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Paper 42
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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

U.S. BANCORP,
Petitioner,

v.

SOLUTRAN, INC.,
Patent Owner.

Case CBM2014-00076
Patent 8,311,945 B2

Before MICHAEL W. KIM, BEVERLY M. BUNTING, and PATRICK M. BOUCHER, *Administrative Patent Judges*.

BUNTING, *Administrative Patent Judge*.

FINAL WRITTEN DECISION

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

I. INTRODUCTION

U.S. Bancorp ("Petitioner") filed a Petition (Paper 1, "Pet.") requesting a covered business method patent review of claims 1–6 of U.S. Patent No. 8,311,945 B2 (Ex. 1002, "the '945 patent"). Solutran, Inc. ("Patent Owner") filed a Patent Owner Preliminary Response (Paper 15). Pursuant to 35 U.S.C. § 324, the Board instituted trial as to claims 1–6 of the '945 patent on one ground of unpatentability, 35 U.S.C. § 103(a). Paper 16 ("Dec. on Inst.").

After institution of trial, Patent Owner filed a Patent Owner Response (Papers 21, 22 ("PO Resp.")). Petitioner filed a Reply (Papers 25, 26 ("Pet. Reply")). Oral hearing was held on March 4, 2015. A transcript of the hearing is in the record. Paper 41 ("Tr.").

The Board has jurisdiction under 35 U.S.C. § 6(c). This is a Final Written Decision under 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Petitioner has not proven, by a preponderance of the evidence, that claims 1–6 are unpatentable under §103(a).

A. Related Proceedings

The parties represent that the '945 patent is the subject of the following judicial proceeding: *Solutran, Inc. v. U.S. Bancorp,* Case No. 13-cv-2637, (D. Minn), filed September 25, 2013. Pet. 74; Paper 5, 2.

B. The '945 Patent (Ex. 1002)

The '945 patent, titled "System and Method for Processing Checks and Check Transactions," issued on November 13, 2012, based on U.S.

Patent Application No. 11/699,766. Ex. 1002, at [54], [45], [21]. The '945 patent claims priority to provisional patent application no. 60/763,417, filed January 30, 2006. *Id.* at [60].

The '945 patent is directed to a system and method for processing paper checks and check transactions, in which check data is captured at a point of sale, and, later, a check image is captured remotely for subsequent matching of the check image with the check data. Ex. 1002, 1:13–17. Electronic check processing involves the recordation of transaction information (i.e., data) into a digital format, which can be transferred electronically without the need physically to transfer the paper check. *Id.* at 1:54–61. Some functions of the paper check cannot be accomplished using a digital file of the transaction data, for example, evidence the transaction was authorized, proof of errors, or that a particular transaction was paid. *Id.* at 2:9–21.

The Check Clearing for the 21st Century Act created a negotiable instrument referred to as a "substitute check," which is a paper reproduction "generated from a stored digital image of the original check." *Id.* at 2:25–33. Rules developed for the Automated Clearing House ("ACH") network established processes for merchants to process payments electronically. *Id.* at 2:46–53. For example, a point of purchase ("POP") process requires that the merchant receive explicit authorization from the consumer to debit their account, and then the check along with a receipt is returned to the consumer. *Id*. at 2:54–63. Figure 1, reproduced below, illustrates the prior art POP methodology.

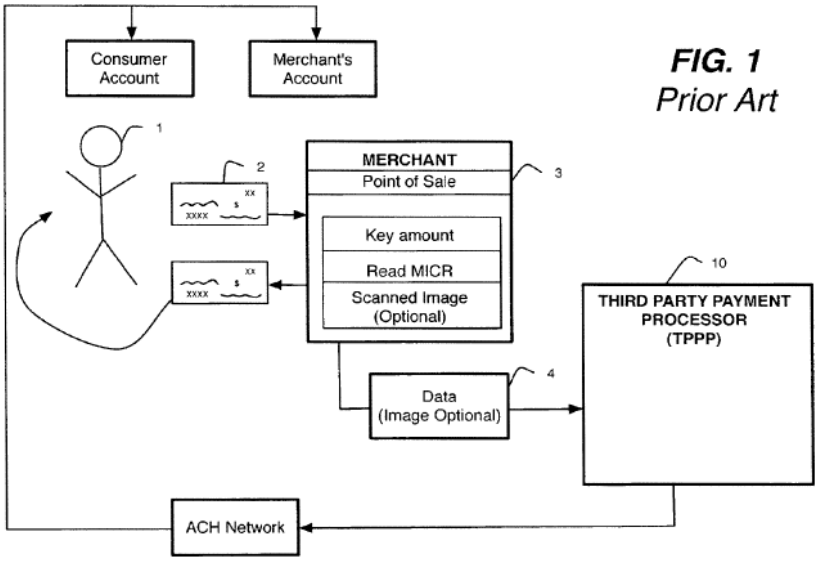

Figure 1 is a Schematic Representation of a POP Method for Processing a Check.

As shown in Figure 1, the merchant may, at the point of sale ("POS"), optionally scan a digital image of the check, after which file 4 with the captured information is transferred to a third party payment processor ("TPPP") for processing as an Automated Clearing House ("ACH") payment. *Id.* at 4:50–67.

In another example described as a back office conversion ("BOC") process, the merchant scans the checks in a back office to capture "an image of the check and store the image with the [magnetic ink character recognition ("MICR")] data from the check" before transmitting a data file to a bank or third party processor. *Id*. at 2:66–3:4. The BOC process is shown in Figure 2 reproduced below.

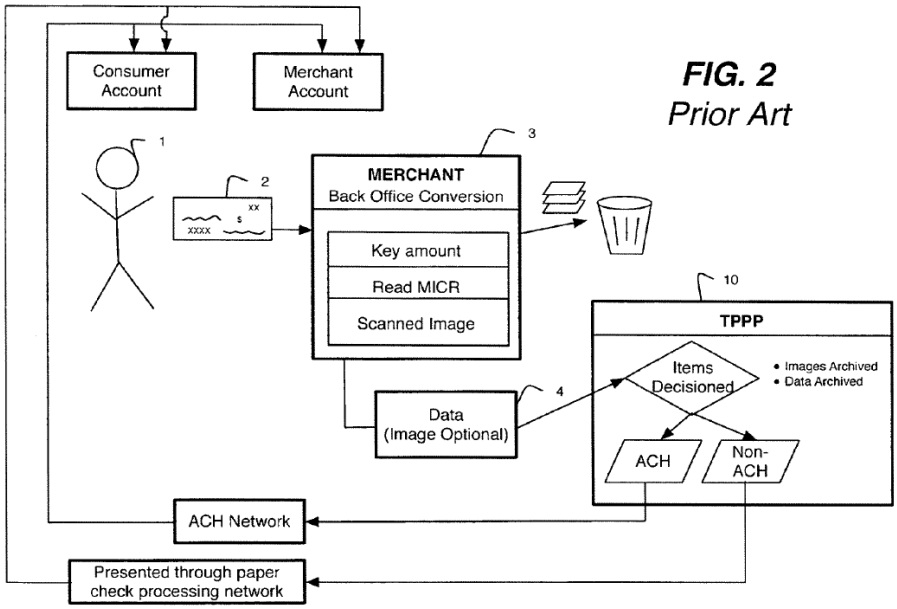

Figure 2 is a Schematic Representation of a BOC Method for Processing a Check.

After scanning the check to generate a digital image file of each check, the merchant retains the scanned image and physical check for a required period of time. *Id*. at 3:5–12. Figure 2 demonstrates how a check data file is transferred to the TPPP in block 4, and the check data file may *optionally* include the digital image file of the check. At block 10, the TPPP determines whether to direct the check data file through either the ACH or non-ACH check processing network, both of which serve to debit a consumer account and credit a merchant account. The TPPP also archives the digital image file and the check data file.

In an embodiment, the ’945 patent discloses how processing of the paper check entails transferring the check data independent of the check image, resulting in debiting of a consumer account and crediting of a merchant account prior to scanning and creating the check image (*id*. at 4:30–34) as shown in Figure 3 reproduced below:

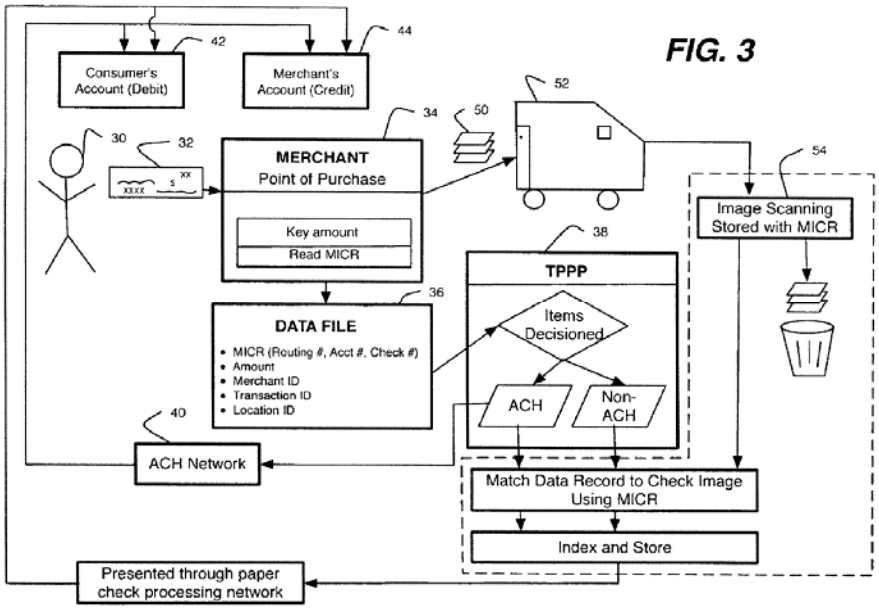

FIG. 3 illustrates the method of processing a check between a consumer and merchant using a third party processor.

Specifically, check data is captured at the merchant's POP, such as by reading the MICR line of the check and converting the MICR information to a digital form. *Id.* at 5:12–20. The merchant sends the data file, which contains information regarding the transaction, i.e., MICR information, amount, merchant identifier, and transaction identifier. *Id.* at 5:21–36. After the TPPP receives the check data, if determined to be eligible for processing via the ACH network, the check data passes "through the ACH network for processing and appropriate debiting of the consumer's account **42** and . . . crediting the merchant's account **44**." *Id.* at 5:37–42. Separately and subsequently, the paper check is transported physically from the merchant to the TPPP for scanning to create a check image that is stored in a digital image file. *Id.* at 3:23–28; 5:47–58. Finally, the TPPP matches the image files of the checks to the data files representative of the check to complete processing and manage discrepancies. *Id.* at 5:59–67. In an embodiment,

> the merchant's account can be credited at the initiation of the third party processor, based on the data file, before the image of the check is matched to the data file, or perhaps even before the check is imaged for ACH eligible items. ACH ineligible items are rendered processed through the Image Exchange Network upon successful data and image match.

Id. at 10:30–36.

C. Illustrative Claim

Petitioner challenges claims 1–6 of the '945 patent. Of the challenged claims, claims 1, 4, and 5 are independent, and all are directed to a method for processing paper checks. Claim 1 is illustrative of the claims at issue and reads as follows:

> 1. A method for processing paper checks, comprising:
>
> a) electronically receiving a data file containing data captured at a merchant's point of purchase, said data including an amount of a transaction associated with MICR information for each paper check, and said data file not including images of said checks;
>
> b) after step a), crediting an account for the merchant;
>
> c) after step b), receiving said paper checks and scanning said checks with a digital image scanner thereby creating digital images of said checks and, for each said check, associating said digital image with said check's MICR information; and
>
> d) comparing by a computer said digital images, with said data in the data file to find matches.

D. Prior Art

Petitioner relies on the following prior art references (Pet. 6):

Reference	**Patents/Printed Publication**	**Date**	**Exhibit**
Figure 2 of the '945 patent	Figure 2 of U.S. Patent Number 8,311,945 B2	January 30, 2006	1002
Randle	U.S. Patent Publication No. US 2005/0071283 A1	March 31, 2005	1012

E. Instituted Grounds

Trial was instituted as to claims 1–6 of the '945 patent based on the following statutory ground. Pet. 10.

Claims Challenged	**Basis**	**References**
1–6	§ 103(a)	Figure 2 of the '945 patent and Randle

II. ANALYSIS

A. Standing

We determined, in the Decision on Institution, that the '945 patent is a covered business method patent, as defined in § 18(a)(1)(E) of the America Invents Act and 37 C.F.R. § 42.301, because at least one claim of the '945 patent is directed to a covered business method. Dec. on Inst. 5–8. Patent Owner does not challenge Petitioner's standing to file a petition for a covered business method patent review of the '945 patent. *See* PO Resp. Thus, after considering the record again, we reaffirm our determination in the Decision on Institution and conclude that the '945 patent is eligible for a covered business method patent review.

B. Level of Ordinary Skill in the Art

Patent Owner argues that Petitioner presents neither evidence of the level of ordinary skill in the art, nor testimony regarding how a person of ordinary skill in the art ("POSA") would understand the cited references. PO Resp. 23. Petitioner counters that based on the MPEP and case law, USPTO administrative patent judges can rely on their own scientific competence in this regard.[1] Reply 2 (citing Pet. 46–47). In light of the discussion below, the parties' assertions are moot. We note further that, regardless, we are not persuaded by Patent Owner's contention because the applied prior art reflects the appropriate level or skill at the time of the claimed invention. *See Okajima v. Bourdeau*, 261 F.3d. 1350, 1355 (Fed. Cir. 2001).

Patent Owner asserts through its Declarant, Mr. Saffici, that a POSA in 2006 would have had ten years of experience in check processing and five years of related ACH processing experience, including "a complete understanding of the rules governing electronic check conversion, including BOC, Check-21, POP, and ARC", and that in addition to the above-referenced experience, the POSA would have "held positions of Operations Management, Senior Business Analyst, and/or Program/Product Management in these respective areas." Ex. 2009 ¶ 30. Petitioner largely

[1] We note that the Board is not bound necessarily by the M.P.E.P. *See, e.g., Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1180 n.10 (Fed. Cir. 1995) ("While the MPEP does not have the force of law, it is entitled to judicial notice as an official interpretation of statutes or regulations as long as it is not in conflict therewith.").

agrees with Patent Owner's Declarant, except with the assertion that the POSA would have held positions of Operations Management, Senior Business Analyst, and/or Program/Product Management in these respective areas. Reply 2.

The parties' agreement that a person of ordinary skill in the art would have ten years of experience in electronic check processing and five years of related ACH processing experience is reasonable, and we adopt that description for purposes of this proceeding. We agree also with Petitioner that it is not necessary for such a person "to have held one of the three specific titles enumerated in PO's definition," as we are unpersuaded that one of ordinary skill would also need experience in management. *Id.* Based on the stated qualifications of Mr. Saffici (Ex. 2009 ¶¶ 6–7) and his Curriculum Vitae (*Id.* at Appendix II), Patent Owner's Declarant meets the requirements of this definition.[2]

C. Claim Construction

We interpret claims of an unexpired patent using the "broadest reasonable construction in light of the specification of the patent in which [they] appear[]." 37 C.F.R. § 42.300(b); *accord Versata Dev. Grp., Inc. v. SAP Am., Inc.*, No. 2014-1194, 2015 WL 4113722, at *19 (Fed. Cir. July 9, 2015) (endorsing the broadest reasonable construction standard for

[2] Patent Owner also proffered the testimony of Mr. Phillip Green (Ex. 2010) regarding commercial success and Petitioner proffered the rebuttal testimony of Mr. Elliott McEntee (Ex. 1021). Because we do not reach the merits of Patent Owner's arguments regarding commercial success, we do not consider the testimony of either party's declarant in this regard.

unexpired patents in covered business method patent reviews) (*citing In re Cuozzo Speed Techs. LLC*, No. 14-1301, 2015 WL 4097949, slip op. at *10–*19 (Fed. Cir. July 8, 2015)). Claim terms are given their ordinary and customary meaning, as would be understood by a person of ordinary skill in the art at the time of the invention and in the context of the entire patent disclosure. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). We apply this standard to the claims of the '945 patent. *See* Pet. 11 (proposing to construe the claims of the '945 patent in accordance with their broadest reasonable interpretation).

In determining whether to institute covered business method patent review, we construe claim terms as necessary to apply the references. Patent Owner proffers a claim construction for "a data file containing data captured at a merchant's point of purchase" and "comparing by a computer said digital images with said data in the data file to find matches," both of which are recited in independent claim 1. PO Resp. 14–19. Additionally, Patent Owner proffers a claim construction for "providing exception processing procedures for any unmatched or mismatched digital images and data in the data file," which is recited in claim 2. *Id.* at 19–21. Petitioner counters that no express claim construction is necessary, and maintains that Patent Owner's proposed claim constructions do not "change the analysis." Reply 1.

Specifically, Patent Owner proposes that "a data file containing data captured at a merchant's point of purchase" means "an electronic data file containing data that were captured at a merchant's point-of-sale terminal." PO Resp. 14. Regarding Patent Owner's proposal to construe "data file" as "an electronic data file," Patent Owner asserts that "the data file must be

electronic to be received electronically." *Id*. at 14. Although we agree with Patent Owner's position, we are unpersuaded such a modification of the claim term is necessary, as it is reflected already in the ordinary and customary meaning of the term.[3]

Further, Patent Owner asserts that the recited "point of purchase" should be construed as a "point-of-sale terminal." Patent Owner asserts that this modification is consistent with the description in the Specification regarding the capture of the data file at the merchant's point-of-sale terminal. *Id.* (citing Ex. 1002, 5:11–19). In particular, because the Specification discloses that the cashier keys in the amount of the purchase at the point-of-sale and passes the check through a MICR reader, Patent Owner asserts that '"point of purchase' is a point-of-sale terminal." *Id.* at 15 (citing Ex. 2009 ¶¶ 24, 25).

We are persuaded by Patent Owner's assertion that the claim term "point of purchase" should be modified explicitly to refer to a "point-of-sale terminal." Figure 4 describes in block 109 how transaction data are captured at a point of sale: "MICR is scanned and associated with amount" (Ex. 1002, Fig. 4). The '945 patent itself refers to the "point-of-sale terminal" in connection with data captured from the check presented to the merchant during the sales transaction, including "MICR line (routing number, account number, check number), dollar amount, store identifier, lane/cashier identifier, point-of-sale date, and other merchant defined auxiliary information." *Id.* at 3:52–58; *see id.* at 5:12–20; 6:26–39.

[3] Only those terms that are in controversy need be construed, and only to the extent necessary to resolve the controversy. *Vivid Techs., Inc. v. Am. Sci. & Eng'g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999).

Mr. Saffici opines that "[a] person of ordinary skill in the art would understand Claim 1 Step a) to identify the situation where electronic data comprised of a dollar amount and only the MICR information from a check is captured at a merchant's point of purchase (POS terminal) and is received by a TPPP, without a check image." Ex. 2009 ¶ 45. Moreover, during oral argument the parties agreed that keying of the amount and reading of MICR information occurs at the point of sale device. Tr. 20:1–9; 55:4–8.

Therefore, based on the current record, we conclude that the broadest reasonable construction of the claim phrase "a data file containing data captured at a merchant's point of purchase" is "a data file containing data captured at a merchant's point-of-sale terminal."

Additionally, we find that the language of claim 1 both logically and grammatically requires that the step of "receiving said paper checks and scanning said checks" be performed *after* the step of "crediting an account for the merchant." In addition to labeling the steps sequentially, claim 1 includes explicit language that limits the order in which the recited steps are performed, and Figure 3 of the '945 patent illustrates such steps performed in that order. This interpretation is further supported by the Specification of the '945 patent, which likewise requires that the steps of "receiving said paper checks and scanning said checks" be performed after the step of "crediting an account for the merchant."

For the foregoing reasons, we construe method claims 1, 4, and 5 as requiring that the steps be performed in the sequential order recited.

As to all other claim terms, we give these claim terms their broadest reasonable construction in light of the specification. *See* 37 C.F.R. § 42.300(b).

D. Obviousness Based on Figure 2 of the '945 Patent and Randle

Petitioner challenges claims 1–6 of the '945 patent as unpatentable under 35 U.S.C. § 103 over Figure 2 of the '945 patent and Randle. The evidentiary standard in this case is a preponderance of the evidence. *See* 35 U.S.C. § 326(e); 37 C.F.R. § 42.1(d). For the reasons given below, after consideration of the Petition, the arguments in the Patent Owner Response, other substantive papers, and the evidence of record, we conclude that Petitioner has not demonstrated, by a preponderance of the evidence, that each of claims 1–6 of the '945 patent is unpatentable based on Figure 2 of the '945 patent and Randle.

1. Principles of Law

A claim is unpatentable under § 103(a) if the differences between the claimed subject matter and the prior art are such that the subject matter, as a whole, would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int'l Co. v. Teleflex Inc*., 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations, including: (1) the scope and content of the prior art; (2) any differences between the claimed subject matter and the prior art; (3) the level of skill in the art; and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

An invention "composed of several elements is not proved obvious

merely by demonstrating that each of its elements was, independently, known in the prior art." *KSR*, 550 U.S. at 418. Moreover, a ground of obviousness must include "articulated reasoning with some rational underpinning to support the legal conclusion of obviousness." *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006). "[T]his analysis should be made explicit" and it "can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does." *KSR*, 550 U.S. at 418.

We analyze the instituted ground of unpatentability in accordance with those principles.

2. Overview of Figure 2 (Ex. 1002)

As discussed above, Figure 2 of the '945 patent ("Figure 2") describes the BOC check processing method whereby "the merchant scans their checks in batches a back office, instead of at the purchase terminal." Ex. 1002, 5:1–4; *see id.* at 3:1–4.

3. Overview of Randle (Ex. 1012)

Randle is directed to electronic transaction processing, including "secure, accurate and verified imaging of financial instruments, check truncation and electronic funds payment, settlement and clearing." Ex. 1012 ¶ 2. Specifically, the system of Randle

> allows for secure check truncation at the point of presentment or any other step in the item processing chain by creating a file containing an image of the check and a file containing transaction data related to the paper check, each of which can be transmitted together or separately in a network and subsequently uniquely matched and or integrated for check processing.

Id. ¶ 76. According to Randle, the deposit bank captures a check and related information by scanning to create an image of the check, which is in addition to creating a data file containing MICR data of the check. *Id.* ¶ 80. Specifically, "separate data file **10** and image plus data file **11** are separately manipulated and processed for settlement, payment and clearing." *Id.* Noting that smaller size data files may be transferred more quickly than larger image files, Randle discloses that

> the clearing house has a capability to timely notify financial institution participants of debit and credit obligations that will accrue upon actual receipt and processing of the imaged instruments upon conclusion of a periodic, or other, settlement . . . [a]fter clearing, the checks (in image/IRD form) are returned to payor banks **22** where they are separately processed and associated with individual payor's accounts, and returned, as data and/or a complete or partial image, to the payor in or accompanying an account statement **25**. The payee bank **21**, receiving funds, will assign the funds and credit the respective individual payee **3**.

Id.

4. Discussion

In support of this asserted ground of unpatentability, Petitioner provides arguments identifying where every limitation of claims 1–6 may be found in Figure 2 and Randle. Pet. 48–71. We address below certain claim elements, as disputed by the parties, to be disclosed by Figure 2 and Randle.

For instance, Petitioner contends that Figure 2 discloses the limitations of step a), step b), and portions of step c) of claim 1, and indicates where these limitations may be found in Figure 2. Pet. 48–51. Specifically, Petitioner argues that Figure 2 of the '945 patent "makes clear that providing an image with the file is 'optional,'" and interprets the "optional" language to mean that the data file being sent to the TPPP "does

not have to contain an image." *Id.* at 50. Based on this interpretation, Petitioner asserts that the data file captured at the point of purchase and transmitted without the image of the check satisfies step a) of "electronically receiving a data file containing data captured at a merchant's point of purchase, said data including an amount of a transaction associated with MICR information for each paper check, and said data file not including images of said checks" recited in claim 1. *Id.*

With regards to Randle, Petitioner contends that Randle discloses portions of step c) and step d), and sets forth where these limitations are disclosed in Randle. *Id*. at 51–52. Acknowledging that neither Figure 2 nor Randle expressly discloses performing step c), after step b), i.e., crediting the merchant account before scanning an image of the check, Petitioner argues "this sequencing would be obvious to one of skill based on Figure 2 in view of Randle." Pet. 52.

Patent Owner responds that claims 1–6 of the '945 patent are not obvious because the Petition mischaracterizes Figure 2 and "Randle does not teach what Petitioner says it does." PO Resp. 22. To support its arguments, Patent Owner relies on testimony of its declarant, Mr. Saffici. Ex. 2009. Specifically, Patent Owner argues that the Petition mischaracterizes Figure 2, in part because Figure 2 does not show that it is optional for the merchant to scan the image. PO Resp. 25–35. Explaining further, Patent Owner asserts that both Figures 1 and 2 of the '945 patent are labeled as "prior art," and that Figure 1 illustrates the "prior-art method for converting a check to an electronic transaction using NACHA's POP ('point of purchase') operating rules." *Id.* (citing Ex. 2009 ¶ 11). Patent Owner contends that "under POP rules, the merchant passes the check through a

MICR reader in order to capture information about the check and then hands the check back to consumer." *Id.* (citing Ex. 1002, 2:58–60, 4:55–58). While the POP rules do not require the merchant to obtain and keep an image of the check, Patent Owner argues that the merchant optionally may retain an image of the check as shown in Figure 1. *Id.* (citing Ex. 1002, 2:61–63, 4:58–59, Figure 2).

Distinguishing Figure 2 from Figure 1, Patent Owner asserts that Figure 2 depicts "a method for converting a check to an electronic transaction using NACHA's BOC operating rules," whereby the merchant "uses scanners to 'capture an image of the check and store the image with the MICR data from the check'" for two years. *Id.* at 26–27 (citing Ex. 1002, 2:65–3:2, 3:3–12). Thus, Patent Owner maintains that "Figure 2 shows that the merchant must key in the amount of the transaction, read the MICR data from the check, and create a scanned image of the check" as required under the BOC rules. *Id.* at 27–28. In further support of this position, Patent Owner directs our attention to the arrow leading from merchant block 3 to a trash can for receiving the paper checks, and states that this image signifies that the paper checks can be thrown away by the merchant after the amount is keyed in, MICR data read, and digital image created. *Id.* at 28. Patent Owner relies on this comparison with Figure 1 to supports its position that the BOC model described in Figure 2 portrays how the third-party payment processor archives the data files and image files received from the merchant, after which "a file containing this information is then transferred to a bank or a third-party payment processor." *Id.* at 29 (citing Ex. 1002, 3:1–4).

Furthermore, Patent Owner asserts that the '945 patent confirms its interpretation of Figure 2 by describing that Figure 2 discloses "Back Office Conversion and the New NACHA Rules" (*id.* at 30) and how "the scanners capture an image of the check and store the image with the MICR data from the check" (*id.* at 31 (citing Ex. 1002, 3:1–2)). Additionally, Patent Owner points to the passage in the '945 patent stating that the new rules "require that a digital image of the front of the check be retained for two years" (*id.* (citing Ex. 1002, 3:7–8)). Patent Owner also relies on the following passage from the '945 patent describing Figure 2:

> FIG. **2** shows a prior art system for converting a check in the merchant's back office. With this system, ***the merchant scans their checks in batches*** in a back office, instead of at the purchase terminal.

Id. (citing Ex. 1002, 5:1–4). Based on this teaching regarding the creation of both the data file and scanned image by the merchant, Patent Owner argues that the term "optional" in Figure 2 means that the merchant may elect to transmit only the data file (allowing the TPPP to initiate ACH processing of the check and archival of check data) or both the data file and image file (allowing the TPPP to handle ACH and non-ACH transactions, archive check data and check image data). *Id.* at 32. Thus, Patent Owner concludes that Figure 2 requires that the merchant scans the check before the merchant can request payment through the ACH system. *Id.*

Petitioner counters that "PO incorrectly argues that none of the prior art teaches two separate collections of data occurring at two different times." Reply 2. To demonstrate that Figure 2 and the BOC regulations describe separating MICR scanning from image scanning, Petitioner cites the testimony of Patent Owner's expert, Mr. Saffici, that "a person of ordinary

skill would understand that: 1) the BOC rules do not require a check image capture to occur at the same time as MICR capture (Ex. 1020 at 48:12-18), and 2) the BOC rules contemplate that the MICR information can be collected separately at the point of sale ('POS'), followed later in time by a check image scan (Id. at 54:22-57:19)." Reply 2–3. Also, Petitioner cites the BOC requirements for MICR Capture for support, which state that the MICR information is obtained during initial processing. Thus, Petitioner argues that "[t]he regulations do not say the MICR information is obtained from an image scanner, but rather a 'reader,' meaning a MICR reader," and that the rules do not require that image capture occur in the merchant's back office. *Id.* at 3. Petitioner reasons that because the BOC rules address check imaging separately from MICR capture, the inference is that these "two different data capture events may occur at two different times." *Id.*

As part of our analysis, we first consider the parties' arguments concerning the scope and content of Figure 2. An understanding of Figure 1 of the '945 patent, also labeled as prior art, is instructive. To the extent Patent Owner argues that Figure 1 discloses the process for converting a check to an electronic transaction at the point of purchase, and Figure 2 discloses the process for converting the check to an electronic transaction in the merchant's back office, including scanning the check to comply with NACHA's BOC operating rules, we agree. As to the meaning of block 4 in Figure 2 containing the language "Data (Image Optional)," we credit the testimony of Patent Owner's Declarant, Mr. Saffici, as consistent with our interpretation of Figure 2. For instance, we are persuaded by Mr. Saffici's testimony "that scanning the images is a required part of Figure 2's prior art Back Office Conversion process and not at all optional." Ex. 2009 ¶ 34.

Likewise, we are persuaded by Mr. Saffici's testimony that "Figure 2 cannot be read to suggest that the TPPP scans paper checks or is involved at all with scanning paper checks." *Id.*

Petitioner's arguments, concerning the separate acquisition and data paths of MICR data and check image data, do not persuade us that Figure 2 discloses that the checks are scanned by the TPPP and not in the back office of the merchant. Petitioner does not direct us to any relevant passage in the Specification or other evidence to support this contention. To the contrary, block 3 in Figure 2 is labeled "Merchant Back Office Conversion" and block 3 is further subdivided into three blocks labeled "key amount," "Read MICR," and "Scanned Image." *See, e.g.*, Ex. 1002, Fig. 2.

We also are not persuaded by Petitioner's characterization of Figure 2, because both parties agree that ACH processing can occur without the check image and that a check image is required by BOC regulations. Reply 4 (citing PO Resp. 28, 32). Petitioner's arguments directed to the BOC rules do not establish sufficiently that Figure 2 shows that the TPPP scans the image file of the check. More persuasive is Patent Owner's argument and evidence demonstrating that the paper check is scanned during the back office conversion in Figure 2, while transmission of the scanned image of the check to the TPPP is optional.

Having determined the scope and content of Figure 2, we now consider Patent Owner's specific argument that the prior art does not teach step a). PO Resp. 40–41. Claim 1 recites:

> *a) electronically receiving a data file containing data captured at a merchant's point of purchase, said data including an amount of a transaction associated with MICR information for*

> *each paper check, and said data file not including images of said checks.*

Patent Owner argues "the Petition cites nothing in the figure itself or in the specification suggesting that the data are captured at the merchant's point of purchase in Figure 2." PO Resp. 40 (citing Pet. 49–50). Patent Owner contends that Figure 2 "makes clear that the data are not captured at the point of purchase," rather in the back office of the merchant. *Id.* at 40–41. In support of this contention, Patent Owner relies on the opinion of Mr. Saffici, that "a person of ordinary skill in the art would understand Figure 2 to call for capturing the data in the back office, not at the point of purchase." *Id.* at 41 (citing Ex. 2009 ¶ 33(a)).

After reviewing all substantive papers and evidence of record, we agree with Patent Owner that the Petition does not explain sufficiently how Figure 2 of the '945 patent satisfies step a). For instance, step a) requires that "the data be captured at the merchant's point of purchase." Petitioner, in its Reply, does not refute directly Patent Owner's contention that Figure 2 discloses that the data is captured in the back office, and not at the merchant's point-of-sale terminal. *See* Reply 2–4. To the extent Petitioner argues that Figure 2 explicitly discloses the separate acquisition of MICR data and check image data, because "[e]lement 3 does not have a single box for imaging the document from which MICR data is obtained, but rather has separate boxes for reading the MICR data and imaging the check," we are not persuaded for the reasons discussed above. *Id*. at 4. Nor are we persuaded by Petitioner's argument that "[e]lement 4 further supports that Figure 2 discloses two separate data paths by showing that the [MICR] data

without the [check] image can be sent to the TPPP for processing" for the reasons discussed above. *Id.*

Thus, we are not persuaded by Petitioner that the "back office conversion" referred to in Figure 2 discloses "data capture at the merchant's point of sale terminal," as recited in step a). We credit the testimony of Mr. Saffici that "[t]he '945 Patent says that in the traditional BOC process 'merchants scan their checks in a back office' not at the point of purchase" as consistent with our understanding of this claim term. Ex. 2009 ¶ 33(a) (citing Ex. 1002, 2:67) (internal citations omitted).

We agree with Patent Owner that one of ordinary skill in the art would have understood Figure 2 as showing that the data is captured in the back office and not at the point-of-sale terminal, as we have interpreted this claim term. As such, Petitioner does not establish sufficiently that Figure 2 discloses the step a) claim element of "data captured at the merchant's point of sale terminal."

Claim 1 further recites the step of:

> *c) after step b), receiving said paper checks and scanning said checks with a digital image scanner thereby creating digital images of said checks and, for each said check, associating said digital image with said check's MICR information.*

Acknowledging that neither Figure 2 nor Randle show the claim element "after step b," Petitioner argues that these references disclose the remaining elements of this claim step. Pet. 51. In particular, Petitioner contends "Figure 2 shows that, optionally a digital image of a check can be scanned." *Id.* (citing Ex. 1002, Fig. 2). With respect to Figure 2, Patent Owner takes the position that the Petition's "misinterpretation causes the Petition's analysis to be fundamentally flawed, as Figure 2 provides the opposite

teaching." PO Resp. 43. Having determined for the reasons above that Figure 2 does not disclose that the TPPP scans the checks, we are persuaded by Patent Owner's contention that Figure 2 does not disclose the scanning portion of this limitation. Thus, Petitioner does not establish sufficiently that Figure 2 discloses the step c) claim element of receiving said paper checks and scanning said checks with a digital image scanner.

Nonetheless, Petitioner also argues that the following passage from Randle satisfies this limitation:

> the deposit bank 4 captures the check and related information, such as by a scan 5 to create an image of the front and back of the check and collects information such as the payee name, bank, payee's account number, the amount of the check and the MICR data.

Pet. 51 (citing Ex. 1012 ¶ 80). Taking a contrary position, Patent Owner argues that Randle teaches a system whereby "a bank can scan a check, thereby creating both an image file and a data file." PO Resp. 49. In particular, Patent Owner asserts that Randle discloses "the Check 21 system in which a bank receives a deposited check and then converts the check to a digital image for settlement processing." *Id.* at 50. Relying on the testimony of Mr. Saffici, Patent Owner contends that "nothing in Randle teaches that a merchant outsources its check-scanning functions to a bank." *Id.* at 51 (citing Ex. 2009 ¶ 38).

Petitioner's arguments, at least in this regard, are persuasive. Randle discloses "creating a file containing an image of the check and a file containing transaction data related to the paper check, each of which can be transmitted together or separate1y in a network and subsequently uniquely matched and or integrated for check processing." Ex. 1012 ¶ 76. The claim

phrase "receiving said paper checks and scanning said checks with a digital image scanner thereby creating digital images of said checks and, for each said check, associating said digital image with said check's MICR information," by itself, does not preclude the bank from reading the MICR information.

Nonetheless, we cannot ignore the first portion of step c), "after step b)," which Petitioner admits is missing from both Figure 2 and Randle. Petitioner presents arguments directed to why "this sequencing would be obvious to one of skill based on Figure 2 in view of Randle." Pet. 52. In particular, Petitioner argues that performing the scanning step c) after step b) would be obvious to one of skill based on Figure 2 in view of Randle, because changing the order of steps from the prior art methods is *prima facie* obviousness. *Id.* (*citing Ex parte Rubin*, 128 USPQ 440 (BPAI 1959); *In re Burhan's*, 154 F.2d 690 (CCPA 1946); *In re Gibson*, 39 F.2d 975 (CCPA 1930)). Specifically, Petitioner argues claim 1 is obvious because it merely reverses the sequence in which the steps of "[m]aking a digital image of a paper check and associating it with [ ] data regarding the check", i.e., step c), and "[c]rediting the merchant's account," i.e., step b), are performed. *Id.* at 57. According to Petitioner, Figure 2 discloses that the merchant's account can be credited without imaging the check at all, though imaging the check is optional, and Randle discloses that the check can be imaged before the merchant's account is credited. *Id*. at 58–59. Thus, Petitioner reasons that the sequence associated with the steps of crediting the merchant's account and imaging the check, is based on "finite and well understood possibilities." *Id*. Changing the order of steps would not provide new or unexpected results, according to Petitioner, because one of skill in the art, as evidenced

by Figure 2, "would have readily recognized that a data file without the image may be sent for ACH processing," and Randle discusses the time-saving advantage of not having the merchant scan the check and associate the resulting image with the data file. *Id*. at 59.

Patent Owner disagrees, arguing that Figure 2 shows "that the MICR data scan and image scan occurs together before crediting the merchant's account, and Randle shows that a bank creates a scanned image of a check before crediting the merchant's account." PO Resp. 50. Based on the teachings in both references requiring check scanning before crediting an account, Patent Owner contends it would not be obvious to combine these references "and conclude that check scanning should happen after crediting an account," as required by claim 1. *Id.* Petitioner's argument regarding combining Figure 2 and Randle also fails, according to Patent Owner, because the BOC process shown in Figure 2 "requires the creation of a scanned image of a check before crediting the merchant's account." *Id.* Patent Owner asserts that the addition of Figure 2 to Randle confirms that the check image must be created before settlement, because Randle performs settlement processing on the check image. *Id.* at 52. Furthermore, Patent Owner asserts that it would not be *prima facie* obvious to change the order of steps because "[n]either cited prior-art reference shows a system where a data file is first generated from the paper check and a digital image file is later generated from the same paper check." *Id.* at 53. Patent Owner notes that claim 1, in addition to requiring that reading the MICR data and scanning the image of the check occur at different times, also requires that the merchant's account be credited between these two scans. *Id.* In reply, Petitioner counters that "[a] person of ordinary skill who PO agrees

understands existing electronic check conversion rules would be able to apply well-known processing steps and design choices made under these rules (i.e Check-21, POP, ARC) to solve problems related to implementing the BOC rules." Reply. 9.

We agree with Patent Owner's contention that Figure 2 discloses a back office conversion process for converting a paper check into an ACH transaction by scanning the paper check in the back office, and only the transmission of the scanned check image from the back office to the TPPP is optional. At the same time, Petitioner acknowledges that neither Figure 2 nor Randle discloses that step c) is performed after step b). Having interpreted the language of the claims as requiring that the steps occur in the specified sequence, Petitioner has failed to show that it would have been obvious to perform step c) of check scanning after step b) of crediting an account.

We also agree with Patent Owner that Petitioner provides only attorney argument, and does not proffer persuasive evidence to support its position that it would have been obvious for one of skill in the art to perform the step of check scanning after the step of crediting the account. Although we acknowledge that the general principle pertaining to "changing the order of steps" has some basis in case law, we determine that Patent Owner has provided sufficient explanation to outweigh that general principle. Therefore, we conclude that the reason for combining Figure 2 and Randle proffered by Petitioner is not supported adequately by a rational underpinning sufficient to outweigh Patent Owner's explanations, because the main rational underpinning is based on Petitioner's mischaracterization of Figure 2. *See KSR*, 550 U.S. at 418.

We conclude that Petitioner has not established by a preponderance of the evidence that claim 1 would have been obvious over Figure 2 and Randle.

5. *Claims 2–6*

Dependent claims 2, 3, and 6 each depend from claim 1 and include additional limitations. Likewise, independent claims 4 and 5 are similar to claim 1, and include additional limitations. In the Petition, Petitioner relied on the cited portions of Figure 2 and Randle as satisfying the claim limitations of claims 2–6. Pet. 48–71. Petitioner argued that claims 2–6 are obvious for the reasons provided with respect to claim 1. *Id*. In opposition, Patent Owner presented arguments and evidence in support of its position that claims 2–6 are not obvious. PO Resp. 58–63. For the reasons provided *supra* with respect to claim 1, we are persuaded similarly by Patent Owner's contentions and supporting evidence concerning claims 2–6. Accordingly, we conclude that Petitioner has not established by a preponderance of the evidence that claims 2–6 of the '945 patent are unpatentable as obvious over the combination of Figure 2 of the '945 patent and Randle.

IV. CONCLUSION

For the foregoing reasons, Petitioner has not demonstrated by a preponderance of the evidence that claims 1–6 of the '945 patent are unpatentable based on 35 U.S.C. § 103(a).

V. ORDER

For the foregoing reasons, it is

ORDERED that claims 1–6 of the ’945 patent are not held unpatentable; and

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

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