

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 CBM2017-00027
Patent 7,483,856 B2

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

ZECHER, *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, 5, 6, 8, 34, 35, 45, and 48 (“challenged claims”) of U.S. Patent No. 7,483,856 B2 (Ex. 1001, “’856 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 ’856 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 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 ’856 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 '856 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; 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. 7,567,937 ("937 patent"), 7,627,528 ("528 patent"), 7,610,244 ("244 patent"), 7,599,881 ("881 patent"), and 7,512,563 ("563 patent"). Pet. 3.

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, '563 patent, '881 patent, and '937 patent are the subjects of covered business method patent reviews in Cases CBM2017-00024, CBM2017-00025, CBM2017-00026, CBM2017-00028, and CBM2017-00029, respectively. Also, Patent Owner discloses 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 '856 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. 11, 21–51. 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) (Ex. 1010).

D. The '856 Patent

The '856 patent generally relates to a computerized electronic auction payment system and a method for effecting a real-time payment using the computerized electronic auction payment system for an item won in an electronic auction. *E.g.*, Ex. 1001, 1:7–10. According to the '856 patent, electronic auctions have become tremendously popular. *Id.* at 1:23. The '856 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 1:24–31. 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 1:22–23, 1:47–50. 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 the winning bidder informing them to contact each other to proceed with a payment transaction. *Id.* at 2:16–21.

The '856 patent describes several drawbacks of the known methods for effecting payment. Ex. 1001, 2:52–3:23. According to the '856 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 2:52–57. The seller, in turn, must wait at least two business days to several weeks before being paid. *Id.* at 2:61–62. Additionally, the '856 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 3:3–12. 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 3:15–23.

Accordingly, the '856 patent finds a need to overcome those drawbacks by effecting a real-time payment for an item won in an electronic auction. Ex. 1001, 3:24–26. The '856 patent states that there is also a need to allow the winning bidder to pay for an item won in an electronic auction without having to type and transfer credit card information over an electronic network, or without having to mail the payment to the seller. *Id.*

at 3:26–35. Additionally, the '856 patent identifies a need for allowing an operator of an electronic auction website to get paid its commission in real-time at the conclusion of an auction. *Id.* at 3:35–38.

The '856 patent seeks to address those needs by setting up and maintaining electronic auction payment accounts—which the '856 patent describes as similar to bank accounts—for prospective bidders and sellers. Ex. 1001, 3:53–57, 7:18–19. The prospective bidders provide funds to their electronic auction payment accounts maintained by the computerized 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 computerized electronic auction payment system. *Id.* at 3:57–63.

Upon being deemed as a winning bidder, the winning bidder accesses a payment page, enters the amount of funds to be transferred to the seller, and then 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 seller's electronic auction payment account or another account specified by the seller. *Id.* at 3:63–4:4. Users also have the option of indicating whether the computerized electronic auction payment system should replenish any debited funds from outside sources. *Id.* at 11:24–30.

Figure 1 of the '856 patent is reproduced below.

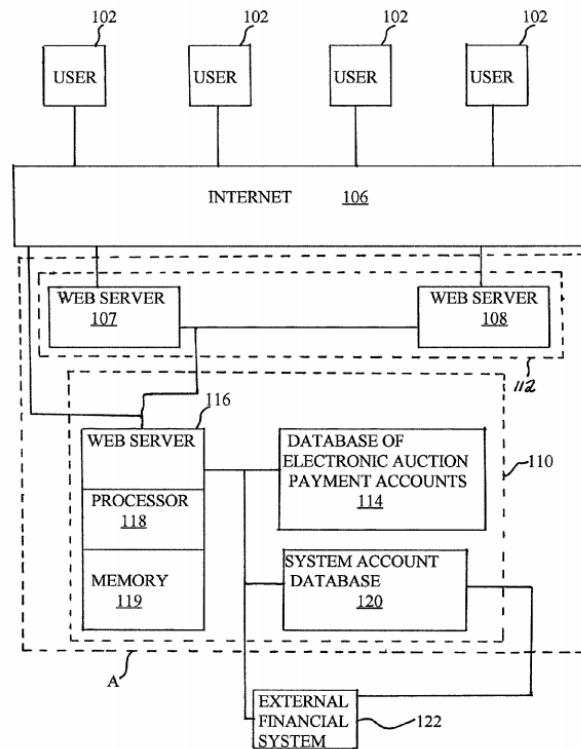


FIG. 1

Figure 1 is an overview of a network computing environment that includes the computerized electronic auction payment system of the '856 patent.

Ex. 1001, 5:44–46.

As shown in Figure 1, users 102 access an electronic auction website via a network, such as Internet 106. Ex. 1001, 6:11–14. 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 6:17–22. 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 6:23–26.

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. Ex. 1001, 6:31–35. 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 6:42–47.

System account database 120 maintains a system account that stores system funds available for loaning to the user if authorized by the user. Ex. 1001, 9:38–46. System account database 120 is accessible by external financial system 122. *Id.* at 9:47–48.

E. Illustrative Claim

Of the challenged claims, claims 1, 35, and 45 are the only independent claims at issue. Independent claims 1, 35, and 45 are directed to a method for effecting payment for a purchaser of at least one item offered for an electronic auction sale by a seller via an electronic auction website. Claims 5, 6, 8, and 34 directly depend from independent claim 1; and claim 48 directly depends from independent claim 45. Independent claim 1 is illustrative of the challenged claims and is reproduced below:

1. A method for effecting payment for a purchaser of at least one item offered for an electronic auction sale by a seller via an electronic auction web site maintained by at least one computing device of an electronic auction system, said method comprising the steps of:

- maintaining an electronic database of a plurality of electronic auction payment accounts corresponding to a plurality of users, including the purchaser, of said electronic auction web site and a payment segment of said electronic auction web site by an electronic auction payment system integrated with said

electronic auction system, each of said plurality of electronic auction payment accounts storing funds therein and each capable of being used for user transactions in the electronic auction system;

performing at least one payment-related activity by at least one processor of said electronic auction payment system for effecting payment for said purchaser, said at least one payment-related activity selected from the group consisting of debiting an electronic auction payment account corresponding to the purchaser of the at least one item and maintained by said electronic auction payment system, and withdrawing funds from at least one account storing funds therein and not corresponding to at least one of the plurality of users, wherein at least one payment source corresponding to the purchaser is used to obtain funds for storing within the electronic auction payment account corresponding to the purchaser prior to debiting the electronic auction payment account corresponding to the purchaser; and

crediting by said at least one processor at least one account corresponding to the seller to effect payment for the at least one item offered for the electronic auction sale via the electronic auction web site.

Ex. 1001, 16:31–64.

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 ’856 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 independent claims 1, 35, and 45 “are each directed to methods for effecting payment for an item won in an auction by exchanging funds between accounts, which is a financial process that compels a finding that the ’856 patent is eligible for [covered business method patent] review.” Pet. 7. Petitioner quotes several limitations of the challenged claims that pertain to effecting payment for an item won in an auction by exchanging funds between accounts, which Petitioner argues is a financial process. *Id.* Specifically, Petitioner asserts:

Independent claims 1, 35, and 45 each recites “[a] method for effecting payment for a purchaser of at least one item offered for an electronic auction sale by a seller via an electronic auction web site.” The method includes “maintaining an electronic database of a plurality of electronic auction payment accounts,”

each “electronic auction payment account[] storing funds therein.” The method also includes performing “at least one payment-related activity” selected from a group consisting of “debiting an electronic auction payment account” and “withdrawing funds from at least one account storing funds.” Payment is effected by “crediting . . . at least one account corresponding to the seller to effect payment for the at least one item offered for the electronic auction sale.”

Id. (first alteration in original). 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. 9–12.

We agree with Petitioner that each of independent claims 1, 35, and 45 contains limitations for performing data processing or other operations that are financial in nature. Specifically, these claims recite methods that include steps of, for example, “maintaining an electronic database of a plurality of electronic auction payment accounts . . . storing funds therein”; “performing at least one payment-related activity by at least one processor . . . for effecting payment” by “debiting an electronic auction payment account corresponding to the purchaser” or “withdrawing funds” from another account; and “crediting by said at least one processor at least one account corresponding to the seller to effect payment.” Ex. 1001, 16:31–64; *accord id.* at 21:5–37, 23:47–24:11. This activity (i.e., maintaining payment accounts that store funds and transferring the funds from those accounts to effect payment) is financial in nature. Accomplishing this activity by maintaining an electronic database, and using a processor to debit one account and credit another falls within the scope of data processing or other operations. Accordingly, we determine that these claims satisfy 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.

Petitioner argues that the challenged claims are not directed to a technological invention, but instead are directed to business processes, that is, activities that are financial in nature, using only known technology.

Pet. 8. Petitioner asserts that the challenged claims merely recite the use of conventional, non-specialized databases and processors and that there is nothing novel or unobvious about using a set of computers to complete a financial transaction. *Id.* at 8–9 (citing Ex. 1005 ¶ 19). Petitioner further asserts that using a previously-funded account, such as a bank account or a deposit account, to effect payments is not a technical solution. *Id.* at 10 (citing Ex. 1005 ¶ 19).

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. 9–12. Patent Owner further argues that the specification of the '856 patent sets forth drawbacks of prior art payment systems, and that the challenged claims provide technological solutions to those drawbacks. *Id.* at 10–11 (citing Ex. 1001, 3:24–38).

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 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 claims do not recite a novel and unobvious technological feature. *See* Pet. 8–10. Dr. Neuman’s unrebutted testimony shows that the challenged claims merely recite the use of conventional, non-specialized databases and processors. Ex. 1005 ¶ 19. We also agree with Petitioner that the challenged 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 ’856 patent itself analogizes its electronic auction payment accounts as being similar to bank accounts. Ex. 1001, 7:18–19.

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 claims only generically recite a “computing device,” “electronic database,” and “processor.” 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 ’856 patent only generically describes those components. *See* Ex. 1001, 6:31–35 (“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 un rebutted testimony reinforces that the claims only recite the use of conventional, non-specialized databases, processors, and hardware. Ex. 1005 ¶ 19.

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. 11. 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 hav[e] been found patentable over the prior art of record” by the U.S. Patent and Trademark Office (“USPTO”). PO Resp. 9; *see also id.* at 11–12 (“[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.”). 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, 35, and 45 satisfy the definition for a covered business method patent as set forth in § 18(d)(1) of the AIA because they are financial in nature, and they are not for a technological invention. Accordingly, the ’856 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. 35 U.S.C. § 101 Ground

Petitioner contends that the challenged claims are directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 21–51. 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 22–50. In response, Patent Owner contends that the challenged claims are directed to patent-eligible subject matter under § 101. PO Resp. 5–9. Based on the record developed during trial, Petitioner has demonstrated that all of the challenged claims are directed to patent-ineligible subject matter under § 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. 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 Claims 1, 35, and 45

We first address independent claims 1, 35, and 45. Each of these independent claims have similar scope in that they recite “[a] method for effecting payment for a purchaser of at least one item offered for an electronic auction sale by a seller via an electronic auction web site” comprising the steps of “maintaining an electronic database of a plurality of electronic auction payment accounts”; “performing at least one payment-related activity by at least one processor”; and “crediting by said at least one processor at least one account corresponding to the seller to effect payment.” Ex. 1001, 16:31–64; *accord id.* at 21:5–37, 23:47–24:11.

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 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 other recently issued patents

identified by Patent Owner, except that those patents are related to payment systems. *Id.*

In determining whether independent claims 1, 35, and 45 fall within a statutory category, we do not need to consider whether the '856 patent is similar to the patents that Patent Owner cites, because each of independent claims 1, 35, and 45 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 those claims fall 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 claims 1, 35, and 45 “are directed to the abstract idea of using a previously-funded account to effectuate a financial transaction in an electronic auction.” Pet. 1. Petitioner asserts that it is a fundamental economic concept to use a previously-funded electronic payment account to make payments in electronic auctions. *Id.* at 28 (citing Ex. 1005 ¶¶ 15–21). Petitioner cites evidence showing that individuals have long used funded accounts for commercial transactions and to make payments. *Id.* at 1, 29 (citing Ex. 1006, 4).¹ Petitioner further asserts that these claims are directed to an abstract idea because they are purely

¹ All references to the page numbers of Exhibit 1006 are to the page numbers inserted by Petitioner at the bottom, right-hand corner of each page.

functional, are directed to the use of generic computer components, rather than to an improvement of those computer elements, and are unlike the claims found not to be directed to abstract ideas under Federal Circuit precedent. *Id.* at 30–32.

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 '856 patent and/or recite patentable technological features, such that the challenged claims are “not ‘an abstract idea.’” *Id.* at 11. Petitioner replies by arguing that Patent Owner’s argument is conclusory, that Patent Owner provides no evidence, expert testimony, or other analysis to support its position, and that 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 claims 1, 35, and 45 are directed to an abstract idea, and we adopt Petitioner’s description of the abstract idea as using a previously-funded account 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.

The language of independent claims 1, 35, and 45 supports the finding that they are directed to the abstract idea of using a previously-funded account to effectuate a financial transaction in an electronic auction. These claims recite methods for effecting payment in the context of an electronic auction sale by a process that includes the steps of maintaining and storing funds in payment accounts; either debiting the purchaser's funded payment account or withdrawing funds from a different account; and crediting the seller's account. Ex. 1001, 16:31–64, 21:5–37, 23:47–24:11. This purchaser-seller arrangement 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 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 '856 patent itself supports this finding in that it describes 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, 7:18–20. Meanwhile, the '856 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 2:52–3:38. 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).

Also, 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 these 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. 1006, 4; *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 unrebutted testimony serves as further evidence that using pre-funded accounts in financial transactions is a fundamental economic practice. Ex. 1005 ¶¶ 16, 18–19.

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. 35 (citing *Advanced Auctions LLC v. eBay Inc.*, No. 13CV1612 BEN (JLB), 2015 WL 1415265, at *4 (S.D. Cal. Mar. 26, 2015)); Ex. 1005 ¶ 22. Patent Owner does not dispute this point. Indeed, the ’856 patent admits that electronic auctions are commonplace. *See* Ex. 1001, 1:23 (“[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 methods of independent claims 1, 35, and 45 include 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 ’856 patent seeks to provide is over manual payment processes such as drafting and mailing a check (Ex. 1001, 2:63–65), typing and transferring credit card information (*id.* at 3:29), or exchanging e-mails to authorize a commission (*id.* at 3:18–20). 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 ’856 patent and/or recites patentable technological features, such that the challenged claims are “not ‘an abstract idea.’” PO Resp. 11. 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 claims 1, 35, and 45 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).

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 contends that independent claims 1, 35, and 45 merely recite generic computer components, which are arranged in a conventional way. Pet. 32–34. 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 35–41, 46–48 (citing Ex. 1005 ¶¶ 22–28). 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 49; Ex. 1005 ¶ 46. 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. 50; Ex. 1005 ¶ 46.

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 claims 1, 35, and 45 are 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, the independent claims at issue require the following steps: (1) “maintaining” an electronic database of electronic auction payment accounts, each storing funds; (2) “performing” at least one payment-related activity—either “debiting” a purchaser’s electronic auction payment account or “withdrawing” funds from another account; and (3) “crediting” a seller’s account. Ex. 1001, 16:31–64, 21:5–37, 23:47–24:11. These claims further recite the use of a “computing device” in the preamble, an “electronic auction web site” in the “maintaining” step, and a “processor” in the “performing” and “crediting” steps. *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 ¶¶ 22–28.

There is no indication from the record that the “computing device,” “electronic database,” and “processor” recited in independent claims 1, 35, and 45 are used in anything other than a general and conventional way. Rather, the ’856 patent only generically describes those components. See Ex. 1001, 6:31–35 (“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 ¶¶ 22–24, 26, 28. Lastly, limiting independent claims 1, 35, and 45 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 ¶ 46.

Furthermore, there is no evidence of record that independent claims 1, 35, and 45 are 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 ’856 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, 3:63–4:4. That computer system, however, includes a set of generic computer components functioning in a generic way. See *id.* Fig. 1; Ex. 1005 ¶ 19.

Meanwhile, the real-time payment replaces previously-known manual processes—namely, 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, 2:63–65), “to type and transfer credit card information” (*id.* at 3:29), or for the website operator and seller to exchange e-mails to authorize a commission payment (*id.* at 3:18–20). “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 claims 1, 35, and 45, 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.

3. Dependent Claims 5, 6, 8, 34, and 48

Petitioner also argues that dependent claims 5, 6, 8, 34, and 48 are not patent eligible. Pet. 42–46, 49 (citing Ex. 1005 ¶¶ 29–33). Patent Owner does not argue these dependent claims separately. Based on the record developed during trial, we agree with Petitioner’s arguments that none of these dependent claims are patent eligible.

Dependent claim 5 provides for the debiting and crediting steps to be performed in real-time. Ex. 1001, 17:12–13. The claimed method, however, is still directed to using a previously-funded account to effectuate a financial transaction in an electronic auction, performed in real-time. Even when undertaken in real-time, this is still an abstract idea. *See Two-Way Media Ltd. v. Comcast Cable Commc’ns, LLC*, 874 F.3d 1329, 1338, 1340 (Fed. Cir. 2017) (relying on precedent in which claims directed to systems and methods for achieving real-time performance were still directed to an abstract idea).

Also, performing the claimed functions in real-time using conventional, generic technology does not add an inventive concept. *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1356 (Fed. Cir. 2016). Here, the debiting and crediting steps are performed by the generic “processor” recited in independent claim 1, and Dr. Neuman provides un rebutted testimony that the processor operating in real-time is conventional. Ex. 1005 ¶ 29. Moreover, Dr. Neuman’s un rebutted

testimony shows that the debiting and crediting steps could be made in real-time using a pencil and paper as an accountant could debit and credit accounts in real-time by recording the credits and debits in an accounting ledger as they are incurred. *Id.*; see *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1368–69 (Fed. Cir. 2015) (“[T]he budgeting calculations at issue here are unpatentable because they ‘could still be made using a pencil and paper’ with a simple notification device, even in real time as expenditures were being made.” (citation omitted) (quoting *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1371 (Fed. Cir. 2011))).

We agree with Petitioner’s description of dependent claim 6 as reciting the step of determining whether the buyer has sufficient funds in the electronic auction payment account, and if not, loaning the buyer those funds. Pet. 42. We also agree with Petitioner’s characterization of this claim as providing overdraft protection, which is a fundamental economic practice long used in connection with bank accounts. *See id.*; Ex. 1006, 5. Dependent claim 6 is still directed to the abstract idea of using a previously-funded account to effectuate a financial transaction in an electronic auction. Adding the feature of overdraft protection 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.”). Rather, the accounts used in the electronic auction are similar to bank accounts (Ex. 1001, 7:18–20), and overdraft protection is a feature that is common to bank accounts (Ex. 1006, 5).

We further agree with Petitioner and Dr. Neuman that dependent claim 6 does not contain an inventive concept. Pet. 43; Ex. 1005 ¶ 30. The only feature added by dependent claim 6 is a description of the steps of providing overdraft protection—i.e., determining if the purchaser’s electronic auction payment account has sufficient funds, and if not, withdrawing funds from another account. Ex. 1001, 17:14–24. Dependent claim 6 is implemented by the same generic computer components as independent claim 1. Accordingly, dependent claim 6 does not contain an inventive concept for the same reasons discussed above with respect to independent claim 1. *See supra* Section II.B.2.c.

Dependent claim 8 adds the steps of determining if the purchaser has bought insurance or a personal guarantee, and debiting the purchaser’s electronic auction payment account for the insurance or personal guarantee. Ex. 1001, 17:28–39. The purchase of insurance or a personal guaranty is a longstanding, fundamental practice in commerce. *See* Ex. 1005 ¶¶ 31–32; *see also buySAFE*, 765 F.3d at 1355 (“The claims are squarely about creating a contractual relationship—a ‘transaction performance guaranty’—that is beyond question of ancient lineage.”). Dependent claim 8 is still directed to the abstract idea of using a previously-funded account to effectuate a financial transaction in an electronic auction. Specifying that the financial transaction may involve the purchase of insurance or a personal guarantee 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.

We further agree with Petitioner and Dr. Neuman that dependent claim 8 does not contain an inventive concept. Pet. 43–45; Ex. 1005 ¶¶ 31–32. The only feature added by dependent claim 8 is a description of the

steps of the abstract idea of purchasing insurance or a personal guarantee—i.e., determining if the buyer has indicated a purchase of insurance or a personal guarantee, and if so, debiting the electronic auction payment account for an amount of funds to cover the purchase of the insurance or personal guarantee. Ex. 1001, 17:28–39. Dependent claim 8 is implemented by the same generic computer components as independent claim 1. Accordingly, dependent claim 8 does not contain an inventive concept for the same reasons discussed above with respect to independent claim 1. See *supra* Section II.B.2.c.

Dependent claims 34 and 48 recite the additional limitation of using a payment source to automatically replenish funds debited from the purchaser’s electronic auction payment account. Ex. 1001, 21:1–4, 24:16–19. Dependent claims 34 and 48 are still directed to the abstract idea of using a previously-funded account to effectuate a financial transaction in an electronic auction. Adding the feature of using a payment source to automatically replenish funds debited from the account 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. Rather, the accounts used in the electronic auction are similar to bank accounts (Ex. 1001, 7:18–20), and Petitioner shows that banks have long provided services allowing for automatic transfers from another source to a checking account to maintain a minimum account balance (Pet. 45 (citing Ex. 1005 ¶ 33; Ex. 1010, 4)).² Furthermore, performing the step automatically does not make the concept non-abstract. *Id.*; see also *Credit Acceptance Corp.*, 859 F.3d at 1055

² All references to the page numbers of Exhibit 1010 are to the page numbers inserted by Petitioner at the bottom, right-hand corner of each page.

(rejecting argument that claims are not abstract explaining that “automation of manual processes using generic computers does not constitute a patentable improvement in computer technology”).

We also agree with Petitioner and Dr. Neuman that dependent claims 34 and 48 do not contain an inventive concept. Pet. 45–46, 49; Ex. 1005 ¶ 33. At most, these claims add the feature of automatically replenishing funds from a payment source. Ex. 1001, 21:1–4, 24:16–19. The automation of a fundamental economic practice does not add an inventive concept. See *Alice*, 134 S. Ct. at 2359 (“use of a computer to obtain data, adjust account balances, and issue automated instructions . . . does no more than require a generic computer to perform generic computer functions . . . [and] amount[s] to ‘nothing significantly more’ than an instruction to apply the abstract idea . . . using some unspecified, generic computer” (quoting *Mayo*, 566 U.S. at 79)); *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015) (automation of fundamental economic concept insufficient to render claim patent eligible). For this reason, in addition to the reasons discussed above for independent claims 1 and 45, dependent claims 34 and 48 do not contain an inventive concept. See *supra* Section II.B.2.c.

4. 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. Prosecution History

Patent Owner indicates that during prosecution of the ’856 patent, the Examiner raised the issue of patentable subject matter under 35 U.S.C. § 101, and proposed claim amendments 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 '856 patent issued more than five years before the *Alice* decision. Pet. Reply 6 (citing Ex. 1001, [45]). Petitioner argues that *Alice* shifted the legal framework for analyzing patent eligibility under § 101, and as a result, prosecution of the '856 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 '856 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 in an instituted covered business method patent review.

Furthermore, as Petitioner indicates, the '856 patent issued on January 27, 2009. Pet. Reply 6 (citing Ex. 1001, [45]). Prosecution, therefore, occurred 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 that § 101 was discussed during an interview that occurred on October 9, 2008, during which the Examiner proposed claim amendments that were accepted by way of a filing on October 16, 2008, to overcome any § 101 issues. PO Resp. 7–8. But these claim amendments only recited generic computer terminology in that they added the term “electronic” to describe the database, and specified that the “performing” and “crediting” steps were to be performed by “at least one processor.” Ex. 1014, 366, 376–77, 381–82.³ Claims, however that “are directed to an ‘economic arrangement’ implemented using ‘generic computer technology’ [raise] issues [that] were significant, if not determinative, of the 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.

D. Constitutional Arguments

Patent Owner devotes a substantial majority of the Patent Owner Response making a variety of constitutional arguments. PO Resp. 12–48. 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

³ All references to the page number of Exhibit 1014 are to the page numbers inserted by Petitioner at the bottom, right-hand corner of each page.

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 our procedures fail to satisfy the Fifth Amendment, that covered business method patents are undermined because they may be reviewed irrespective of their priority date, and that covered business method patent reviews deny the right to a jury trial under the Seventh Amendment. PO Resp. 3–4, 46 & 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, 47–48. 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, 47. 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, 12–45).

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 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 ’856 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, 5, 6, 8, 34, 35, 45, and 48 of the ’856 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.

CBM2017-00027
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