therein and corresponding to the user; receiving authorization from the user in response to the provided option and prior to the beginning of the electronic auction to execute the automatic payment method after the conclusion of the electronic auction; and determining whether to execute the automatic payment method for the user after the conclusion of the electronic auction based on whether the user has provided authorization to execute the automatic payment method in response to the provided option; and

executing by the at least one processor the automatic payment method after the conclusion of the electronic auction, if it is determined by the at least one processor to execute the automatic payment method and the user has provided authorization for executing the automatic payment method in response to the provided option, the executing step comprising the steps of:

automatically deducting funds from the funds stored in the payment account corresponding to the user of the electronic auction web site; and

automatically transferring at least a portion of the deducted funds into an account corresponding to the operator associated with the electronic auction web site.

Id. at 16:35–17:4.

7. A method for automatically effecting payment for a user of an electronic commerce web site, said method comprising the steps of:

setting up an electronic payment account by at least one processor for the user, said payment account storing funds therein for use in effecting payment for network based commerce transactions;

automatically deducting funds stored within the electronic payment account due to at least one network-based commerce transaction without receiving a request from the user to deduct funds following a termination event of the at least one network-based commerce transaction; and

automatically transferring at least a portion of the deducted funds to an account associated with an operator of the electronic commerce web site, the electronic payment account storing funds therein and the electronic commerce web site are maintained by an electronic commerce and payment computing architecture, said computing architecture having computing devices for maintaining the electronic

payment account storing funds therein and the electronic commerce web site, said computing devices being in operative communication with each other via at least one non-Internet connection.

Id. at 17:32–54.

E. 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 ’563 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).

For the '563 patent, we focus on claim 7. As noted by Petitioner, claim 7 recites: “A method for automatically effecting payment for a user of an electronic commerce web site.” Pet. 7; Ex. 1001, 17:31–32. The method of claim 7 comprises several steps, including (1) setting up an electronic payment account storing funds for use in effecting payment, (2) automatically deducting funds stored in that payment account due to a network-based commerce transaction, and (3) automatically transferring at least a portion of the deducted funds to an account associated with an operator of the electronic commerce web site. *Id.* at 17:34–37, 17:38–40, 17:43–45. Petitioner specifically identifies the “automatic deducting” step and the “automatic transferring step” as directed to automatically effecting payment by exchanging funds between accounts. Pet. 7–8.

Claim 7 further specifies that the electronic payment account and the electronic commerce web site are maintained by an electronic commerce and payment architecture. Ex. 1001, 17:45–48. Manifestly, the claimed method performs data processing operations used in the practice, administration, or management of a financial service (i.e., a payment service for a user of an electronic commerce web site). Maintaining a payment account and automatically effecting payment from that payment account is financial in nature and constitutes a financial service. Patent Owner does not contend that these claimed steps are not financial in nature or is not a financial service.

For the foregoing reasons, we determine that claim 7 satisfies the “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a 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.

a. Technological Feature – Novel and Unobvious

The following claim drafting techniques, reciting technology, 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. at 48,763–64.

Petitioner argues that “each of the challenged claims, when read by its individual elements or as a whole, does not recite a technological feature that is novel and unobvious over the prior art.” Pet. 8. Focusing on claim 7, we are persuaded that Petitioner is correct. Petitioner asserts that there is nothing novel or unobvious about using a set of computers to complete a financial transaction, and that the claims do not recite any novel technology to implement the claimed payment flow, but merely recite the use of conventional and non-specialized processors. *Id.* at 8–9. The assertions are supported by the unrebutted declaration testimony of Dr. Neuman. Ex. 1005 ¶¶ 19–21. For purposes of this Decision, we credit the following testimony of Dr. Neuman:

19. The '563 patent claims are directed to financial transfers. Financial transactions, electronic or otherwise, are the fundamental building blocks of the economy. Ex. 1010, p.4 (describing the use of deposit accounts in 1910); Ex. 1007, p.4 (describing fund transfer services). Indeed, this is the type of subject matter that is taught in economics or business classes. The fact that the '563 patent's transfers are occurring electronically does not add to the invention. Transactions are regularly conducted electronically, and have been for decades. Basically, the '563 patent takes this well-known concept and applies it to, for example, the Internet. As discussed above, Figure 1 of the '563 patent shows that these components are nothing more than general purpose servers, databases, and processors, depicted as nothing more than generic boxes.

20. Nor is the combination of financial transactions, pre-funded accounts, and pre-authorized transfers anything other than a well-trod, fundamental economic concept. As I discussed in the preceding paragraphs, a generic bank account implements, collectively, these concepts. Bank accounts are regularly used in financial transactions, including electronic transactions, and banks offer overdraft protection. Although the recited claim elements include generic components such as "computing device", "computing architecture", and "processor," which are used to perform the steps of the claimed methods for effecting payment, there is nothing novel or technologically innovative about using generic computers to accomplish financial transactions. The claims recite the use of conventional, non-specialized databases and processors. The claims do not, nor do they even claim to, improve the functioning of these generic computer components, or to improve any other technology or technical field.

21. The conventional nature of the hardware is further reflected in the specification. Fig. 1 of the '563 patent "is an overview of a network computing environment including the computerized electronic auction payment system according to the invention." Ex. 1001, 5:47-49. The figure depicts "users" and the "Internet," who interact with an electronic auction system comprising "web servers" and an electronic payment system

comprising “databases,” a “processor,” and “memory.” These are generic hardware components and the specification does not suggest that these components add significantly more to the claimed inventions.

Ex. 1005 ¶¶ 19–21.

In response, Patent Owner contends that the challenged 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. 9. Patent Owner asserts: “Applicant’s or Patent Owner’s representative technologically and patentably distinguished the then pending claims over the prior art of record by addressing the technological and patentable features recited by the claims, including those recited by challenged claims 1, 6, and 7.” *Id.* According to Patent Owner, the withdrawal of the Examiner’s rejections over prior art based on Applicant’s arguments “is a strong indication the challenged claims were found by the Office to solve technical problems which the prior art fails to do, and therefore the claims are not [covered business method] claims.” *Id.* at 11. Patent Owner further argues that the specification of the ’563 patent sets forth drawbacks of prior art payment systems, and that the challenged claims provide technological solutions to those drawbacks. *Id.* at 9–10.

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 '856 patent in a technological way. *Id.* at 2–3. Petitioner notes 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.* at 3.

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.”).

We agree with Petitioner that claim 7 does not recite a novel and unobvious technological feature. *See* Pet. 8–10. Here, claim 7 only generically recites “computing device,” “computing architecture,” and “processor.” There is no indication from the record developed during trial that those components are used in anything other than a general and conventional way. Rather, the '563 patent only generically describes those components. *See* Ex. 1001, 6:35–39 (“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.”). Dr. Neuman’s un rebutted testimony shows that claim 7 merely recites the ordinary use of conventional, non-specialized servers and processors. Ex. 1005 ¶ 19–21.

As for Patent Owner’s assertion (PO Resp. 10) that the subject matter of the challenged claims “provide[s] technological solutions to the drawbacks set forth in the specification and/or recite patentable technological features,” Patent Owner has not provided persuasive evidence or explanation. Moreover, Patent Owner has not identified specifically any such claimed technological solution.

We 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 [U.S. Patent and Trademark Office] 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)).

For the foregoing reasons, we find that setting up an electronic payment account, obtaining pre-authorization from the account holder for money transfer from the account, automatically deducting funds from an electronic payment account, and automatically transferring any portion of the deducted funds are not novel. We find also that the subject matter of claim 7, as a whole, does not recite a technological feature that is novel or unobvious. Even if the claimed method, as a whole, is novel and non-obvious, the use of known prior art technology to accomplish that method typically would not render that method a technological invention. *Office Patent Trial Practice Guide*, 77 Fed. Reg. at 48,764.

b. Whether the Claimed Invention Solves a Technical Problem Using a Technical Solution

Petitioner contends that the subject matter of claim 7 does not solve a technical problem using a technical solution by pre-authorizing debits from an account, such as a bank account or a deposit account, to effectuate automatic payments. Pet. 10. We agree. None of the problems with preexisting payment methods discussed in the '563 patent (and noted above in our overview of the '563 patent) is technical in nature. All such problems pertain to the nature of a fundamental business model, e.g., not requiring registration and pre-funding of a payment account by bidders prior to their participation in an electronic auction, and to other issues of human behavior, e.g., delay and procrastination in making payment.

The '563 patent includes no description of technological obstacles for achieving payment in real-time at the conclusion of an electronic auction, if the auction is conducted with registration and pre-funding of payment accounts by bidders prior to their participation in the auction. The specification does not describe any kind of technological issues presenting a

technological problem to be solved. For instance, computerized electronic auction payment system 110 includes database 114, web server computer 116 having processor 118, memory 119, and database 120. Ex. 1001, 6:35–39, 9:46–56. The ’563 patent does not describe the implementation of any special technology in the construction and operation of these known and generic components. Although automatically effecting real-time payment from a pre-funded payment account at the conclusion of an electronic auction involves use of technology, it is not a technological solution that solves a “technological” problem. *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 ’563 patent itself analogizes its electronic auction payment accounts as being similar to bank accounts. Ex. 1001, 7:23–27.

For the foregoing reasons, we find that the subject matter of claim 7 does not solve a technical problem using a technical solution.

3. *Conclusion*

Claim 7 satisfies the definition for a covered business method patent as set forth in § 18(d)(1) of the AIA because it is financial in nature, and it is not for a technological invention. Accordingly, the ’563 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. 20. We, however, need not address the construction of any claim term to resolve the issues before us.

B. Patent-Eligible Subject Matter under 35 U.S.C. § 101

Petitioner contends that claims 1, 6, and 7 are directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 12, 20–55. 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 21–54. Patent Owner contends that these claims are directed to patent-eligible subject matter. PO Resp. 5–8. Based on the record developed during trial, Petitioner has demonstrated that claims 1, 6, and 7 are directed to patent-ineligible subject matter under 35 U.S.C. § 101.

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. 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). 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.* (brackets in original) (quoting *Mayo*, 566 U.S. at 74). 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) (quoting *Diamond*, 450 U.S. at 191–92); *see also Mayo*, 566 U.S. at 74.

“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)).

2. *Discussion*

a. *Statutory Category*

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 claims 1, 6, and 7 fall within a statutory category, we do not need to consider whether the ’563 patent is similar to the patents that Patent Owner cites, because each of claims 1, 6, and 7 recites a “method” with a series of steps. It is by definition within the statutory category of “process” under 35 U.S.C. § 101.¹ 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

¹ 35 U.S.C. § 101 provides: “Whoever invents or discovers any new or useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”

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. First Step under Alice — Abstract Idea

First, we determine whether the claims at issue are directed to a patent-ineligible concept, such as an abstract idea. The presence of technical elements in a claim does not preclude the claim from being directed to an abstract idea, because those elements may be insignificant under the second *Alice* step. Limiting the application of an abstract idea to a particular technological environment and adding insignificant post-solution activity are ineffective to bestow patent-eligibility to subject matter that is otherwise patent-ineligible. *Bilski*, 561 U.S. at 610–11. The claims of *Alice* are not without recitation of technological parts. Yet, they were determined as being drawn to an abstract idea.² *Alice*, 134 S. Ct. at 2357.

² The same is true with a long line of cases decided by the Federal Circuit. *E.g.*, *SAP America Inc. v. Investpic, LLC*, 890 F.3d 1016 (Fed. Cir. 2018); *Voter Verified, Inc. v. Election Systems & Software LLC*, 887 F.3d 1376 (Fed. Cir. 2018); *Secured Mail Solutions LLC v. Universal Wilde, Inc.*, 873 F.3d 905 (Fed. Cir. 2017); *RecogniCorp, LLC v. Nintendo Co., Ltd.*, 855 F.3d 1322 (Fed. Cir. 2017); *Intellectual Ventures I LLC v. Capital One Financial Corp.*, 850 F.3d 1332 (Fed. Cir. 2017); *In re TLI Commc’ns LLC Patent Litig.*, 823 F.3d 607, 611 (Fed. Cir. 2016); *Mortg. Grader, Inc. v. First Choice Loan Serv. Inc.*, 811 F.3d 1314, 1324–25 (Fed. Cir. 2016); *Versata*, 793 F.3d at 1335; *Content Extraction & Transmission LLC v. Wells Fargo Bank*, 776 F.3d 1343, 1347 (Fed. Cir. 2014); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 712 (Fed. Cir. 2014); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1354 (Fed. Cir. 2014); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344–45 (Fed. Cir. 2013); *Bancorp Servs., L.L.C. v. Sun Life Assur. Co. of Canada (U.S.)*, 687 F.3d 1266, 1278 (Fed. Cir. 2012); *Dealertrack, Inc. v. Huber*, 674 F.3d 1315,

In *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1338 (Fed. Cir. 2016), the Federal Circuit determined that the claims in that case are not directed to an abstract idea, but “to an improvement in the functioning of a computer.” The Federal Circuit expressly stated that those claims “are directed to a specific improvement to computer functionality,” and distinguished them from the claims in *Alice* and *Versata* by noting:

In contrast, the claims at issue in *Alice* and *Versata* can readily be understood as simply adding conventional computer components to well-known business practices. See *Alice*, 134 S. Ct. at 2358–60; *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”); see also *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); *OIP Techs.*, 788 F.3d at 1362–64 (claims implementing offer-based price optimization using conventional computer activities); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 714–17 (Fed. Cir. 2014) (claims applying an exchange of advertising for copyrighted content to the Internet); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1354–55 (Fed. Cir. 2014) (claims adding generic computer functionality to the formation of guaranteed contractual relationships).

Id. The claims here are not directed to an improvement, in either hardware or software, to the functioning of a computer. The claims here are unlike those in *Enfish*.

1333 (Fed. Cir. 2012); *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1372–73 (Fed. Cir. 2011).

Similarly, we find nothing in the methods of claims 1, 6, and 7 that reflects an improvement in computer functionality as in *McRO, Inc. v. Bandai Namco Games America Inc.*, 837 F.3d 1299, 1314 (Fed. Cir. 2016). In *McRO*, a claim was found to be directed to eligible subject matter because “[i]t is the incorporation of the claimed rules, not the use of the computer, that ‘improved [the] existing technological process’ by allowing the automation of further tasks.” *McRO*, 837 F.3d at 1314 (citing *Alice*, 134 S. Ct. at 2358). There, the Federal Circuit determined that the automation went beyond merely carrying out a fundamental economic practice. *Id.* at 1315. Specifically, it determined that “[t]he claimed process uses a combined order of specific rules that renders information into a specific format that is then used and applied to create desired results: a sequence of synchronized, animated characters.” *Id.*

In determining whether the claims are directed to an abstract idea, we must avoid oversimplifying the claim because “all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.” *Mayo*, 132 S. Ct. at 1293. We consider the claims “in light of the specification, based on whether ‘their character as a whole is directed to excluded subject matter.’” *Enfish*, 822 F.3d at 1335 (citing *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015)). We determine whether the claims “focus on a specific means or method that improves the relevant technology” or are “directed to a result or effect that itself is the abstract idea and merely invoke generic processes and machinery.” *McRO*, 837 F.3d at 1314.

Petitioner provides two differently worded articulations of the alleged abstract idea to which the challenged claims are directed: (1) “pre-

authorizing debits from a previously-funded electronic payment account to make payments in electronic auctions or electronic commerce” (Pet. 27), and (2) “pre-approving a transaction using a previously-funded account to effect an automatic payment” (*id.* at 29). These two articulations are essentially the same and Petitioner’s arguments are not different substantively based on one articulation as opposed to the other. Accordingly, we need to discuss only the first articulation (i.e., *pre-authorizing debits from a previously-funded electronic payment account to make payments in electronic auctions or electronic commerce*).

The ’563 patent describes an electronic payment account as being similar to a bank account that stores funds which can be used to effect payment. Ex. 1001, 7:23–27. According to the challenged claims, the electronic payment account has funds pre-stored therein that can be used for effecting automatic payment. Dr. Neuman testifies that pre-funded accounts, such as bank accounts, are ubiquitous and are fundamental building blocks to commerce, and that bank accounts are almost universally kept electronically. Ex. 1005 ¶ 17. Dr. Neuman further testifies that, like the pre-funded account, pre-authorizing transfers is a well-known and conventional economic practice. *Id.* ¶ 18. Dr. Neuman notes that, for example, “financial institutions have, for decades, permitted customers to pre-authorize payments for recurring expenses such as monthly life insurance premiums, rent and mortgage payments, phone bills, or other utility bills,” and that “[m]any banks also allow customers to pre-authorize regular transfers of funds from a checking account to a savings account, thereby creating an automatic savings plan.” *Id.* We credit the above-noted testimony of Dr. Neuman as it is unrebutted.

Claim 7 recites a step of setting up an electronic payment account, a step of automatically deducting funds stored within the electronic payment account due to at least one network-based transaction, and a step of automatically transferring at least a portion of the deducted funds to an account associated with an operator of the electronic commerce web site. These steps correspond fittingly to the alleged abstract idea of *pre-authorizing debits from a previously-funded electronic payment account to make payments in electronic auctions or electronic commerce*.

Claim 1 is like claim 7 and additionally requires a step of providing the user an option to authorize automatic payment. That additional step does not deviate from the alleged abstract idea in a significant way that would require a change to the analysis. *See buySAFE, Inc.*, 765 F.3d at 1355 (“The dependent claims’ narrowing to particular types of such relationships, themselves familiar, does not change the analysis.”). Adding an optional aspect to the idea does not make the idea any less abstract.

Claim 6 depends from claim 1 and further recites a step of “automatically replenishing the payment account corresponding to the user after the step of automatically deducting funds from the payment account.” Ex. 1001, 17:27–30. That additional step does not deviate from the abstract idea of claim 1 in a significant way that would require a change to the analysis. *See buySAFE, Inc.*, 765 F.3d at 1355. Dr. Neuman testifies that “[a]utomatically replenishing a financial account is a basic economic practice that users of bank accounts have engaged in for decades.” Ex. 1005 ¶ 33. Whether the payment account is automatically replenished does not alter the essence of the automatic payment method.

Claim 1 recites a “computing device” and a “processor,” and claim 7 recites an electronic commerce and computing architecture that includes “computing devices.” Dr. Neuman testifies that these recitations are directed to generic and conventional computer parts. Ex. 1005 ¶ 20. Dr. Neuman also testifies that the claims do not “improve the functioning of these generic computer components” or “improve any other technology or technical field.” *Id.* We determine that the claims merely invoke the use of generic processes and machinery, and are directed substantively to a result or effect that itself is the abstract idea identified and articulated by Petitioner. *See McRO*, 837 F.3d at 1314.

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. 5. Patent Owner further argues that the subject matter of the challenged claims provide technological solutions to the drawbacks identified in the specification of the ’563 patent and/or recite patentable technological features, such that the challenged claims are “not ‘an abstract idea.’” *Id.* at 10. 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.

The language of claims 1, 6, and 7 supports the finding that these claims are directed to the abstract idea of *pre-authorizing debits from a previously-funded electronic payment account to make payments in*

electronic auctions or electronic commerce. Claim 1, from which claim 6 depends, recites:

[P]roviding the user with an option prior to the conclusion of an electronic auction provided by the electronic auction website, the option enabling the user to authorize a payment system to execute an automatic payment method after the conclusion of the electronic auction, the automatic payment method includes automatically deducting funds from a payment account storing funds therein and corresponding to the user; receiving authorization from the user in response to the provided option and prior to the beginning of the electronic auction to execute the automatic payment method after the conclusion of the electronic auction.

Ex. 1001, 16:40–52. Similarly, claim 7 recites: “automatically deducting funds stored within the electronic payment account due to at least one network-based commerce transaction without receiving a request from the user to deduct funds following a termination event of the at least one network-based commerce transaction.” *Id.* at 17:38–42.

Whether it is in the auction of claims 1 and 6 or the commerce transaction of claim 7, there is a purchaser and a seller. The financial arrangement between that purchaser and seller is not meaningfully distinct from the financial arrangements 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*, 561 U.S. at 599 (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).

Furthermore, the ’563 patent seeks to solve the problem of delays in effecting payment for an item purchased in an electronic auction and provides an alternative to entering credit card information to pay for an item.

Ex. 1001, 2:63–3:49. 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).

The Federal Circuit has considered similar claims reciting, for example, “[a] method of processing a payment for a purchase of goods.” *Inventor Holdings, LLC v. Bed Bath & Beyond, Inc. (Inventor Holdings II)*, 876 F.3d 1372, 1374 (Fed. Cir. 2017). The Federal Circuit found those claims to be “manifestly directed to an abstract idea, . . . accurately described as ‘local processing of payments for remotely purchased goods.’” *Id.* at 1378. 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.*

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. 1010, 4³; *cf. Alice*, 134 S. Ct. at 2356 (citing to a 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 un rebutted testimony serves as further evidence that using pre-funded payment accounts, as well as pre-authorizing transfer of funds at the conclusion of a financial transaction, are both a fundamental economic practice. Ex. 1005 ¶¶ 17–20.

The fact that the claimed process occurs in the context of an electronic auction on a web site 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. 35–36 (citing *Advanced Auctions LLC v. eBay Inc.*, No. 13CV1612 BEN (JLB), 2015 WL 1415265, at *4 (S.D. Cal. Mar. 26, 2015)); Ex. 1005 ¶ 24.

³ All references to the page numbers in Exhibit 1010 refer to the page numbers inserted by Petitioner in the bottom, right-hand corner of each page.

Patent Owner does not dispute this point. Indeed, the '563 patent describes that electronic auctions are commonplace. See Ex. 1001, 1:34 (“[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 nothing in the methods of claims 1, 6, and 7 that reflects an improvement in computer functionality as in *McRO*, 837 F.3d at 1314, and *Enfish*., 822 F.3d at 1336. 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.

Moreover, the improvement that the '563 patent seeks to provide is over manual payment processes such as drafting and mailing a check (Ex. 1001, 2:63–3:4), typing and transferring credit card information (*id.* at 3:37–41), or exchanging e-mails to authorize a commission (*id.* at 3:29–34). 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 '563 patent and/or recites patentable technological features, such that the challenged claims are “not ‘an abstract idea.’” PO Resp. 10. 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 claims 1, 6, and 7 are 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).

For the foregoing reasons, and based on the disclosure and challenged claims of the '563 patent, as well as the unrebutted testimony of Dr. Neuman, we agree with Petitioner that claims 1, 6, and 7 are directed to the abstract idea of *pre-authorizing debits from a previously-funded electronic payment account to make payments in electronic auctions or electronic commerce*.

c. Second Step under Alice — Inventive Concept

Petitioner contends that independent claims 1, 6, and 7 merely recite generic computer components, which are arranged in a conventional way. Pet. 33–35. 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 35–52 (citing Ex. 1005 ¶¶ 18, 24–33, 35, 38–40). 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 52–53; Ex. 1005 ¶ 41. 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. 53; Ex. 1005 ¶ 41.

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, as discussed above, agree with Petitioner that claims 1, 6, and 7 are directed to an abstract idea. Accordingly, we proceed to the next step and look to whether any claim element or combination of claim elements recite an inventive concept.

Under the second step in the two-step *Alice/Mayo* analysis, a claim that recites an abstract idea must include “additional features” to ensure that the claim is more than a drafting effort designed to monopolize the abstract idea. *Alice*, 134 S. Ct. at 2357 (citing *Mayo*, 132 S. Ct. at 1297). We consider the claim elements “both individually and ‘as an ordered

combination’ to determine whether the additional elements ‘transform the nature of the claim’ into a patent-eligible application.” *Id.* at 2355. 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). *Id.* at 2357. The “additional features” must be more than ““well-understood, routine, conventional activity.”” *Ultramercial*, 772 F.3d at 715.

The Supreme Court in *Alice* cautioned that merely limiting the use of abstract idea “to a particular technological environment” or implementing the abstract idea on a “wholly generic computer” is not sufficient as an additional feature to provide “practical assurance that the process is more than a drafting effort designed to monopolize the [abstract idea] itself.” *Alice*, 134 S. Ct. at 2358 (quoting *Mayo*, 132 S. Ct. at 1297). “[M]ethod claims, which merely require generic computer implementation, fail to transform [an] abstract idea into a patent-eligible invention.” *Id.* at 2357. The Supreme Court in *Bilski* unequivocally stated that the prohibition against patenting abstract idea “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment.” *Bilski*, 561 U.S. at 610–11 (quoting *Diamond*, 450 U.S. at 191–92).

Claim 1 limits the application environment of the claimed payment method to that of an electronic auction web site, and claim 7 limits the application environment to that of an electronic commerce web site. Electronic auction pertains to selling of products and, thus, is a form of electronic commerce. The ’563 patent itself acknowledges that electronic auction web sites were known. Ex. 1001, 1:33–37. Moreover, under the law determining patent subject matter eligibility, the prohibition against

patenting an abstract idea cannot be circumvented by limiting the application of claim 1 to an electronic auction and of claim 7 to electronic commerce on a website 7. *See Alice*, 134 S. Ct. at 2358; *Bilski*, 561 U.S. at 610–11.

Claim 1 recites a “computing device” that maintains the electronic auction website, and a “processor” that deducts funds and transfers a portion of the deducted funds. The “processor” also provides a user with an automatic payment option and determines whether the user has provided that authorization. The “computing device” and the “processor,” however, are conventional components cited generically. Ex. 1005 ¶ 20. The same is true with respect to “computing devices” recited in claim 7 for maintaining an electronic payment account and the electronic commerce web site, and with respect to “electronic commerce and payment computing architecture” recited in claim 7, which includes the “computing devices.” *Id.* There is no indication from the record that the “computing device” and “processor” recited in these claims are used in anything other than a general and conventional way. The ’563 patent only generically describes these components. *See* Ex. 1001, 6:35–39 (“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.”).

That all of the steps of each of claims 1, 6, and 7 are performed electronically does not add anything significantly more to the corresponding abstract idea. Dr. Neuman testifies that “[f]inancial transactions, electronic or otherwise, are the fundamental building blocks of the economy.” Ex. 1005 ¶ 19. Dr. Neuman further testifies:

The fact that the '563 patent's transfers are occurring electronically does not add to the invention. Transactions are regularly conducted electronically, and have been for decades. Basically, the '563 patent takes this well-known concept and applies it to, for example, the Internet. As discussed above, Figure 1 of the '563 patent shows that these components are nothing more than general purpose servers, databases, and processors, depicted as nothing more than generic boxes.

Id.

As *Alice* explains, “[u]sing a computer to create and maintain . . . electronic recordkeeping” 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.” *Id.* Performing automatically or by a computer tasks which have been performed manually does not constitute an inventive concept. See *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015) (“relying on a computer to perform routine tasks more quickly or more accurately is insufficient to render a claim patent eligible”); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1345 (Fed. Cir. 2013) (“Accenture’s attempts to limit the abstract concept to a computer implementation and to a specific industry thus do not provide additional substantive limitations to avoid preempting the abstract idea of system claim 1.”).

For the steps in claim 1 of providing a user with an option of authorizing automatic payment and determining whether the user has made the authorization, Dr. Neuman testifies that pre-authorizing payments is a basic financial activity that has been, for decades, practiced in electronic funds transfer, escrow services, and other financial services, and that the claimed steps are implemented by generic computer technology. Ex. 1005

¶¶ 26, 28. For the step in claim 1 of executing an automatic payment method after the conclusion of an electronic auction, Dr. Neuman testifies that executing automatic payments is a basic financial activity practiced for decades by various fund transfer services. *Id.* ¶ 30. Dr. Neuman also testifies that the claimed processor for executing automatic payment “does nothing more than the conventional function of performing the simple ‘calculations or computations’ associated with executing a payment.” *Id.*

For the steps in claims 1 and 7 of deducting funds from a payment account, Dr. Neuman testifies that “[d]educting funds from an account is a basic financial activity commonly performed by banks and other providers of financial accounts, which has been practiced for decades.” *Id.* ¶ 27. The requirement that a payment account correspond to a user of an electronic auction web site (claim 1) or a user of an electronic commerce web site (claim 7) merely limits the accounts to a particular application environment and, thus, does not add anything of significance to the abstract idea. *See Bilski*, 561 U.S. at 610–11.

For the step in claim 1 of transferring at least a portion of the deducted funds into an account corresponding to the operator associated with the electronic web site, and the step in claim 7 of transferring at least a portion of the deducted funds into an account associated with an operator of the electronic commerce web site, Dr. Neuman testifies:

This limitation requires crediting an account held by the operator of the electronic auction sale with portion of the funds deducted in the previous limitation (*i.e.*, a commission). Like the debiting step discussed above in [the “automatically deducting” step of claim 1], crediting a commission to the provider or a service is a fundamental economic activity that has been in practice for decades through wire transfers, electronic fund transfers, and inter-bank transactions, to name a few examples.

Ex. 1007, p.4 (describing fund transfer services). The [']563 patent admits that it was known in the prior art for the operator of an electronic auction web site to take a commission. Ex. 1001, 2:51–57. Although this limitation recites a generic “processor” (from a previous limitation) that performs the crediting, the processor does nothing more than the conventional function of performing simple calculations or computations associated with crediting or depositing funds (*i.e.*, addition).

Ex. 1005 ¶ 32.

For the step in claim 7 of setting up an electronic payment account by at least one processor, where the payment account stores funds for use in effecting payment for network-based commerce transactions, Dr. Neuman testifies that that is purely conventional activity akin to operating a conventional bank account. *Id.* ¶ 35. Dr. Neuman further testifies that it was well-known that conventional bank accounts could be used to effect payment in commerce transactions, both network-based and otherwise. *Id.*

Claim 7 requires the electronic payment account and the electronic commerce web site to be maintained. The '563 patent acknowledges that electronic auction web sites were known. Ex. 1001, 1:33–37. Dr. Neuman testifies that dozens of electronic commerce systems were widely implemented prior to the priority date of the '563 patent. Ex. 1005 ¶ 17. Dr. Neuman further testifies that “[b]ank accounts are almost universally kept electronically and there is nothing special or non-conventional about keeping bank records electronically.” *Id.* It is self-evident from use of payment accounts and commerce systems that they are maintained. Also, claim 7 recites only generic and conventional parts (*i.e.*, computing devices and electronic commerce and payment computing architecture having computing devices) to maintain the electronic commerce web site and the electronic payment account. In that connection, Dr. Neuman testifies that

the computing devices “are not specialized in any way,” and that the specification of the ’563 patent makes clear that the computing devices “do nothing more than the conventional function of storing and organizing data.” *Id.* ¶ 39.

With respect to the setting up of an electronic payment account step and the step of maintaining the electronic payment account, we have noted above that under *Alice*, using a computer to create and maintain electronic recordkeeping is one of the most basic functions of a computer, and the same is true with respect to the use of a computer to obtain data and adjust account balances. *Alice*, 134 S. Ct. at 2359.

Claim 7 further requires the computing devices to be “in operative communication with each other via at least one non-Internet connection.” Ex. 1001, 17:51–53. Dr. Neuman testifies:

This limitation recites the use of a generic “non-Internet connection” between the claimed computing devices. Yet, before the advent of electronic networks, such as the Internet, any computing device that communicated with another computing device necessarily did so using a non-Internet connection. For example, it was well-known and conventional for computing devices within a local network to be connected by a non-Internet connection, such as a [local area network]. Thus, this limitation recites a purely conventional activity.

Ex. 1005 ¶ 40.

Claim 6 depends from claim 1 and further recites the step of “automatically replenishing the payment account corresponding to the user after the step of automatically deducting funds from the payment account.” Ex. 1001, 17:28–30. Dr. Neuman testifies that automatically replenishing a financial account “is a basic economic practice that users of bank accounts have engaged in for decades,” and that “anyone with direct deposit

automatically replenishes their bank account.” Ex. 1005 ¶ 33. Dr. Neuman further testifies that automatically replenishing an account does not add significantly more to an abstract idea. *Id.*

Also, performing the 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.”). Similarly, limiting claims 1, 6, and 7 to the particular technological environment of electronic auctions or electronic commerce is not enough to impart patent eligibility. *See Alice*, 134 S. Ct. at 2358.

Furthermore, pre-authorizing an automatic payment to occur after conclusion of an electronic auction or commercial transaction replaces previously-known manual processes—namely, the winning bidder having to “draft a check, obtain a money order, or some other payment document, and mail it to the seller” (Ex. 1001, 3:8–9), the winning bidder having “to type and transfer credit card information” (*id.* at 3:40), or the website operator and seller having to exchange e-mails to authorize a commission payment (*id.* at 3:29–31). “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).

Additionally, the evidence does not support that claims 1, 6, and 7 are like those of *BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1350 (Fed. Cir. 2016) (“non-conventional and non-generic arrangement of known, conventional pieces”). *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 ’563 patent makes a known payment process, in which a buyer makes payment for an item in an electronic auction or commerce, faster and more efficient through a computer system that allows for pre-authorized automatic payments. *See* Ex. 1001, 4:1–15. That computer system, however, includes a set of generic computer components functioning in a generic way. *Id.* at 6:12–7:30; Fig. 1; Ex. 1005 ¶¶ 20–22.

Even when the elements of claims 1, 6, and 7 are not considered individually but as an ordered combination, the character and result of our analysis as presented above does not change. Each combination is no more than the ordinary and expected sum of its parts. We can identify nothing unexpected or surprising in any combination of the elements. For example, setting up an electronic payment account logically leads to maintaining the account and deducting funds stored within the account. Similarly, deducting funds stored within the account logically leads to transferring a portion of the deducted funds to an operator of the electronic commerce web site as commission. And providing the user an option to authorize an automatic payment logically leads to determining whether the user has provided that authorization and, if the user has provided that authorization, actually executing the automatic payment. It also is entirely logical that payment

steps are executed after the conclusion of an electronic auction or following a termination event of a network-based commerce transaction. All ordered combinations still are carried out by conventional and generic technology, such as a general purpose computer.

The evidence of record does not support that any ordered combination of the claim elements improve the functioning of a computer, or result in an improvement in any other technology or technical field. *See Alice*, 134 S. Ct. at 2359. Dr. Neuman’s unrebutted testimony explains that, when considering each claim as a combination, the computer components recited in the claims add nothing that is not already present when the steps are considered separately, and that viewed as a whole, the claims simply recite the well-known, conventional process of pre-authorizing an automatic payment. Ex. 1005 ¶ 41. Dr. Neuman states: “The claims at issue amounts to nothing significantly more than an instruction to apply this abstract idea using some unspecified, generic computer—for example a ‘processor.’” *Id.*

Accordingly, we agree with Petitioner that the claim elements recited in claims 1, 6, and 7, when considered both individually and as an ordered combination, do not add an inventive concept amounting to significantly more than the abstract idea itself. *See Alice*, 134 S. Ct. at 2357. The additional features in these claims are not more than “‘well-understood, routine, conventional activity.’” *See Ultramercial*, 772 F.3d at 715 (citing *Mayo*, 132 S. Ct. at 1298).

3. Conclusion

In summary, we determine that Petitioner has demonstrated by a preponderance of the evidence that claims 1, 6, and 7 of the ’563 patent are directed to patent-ineligible subject matter under § 101.

C. Prosecution History

Patent Owner indicates that during prosecution of the '563 patent, the Examiner raised the issue of patentable subject matter under § 101, and proposed claim amendments to what are now claims 1 and 7 to overcome the § 101 issues. PO Resp. 7–8. Patent Owner argues that, because the USPTO considered the patentability of the challenged claims under § 101, it cannot now hold or take the position that those claims recite ineligible subject matter under § 101. *Id.* at 8.

Petitioner responds by pointing out that the '563 patent issued more than five years before the *Alice* decision. Pet. Reply 6. Petitioner argues that *Alice* shifted the legal framework for analyzing patent eligibility under § 101, and as a result, prosecution of the '563 patent occurred under pre-*Alice* precedents that no longer govern the § 101 analysis and, therefore, are inapposite. *Id.*

We disagree with Patent Owner that, given the prosecution history of the '563 patent, we may not find the challenged claims unpatentable under § 101. Section 101 challenges are permitted under AIA § 18. *Versata*, 793 F.3d at 1330. Patent Owner seeks an exception to that rule in which the issue of patent eligibility under § 101 was previously considered during patent prosecution, but Patent Owner does not support that position with any legal authority that would allow us to make such an exception.

Furthermore, as Petitioner indicates, the '563 patent issued on March 31, 2009. Pet. Reply 6 (citing Ex. 1001, [45]). Prosecution, therefore, ended before the Supreme Court's decisions in *Alice* (*id.*), *Mayo*, and *Bilski*. “[A] § 101 defense previously lacking in merit may be meritorious after *Alice*. This scenario is most likely to occur with respect to patent claims that

involve implementations of economic arrangements using generic computer technology, as the claims do here.” *Inventor Holdings II*, 876 F.3d at 1379 (quoting *Mortgage Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1322 (Fed. Cir. 2016)). Patent Owner asserts in an interview that occurred on November 7, 2008, the Examiner stated to Applicant’s representative that several of the claims recite ineligible subject matter under 35 U.S.C. § 101. PO Resp. 7. Patent Owner further asserts that the Examiner, after receiving authorization from the Applicant’s representative, issued an Examiner’s Amendment amending the claims, including now challenged claims 1 and 7, to overcome any § 101 issues. *Id.* at 7–8. But these claim amendments to claims 1 and 7 only recited generic computer terminology in that they added the term “electronic” to describe the payment account, and specified that the “executing,” “setting up,” and “determin[ing]” steps were to be performed by “at least one processor.” Ex. 1012, 45–47.⁴ Claims that are directed to an economic arrangement implemented using generic computer technology’ raise issues that were significant, if not determinative, of the Supreme Court’s holding in *Alice*. *Inventor Holdings II*, 876 F.3d at 1379. As the AIA provides for “ameliorative processes,” *Versata*, 793 F.3d at 1330, it is appropriate to reconsider the patentability of the challenged claims in this covered business method patent review and make a better decision as to patentability under § 101 having the guidance of *Alice* and its progeny.

⁴ All references to the page number of Exhibit 1012 are to the page numbers inserted by Petitioner at the bottom, right-hand corner of each page.

D. Constitutional Arguments

Patent Owner devotes a substantial majority of the Patent Owner Response making a variety of constitutional arguments. PO Resp. 11–47. 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, 11–44, 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, 45 & 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, 46–47. 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.* at 4, 46. 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. 1–3, 11–44).

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. 210, 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 method 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 ’563 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, 6, and 7 of the '563 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.

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