

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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DISH NETWORK CORPORATION and  
DISH NETWORK L.L.C.,  
Petitioner,

V.

CUSTOMEDIA TECHNOLOGIES, L.L.C.,  
Patent Owner.

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Case CBM2017-00023  
Patent 8,719,090 B2

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Before MEREDITH C. PETRAVICK, MICHAEL W. KIM, and  
KALYAN K. DESHPANDE, *Administrative Patent Judges*.

PETRAVICK, *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

### *A. Background*

DISH Network Corporation and DISH Network L.L.C. (collectively, “Petitioner”), filed a Petition requesting a covered business method (“CBM”) patent review of claims 1–8, 17, and 23 of U.S. Patent No. 8,719,090 B2 (Ex. 1001, “the ’090 patent”). Paper 1 (“Pet.”). Customedia Technologies, L.L.C. (“Patent Owner”) filed a Preliminary Response to the Petition. Paper 7.

Pursuant to 35 U.S.C. § 324, CBM patent review was instituted on claims 1–8, 17, and 23 of the ’090 patent. Paper 11 (“Inst. Dec.”). We instituted CBM patent review on the following grounds:

<b>References</b>	<b>Basis</b>	<b>Claims</b>
N/A	§ 101	1–8, 17, and 23
N/A	§ 112 <sup>1</sup>	7
Hite <sup>2</sup>	§ 102(a) or (b)	1, 5, and 7
Hite and Hill <sup>3</sup>	§ 103(a)	1, 5, and 7

After institution, Patent Owner filed a Patent Owner’s Response (Paper 25, “PO Resp.”), and Petitioner filed a Reply to the Patent Owner’s Response (Paper 36, “Pet. Reply”). Patent Owner filed a Sur-Reply (Paper 41, “PO Sur”), and Petitioner filed a Response to the Sur-Reply (Paper 42, “Pet. Sur”).

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<sup>1</sup> We refer to the pre-AIA version of 35 U.S.C. §§ 112, 102, and 103 because the ’090 patent was filed prior to the effective date of the AIA, which amended these sections.

<sup>2</sup> U.S. Patent No. 5,774,170 (issued June 30, 1998) (Ex. 1009).

<sup>3</sup> U.S. Patent No. 4,607,346 (issued Aug. 19, 1986) (Ex. 1010).

An oral argument was held March 5, 2018. A transcript of the hearing is included in the record. Paper 47 (“Tr.”).

This Decision is a final written decision under 35 U.S.C. § 328(a) as to the patentability of the challenged claims. Based on the complete record, we determine that claims 1–8, 17, and 23 of the ’090 patent are unpatentable.

### *B. Related Proceedings*

Section 18 of the American Invents Act governs the transitional program for covered business method patent reviews. Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112–29, § 18, 125 Stat. 284, 329–31 (2011); *see also* 37 C.F.R. §§ 42.300–304 (setting forth the rules governing the transitional program for covered business method patents). Section 18(a)(1)(B) of the AIA limits such reviews to persons, or their privies, that have been sued or charged with infringement of a covered business method patent. *See also* 37 C.F.R. § 42.302 (setting forth who may petition for a covered business method patent review). In compliance with 37 C.F.R. § 42.302(a), Petitioner certifies that it has been sued for infringement of the ’090 patent. Pet. 2–3. The ’090 patent is the subject of *Customedia Technologies, L.L.C. v. DISH Network Corporation*, Case No. 2:16-cv-00129 (JRG) in the United States District Court for the Eastern District of Texas. *See* Pet. 1; Paper 5, 2.

Petitioner also filed a petition requesting *inter partes* review of the ’090 patent. *See* Paper 5, 2. That petition is the subject of *DISHDISH Network Corp. v. Customedia Technologies, L.L.C.*, Case No. IPR2017-00454 (PTAB Dec. 8, 2016). *See id.* In IPR2017-00454, Petitioner

challenges claims 1–8, 17, and 23 of the '090 patent as being anticipated by Hite and as obvious over Hite and Hill, while in this CBM patent review, Petitioner does the same, but only challenges claims 1, 5, and 7 on the same grounds. We issue a final written decision in IPR2017-00454 simultaneously with this final written decision.

### *C. The '090 Patent*

The '090 patent is titled “System for Data Management and On-Demand Rental and Purchase of Digital Data Products” and issued on May 6, 2014. Ex. 1001, (45), (54). The '090 patent claims priority as a continuation of Application No. 09/383,994 (“the '994 application”), which was filed on August 26, 1999. *Id.* at (63). The '994 application claims priority as a continuation-in-part to Application No. 08/873,584 (“the '584 application”), which was filed on June 12, 1997. *Id.* Petitioner asserts that claims 1–8, 17, and 23 are not entitled to priority earlier than August 26, 1999. Pet. 17–18. Patent Owner does not dispute Petitioner’s assertion.

The '090 patent discloses a digital data management system having a remote Account-Transaction Server (“ATS”) and a local host Data Management System and Audio/Video Processor Recorder-player (“VPR/DMS”) unit. *Id.* at 4:15–19. The '090 patent discloses various objects of the digital data management system. *See id.* at 3:32–4:16. One object is to “[r]ent/lease storage space in users Data Box to personalize and target advertising to the individual preferences of the user.” *Id.* at 4:10–12; *see also id.* at 30:50–33:41 (detailed disclosure of product advertising operations). This object is the focus of the challenged claims. *See id.* at claim 1.

Figure 16 of the '090 patent is reproduced below.

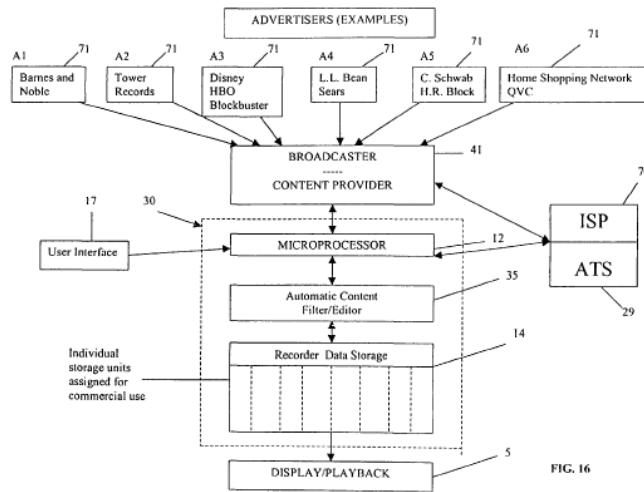


Figure 16 “illustrates the communication pathways between advertisers 71, a broadcaster content provider 41, and VPR/DMS 30.” *Id.* at 30:60–63.

Broadcaster content provider 41 transmits advertising data to VPR/DMS 30 via ATS 29, and the advertising data is recorded on individual data boxes on built-in, non-movable storage device 14. *Id.* at 31:1–15. “Advertising ‘sections’ or ‘spaces’ or ‘data boxes’ may be reserved, rented, leased or purchased from end user, content providers, broadcasters, cable/satellite distributor, or other data communications companies administering the data products and services.” *Id.* at 31:60–64. For example, a cable distributor may provide a customer with a cable set-top box and reserve certain areas to sell or lease to advertisers. *Id.* at 31:64–32:4.

Advertising data may be recorded selectively based on customer selection or activity history monitoring. *Id.* at 32:7–21. Based on customer profile data, an advertiser can place an advertising order, for example, to place an advertisement within a video magazine for selected customers. *Id.* at 32:22–33:3.

*D. Illustrative Claim*

Of the challenged claims, claim 1 is independent, and claims 2–8, 17, and 23 depend directly or indirectly from claim 1. Claim 1 is illustrative of the claimed subject matter and is reproduced below:

1. A data delivery system for providing automatic delivery of multiple data products from one or more multimedia data product providers, the system comprising:

a remote account transaction server for providing multimedia data products to an end user, at least one of the multimedia products being specifically identified advertising data; and

a programmable local receiver unit for interfacing with the remote account transaction server to receive one or more of the multimedia data products and for processing and automatically recording the multimedia data products, said programmable local receiver unit including at least one individually controlled and reserved advertising data storage section adapted specifically for storing the specifically identified advertising data, said at least one advertising data storage section being monitored and controlled by said remote account transaction server and such that said specifically identified advertising data is delivered by said remote account transaction server and stored in said at least one individually controlled and reserved advertising data storage section.

II. ANALYSIS

*A. Claim Construction*

In a covered business method patent review, the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. 37 C.F.R. § 42.300(b); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131,

2144–46 (2016) (upholding the use of the broadest reasonable interpretation approach in the similar context of *inter partes* review). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as they would be understood by one of ordinary skill in the art at the time of the invention. *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Other than the limitation below, no other claim terms need explicit construction. *See, e.g., Wellman, Inc. v. Eastman Chem. Co.*, 642 F.3d 1355, 1361 (Fed. Cir. 2011) (“[C]laim terms need only be construed ‘to the extent necessary to resolve the controversy.’” (citation omitted)).

Claim 1 recites the following limitation: “individually controlled and reserved advertising data storage section adapted specifically for storing the specifically identified advertising data.” Ex. 1001, 46:23–26. In our Institution Decision, we determined that the broadest reasonable construction, in light of the Specification of the ’090 patent, of this limitation is “individually controlled data storage section set apart just for storing the specifically identified advertising data.” Inst. Dec. 8–9. This construction is essentially Petitioner’s proposed construction and the same as the construction adopted by the district court, applying the claim construction standard articulated in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), in the related proceedings. *See* Inst. Dec. 8–9; Pet. 26; Ex. 1025, 6, 9–18.

Patent Owner acknowledges our construction in the Institution Decision and states, “[f]or the purpose of this proceeding, . . . [Patent Owner] **accepts** the Board’s claim construction.” PO Resp. 27 (emphasis added). Patent Owner, however, then seeks to narrow our construction

based upon the prosecution history to require that the reserved advertising data storage section must have some structure that actively precludes or prevents the reserved advertising data storage section from storing anything other than specifically identified advertising data. *See id.* at 54–55. Patent Owner relies upon substantially the same argument and evidence it relied upon in IPR2017-00454. *See* PO Resp. 54–55; *DISH Network Corp. v. Customedia Tech., L.L.C.*, Case. No. IPR2017-00454, Paper 24, 16–18 (PTAB).

For the same reasons we set forth in the Final Written Decision in IPR2017-00454, we are not persuaded by Patent Owner’s argument. *See DISH Network Corp. v. Customedia Tech., L.L.C.*, Case. No. IPR2017-00454, Paper 47, 7–9 (PTAB). We determine that the broadest reasonable construction, in light of the Specification of the ’090 patent, of “individually controlled and reserved advertising data storage section adapted specifically for storing the specifically identified advertising data” is “individually controlled data storage section set apart just for storing the specifically identified advertising data.” *See* Inst. Dec. 8–9.

#### *B. Covered Business Method Patent*

Section 18(d)(1) of the AIA defines a covered business method patent as “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” *See also* 37 C.F.R. § 42.301(a) (stating the same). To determine whether a patent is a covered business method patent, “§ 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) (stating that “the claims at issue in the instant case have an express financial component in the form of a subsidy, or financial inducement, that encourages consumers to participate in the distribution of advertisements”); *Unwired Planet, LLC v. Google, Inc.*, 841 F.3d 1376, 1382 (Fed. Cir. 2016) (“CBM patents are limited to those with claims that are directed to methods and apparatuses of particular types and with particular uses ‘in the practice, administration, or management of a financial product or service.’”).

In our Institution Decision, we determined that Petitioner had shown that the ’090 patent is eligible for CBM review. Inst. Dec. 10–15. Patent Owner urges us to reconsider and determine that the ’090 patent is not eligible for CBM review. *See* PO Resp. 31–51. We, however, are not persuaded to change our original determination.

*1. Financial Product or Service*

Petitioner asserts that “[c]laims directed to advertising constitute CBM-eligible subject matter . . . Thus, the *claims* of the ’090 Patent fall within the statutory definition of a covered business method patent.” Pet. 5–6 (emphases added). Petitioner points to limitations of claims 1, 3, 5, and 7 related to advertising, such as “an advertiser places a selected advertising order” (claim 7), “advertising rates” (claim 5), and “cost effectiveness” (claim 5). *Id.* Petitioner also asserts that claim 1 is directed to an apparatus for use in billing, because claim 1 explicitly recites a “remote account transaction server.” *Id.* at 6.

In our Decision on Institution, we found the following:

The claims of the ’090 patent, however, do explicitly recite the system selling advertising data and the transaction server billing for data, which both are financial activities. With respect to

selling advertising data, dependent claim 10 recites that the “selected placement option and associated financial transactions can be instantly and automatically conducted directly through said system.” The “selected placement option” of claim 10 refers to the “selected placement option” of claim 5. Claim 5 recites that “the system transmits advertisement format scenarios according to a selected placement option.” The ’090 patent, thus, claims a system conducting financial transactions for the transmitting of advertisements according to a selected placement option, in other words, the selling of advertising data, which is a financial activity. In addition, other claims of the ’090 patent recite financial activities related to selling advertising. For example, claim 5 recites “an advertiser places a selected advertising order.” Claim 45 recites that “individual storage sections may be reserved, rented, leased, or purchased,” and claim 1 recites that the individual storage sections are “adapted specifically for storing the specifically identified advertising data.” *See also* Ex. 1001, claim 48 (reciting a similar limitation).

With respect to billing for data, dependent claim 15 recites that the “transaction server verifies billing information with a financial institution of a user and authorizes charging of an account of said user prior to transferring said data product to a local receiver of said user.” The “transaction server” refers to the “remote account transaction server” of independent claim 1. The ’090 patent, thus, explicitly claims a transaction server performing a billing operation, which is a financial activity. *See also* Ex. 1001, claims 19, 32 (reciting controlling data based on rental, purchase, subscription, or fee based transaction information).

Dec. 11–12.

After institution of trial, Patent Owner disclaimed claims 10, 15, 19, 32, 45, and 48. PO Resp. 8 (citing Ex. 2009). Patent Owner presents several assertions with respect to relying on these now disclaimed claims as the jurisdictional basis for conducting a covered business method review.

PO Resp. 2–18.

*a. Statutory and Regulatory Jurisdiction*

Patent Owner first asserts that the Board's analysis, with respect to dependent claims 10, 15, 19, 32, 45 and 48, were not based on arguments set forth in the Petition, exceeded statutory jurisdiction, was inconsistent with the express language of 35 U.S.C. § 324 and 37 C.F.R. § 42.208(c), was improperly *sua sponte*, and presents substantial due process issues. PO Resp. 2–8, 14–15. Patent Owner asserts further that the express language of 35 U.S.C. § 324 and 37 C.F.R. § 42.208(c) supports their position. *Id.* Petitioner disagrees generally, and, with respect to Patent Owner's assertions concerning statutory and regulatory language, responds as follows:

Patent Owner cites to the Supreme Court's decision in *Cuozzo Speed Technologies, LLC v. Lee* for the proposition that the Board's decision to institute CBM review is limited to the particular language used by petitioner in its petition. PO Response at 3. To the contrary, *Cuozzo* rejected that argument. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142 (2016) (affirming institution of IPR on claims not explicitly challenged in petition); *see also In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1274 (Fed. Cir. 2015). Moreover, Patent Owner's statutory analysis is flawed because the sections it cites relate to grounds for unpatentability, not for CBM eligibility. *See* PO Response at 4–5.

Pet. Reply 2. We agree with Petitioner.

*i. Applicable Law*

We do not read the express language of 35 U.S.C. § 324 and 37 C.F.R. § 42.208(c) in the limited manner advocated by Patent Owner. The relevant language of 35 U.S.C. § 324 is as follows:

The Director may not authorize a post-grant review to be instituted unless the Director determines that the information

presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.

As an initial matter, and as noted by Petitioner, the language of 35 U.S.C. § 324 only speaks, with explicit specificity, to unpatentability. The instant issue is jurisdiction.<sup>4</sup>

We agree with Patent Owner that a decision on institution, even concerning jurisdiction, should certainly be *based on* information presented in the petition. It does not follow, however, that a decision on institution is *narrowly limited to information expressly identified only within the four corners* of the petition, for the reasons set forth below.

We begin our analysis with the wording of the 35 U.S.C. § 324, which, in relevant part, recites “the information presented in the petition filed under section 321, *if such information is not rebutted . . .*” By its express wording, the statute contemplates taking into account rebuttal information, which, by all accounts, is the information set forth in the preliminary response to the petition. *See* 35 U.S.C. § 323 (explaining that a preliminary response may “set[] forth reasons why no post-grant review should be instituted based upon the failure of the petition to meet any requirement of this chapter.”). Information set forth in a preliminary response to the petition is not *narrowly limited to information expressly identified only within the four corners* of the petition.<sup>5</sup> In other words, a

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<sup>4</sup> Our analysis is the same with respect to 37 C.F.R. § 42.208(c).

<sup>5</sup> The relevant portion of the corresponding statute for *inter partes* review reads as follows: “the information presented in the petition filed under section 311 and any response filed under section 313 . . .” 35 U.S.C. § 314(a).

preliminary response may raise issues relevant to institution that a petition may not have raised.

A latter portion of 35 U.S.C. § 324 recites, in relevant part, determining whether the information presented in the petition “would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.” The use of the word “would” indicates that the decision on institution is a prediction in the future as to whether or not a claim *will* be held unpatentable, and within the context of the other relevant statutes, the point in time for which such a prediction is being made is at the time of final written decision. *See* 35 U.S.C. § 328(a). Under 35 U.S.C. § 326(a)(11), such a final written decision must be rendered within a specified time period following the decision on institution. During that specified time period, 35 U.S.C. § 326 contemplates a myriad of evidence and papers to be potentially entered, and considered, in coming to a final written decision. *See, e.g.*, 35 U.S.C. § 326(a)(3) (supplemental information), (a)(4) (evidence from discovery), (a)(8) (patent owner response with affidavits or declarations, and “any additional factual evidence and expert opinions”). Accordingly, when all of the above is considered together, a decision on institution is made, certainly based on the information presented in the petition, but also with a prediction as to the information that may be submitted during trial, for example, the evidence and papers enumerated above. Such evidence and papers are not *narrowly limited to information expressly identified only within the four corners* of the petition.

In that respect, the guidance from *Cuozzo* is consistent and instructive. Specifically, in the *Cuozzo* affirmance, the Supreme Court set forth the procedural posture of the proceeding, as follows:

The Board agreed to reexamine claim 17, as well as claims 10 and 14. The Board recognized that Garmin had not expressly challenged claim 10 and claim 14 on the same obviousness ground. But, believing that “claim 17 depends on claim 14 which depends on claim 10,” the Board reasoned that Garmin had “implicitly” challenged claims 10 and 14 on the basis of the same prior inventions, and it consequently decided to review all three claims together. App. to Pet. for Cert. 188a.

*Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2138 (2016).

While certainly any analysis of whether to institute review must be *based on* the petition, the decision to institute may also be based on information that *implicitly flows from* the information set forth in the petition. Given that the patent is evidence squarely before us, implicitly flowing from every petition challenging a patent is the information contained within the patent itself. In other words, when a petition is filed against a patent, the patent is evidence and it is not unreasonable to expect Patent Owner to be familiar with *all* of the information contained in the patent, which would include all dependent claims, challenged in the petition or otherwise. *Cf. Riverwood Intern. Corp. v. R.A. Jones & Co., Inc.*, 324 F.3d 1346, 1355 (Fed. Cir. 2003) (quoting *Reading & Bates Const. Co. v. Baker Energy Resources Corp.*, 748 F.2d 645, 650 (Fed. Cir. 1984) (“It is common sense that an inventor, regardless of an admission, has knowledge of his own work.”)) In that respect, we note that Section 18(d)(1) of the AIA defines a covered business method patent as “a patent that claims . . . ,” and does not recite any further requirements concerning the nature of the claim, e.g., that the claim must be explicitly challenged in the petition. *See also* Transitional Program for Covered

Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (Comment 8) (“A patent having one or more claims directed to a covered business method is a covered business method patent for purposes of the review, even if the patent includes additional claims.”).

*ii. Analysis*

As set forth above, we disagree with Patent Owner that a decision on institution is narrowly limited to information expressly identified only within the four corners of the petition, because Patent Owner ignores the statutory language. When the actual statutory language is applied, it is clear that our identification of dependent claims 10, 15, 19, 32, 45, and 48 is *based on* information expressly identified in the four corners of the Petition. Specifically, Petitioner asserts that the claims recite limitations directed to advertising to a consumer, and points to claim limitations related to ordering and selling advertisements, such as “an advertiser places a selected advertising order” (claim 7), “advertising rates” (claim 5), and “cost effectiveness” (claim 5). Pet. 5. Petitioner also asserts that the claims recite limitations related to providing a billing interface (explaining that the remote transaction server, recited by claim 1, is described in the ’090 patent as a billing interface). *Id.* at 6. Petitioner further asserts that “[c]laims directed to advertising constitute CBM-eligible subject matter . . . Thus, the *claims* of the ’090 Patent fall within the statutory definition of a covered business method patent.” *Id.* at 5–6 (emphases added). Here, Petitioner refers to “claims” in the plural.

By identifying “claims” in the plural, Petitioner is referring, explicitly, to more than one claim. Patent Owner acknowledges that Petitioner is

referring to plural claims. *See* PO Resp. 18–23 (“The ’090 Patent Claims Identified by the Petitioner” and discussing claims 1, 3, 5, and 7). The aforementioned sentence from the Petition that refers to “claims” in the plural is, furthermore, set forth under the following heading: “The ’090 Patent’s *Claims* are Directed to Financial Transactions.” Pet. 5 (emphasis added). The Petition’s analysis cites, “[a] patent need have only one claim directed to a covered business method to be eligible for review.” Pet. 4 (citing 77 Fed. Reg. at 48,736). We read Petitioner’s discussion, in the aggregate, as asserting, explicitly, that any one of the plurality of claims of the ’090 patent is a proper basis for CBM eligibility.<sup>6</sup> We, however, acknowledge that the only claim limitations cited expressly, on pages 5–6 of the Petition, are from claims 1, 3, 5, and 7.

In light of Petitioner’s reference to the “claims,” the Board was led to, and did indeed read, each and every claim. The limitations identified expressly by Petitioner, for example, include claim 1’s “remote account transaction server,” which Petitioner argues is a billing interface. Pet. 6. Claim 15, which depends indirectly from claim 1, explicitly recites that the transaction server verifies billing information and authorizes charging of an account. Ex. 1001, 47:27–31. In our Institution Decision, we explained that the transaction server of claim 15 refers to the account transaction server of claim 1. Inst. Dec. 11–12; *cf. In re NuVasive*, 841 F.3d 966, 971, 972 (Fed. Cir. 2016) (“Although the Board is not limited to citing only portions of the prior art specifically drawn to its attention . . . , [Patent Owner] was entitled to an adequate opportunity to respond . . .”). Given that guidance from the Petition concerning claim 1, the Board additionally identified in the

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<sup>6</sup> In some respects, it is appropriate to end our inquiry here.



Institution Decision, dependent claims 10, 15, 19, 32, 35, and 48, each of which relates to the claimed financial limitations set forth in the Petition.

Patent Owner asserts the following:

For the Board to institute CBM review on the basis of dependent claims not identified in the petition and then find that the patent owner's disclaimer was too late [is] absurd, manifestly unfair, arbitrary and capricious, and create a serious due process concern.

PO Resp. 14. For the reasons set forth above, we are unpersuaded our identification of dependent claims 10, 15, 19, 32, 45, and 48 was not based on information expressly identified in the four corners of the Petition.

Furthermore, due process requires notice and an opportunity to be heard by an impartial decision-maker. *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1328 (Fed. Cir. 2013). As formal administrative adjudications, AIA trial proceedings are subject to the Administrative Procedure Act ("APA"). *See Dell Inc. v. Accelaron, LLC*, 818 F.3d 1293, 1351 (Fed. Cir. 2016); *Belden Inc. V. Berk-Tek LLC*, 805 F.3d 1064, 1080 (Fed. Cir. 2015). Under the APA, the Board must inform the parties of "the matters of fact and law asserted." 5 U.S.C. § 554(b)(3). It also must give the parties an opportunity to submit facts and arguments for consideration. *Id.* § 554(c). Each party is entitled to present oral and documentary evidence in support of its case, as well as rebuttal evidence. *Id.* § 556(d).

Here, in compliance with the Administrative Procedure Act, notice concerning facts and law applicable to this issue were expressly set forth on pages 11–12 of the Institution Decision. Inst. Dec. 10–13 (explicitly identifying claims and applicable case law). Patent Owner has been provided the "opportunity to submit facts and arguments for consideration" on this issue, for example, in its Patent Owner Response. In fact, Patent

Owner has done so. *See* PO Resp. 1–14. Accordingly, we determine that Patent Owner has been afforded due process on this issue.

*iii. Conclusion*

For the above reasons, we are unpersuaded, by Patent Owner’s assertions that the Board’s analysis, with respect to dependent claims 10, 15, 19, 32, 45, and 48, was not based on arguments set forth in the Petition, exceeded statutory jurisdiction, was inconsistent with the express language of 35 U.S.C. § 324 and 37 C.F.R. § 42.208(c), was improperly raised *sua sponte*, and presents substantial due process issues.

*b. Effect of Disclaimer*

Patent Owner asserts that, regardless of whether or not dependent claims 10, 15, 19, 32, 45, and 48 meet the finance prong for CBM eligibility, because Patent Owner disclaimed those claims, pursuant to 35 U.S.C. § 253, those claims must be treated as never having existed, and cannot constitute the basis for CBM eligibility. PO Resp. 8–14. Patent Owner asserts further that, in as much as Petitioner may rely on *J.P. Morgan Chase & Co. v. Intellectual Ventures II LLC*, Case No. CBM2014-00157, Paper 40 (PTAB Jan. 12, 2016) for the proposition that post-institution disclaimers should be treated differently, the reasoning in *J.P. Morgan Chase* is erroneous, and should not be followed. *Id.* at 11–12. Petitioner does cite *J.P. Morgan Chase*, and also asserts the following:

Patent Owner is also incorrect to argue that post-institution disclaimer of claims strips the Board of authority to institute a CBMR. PO Response at 8–14. This argument is foreclosed by *Facebook, Inc. v. Skky*[,] CBM2016-00091 (Paper 12 at \*6) (PTAB Sep. 28, 2017) (precedential) (CBM eligibility is “determined based on the claims of the challenged patent as they existed *at the time of the decision whether to institute.*”);[ ] *see*

*also JP Morgan Chase & Co. v. Intellectual Ventures II LLC*, CBM2014-00157 (Paper 40) at 11 (PTAB Jan. 12, 2016) (jurisdiction determined as of institution). Because Patent Owner chose not to disclaim any claims before institution, the Board was correct to consider them when determining CBM eligibility. *See Arthrex, Inc. v. Smith & Nephew, Inc.*, \_\_\_ F.3d \_\_\_, No. 2017-1239, 2018 WL 522366, at \*4 (Fed. Cir. Jan. 24, 2018) (PTAB has jurisdiction to enter an adverse judgment against Patent Owner who cancels all claims before institution).

Pet. Reply 2–3 (footnote omitted). On the merits, we agree with Petitioner.

*i. Applicable Law*

In our Decision on Institution, we indicated:

A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (Comment 8); *see also Emerson Electric Co. v. SIPCO LLC*, Case CBM2016-00095, slip op. at 7 n.2 (PTAB Jan. 23, 2017) (Paper 12) (“Although the patentability of claims 3 and 4 are not challenged by Petitioner in this proceeding, there is no requirement that only challenged claims may be considered for purposes of determining a patent is eligible for covered business method patent review. As discussed above, a patent is eligible for review if it has at least one claim directed to a covered business method. 77 Fed. Reg. at 48,736 (Response to Comment 8).”).

Inst. Dec. 13. Since our Institution Decision, a final written decision has issued in *Emerson Electric Co. v. SIPCO LLC*, Case No. CBM2016-00095, Paper 39 (PTAB Jan. 16, 2018)<sup>7</sup>; *see also Rembrandt Wireless Technologies, LP v. Samsung Electronics Co., Ltd.*, 853 F.3d 1370,

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<sup>7</sup> A copy of the final written decision in that proceeding has been entered as Exhibit 3001.

1383–84 (Fed. Cir. 2017); *J.P. Morgan Chase*, slip op. at 9–15; *Facebook, Inc. v. Skky, LLC*, Case No. CBM2016-00091, Paper 12, 8–12 (PTAB Sept. 28, 2017) (precedential) (expanded panel); *Westlake Services, LLC v. Credit Acceptance Corp.*, Case No. CBM2014-00176, Paper 41, 2–5 (PTAB Sept. 3, 2015).

Belated post-institution disclaimer of claims reciting a “financial activity element” does not affect our CBM patent review eligibility determination. “CBM patent review eligibility is determined based on the claims of the challenged patent *as they exist at the time of the decision whether to institute.*” *Facebook*, slip op. at 11 (emphasis added). Section 18(a)(1)(E) of the AIA provides that “[t]he Director may *institute* a transitional proceeding only for a patent that is a covered business method patent” (emphases added). Section 18(d)(1) of the AIA defines a “covered business method patent” as “a patent that *claims* a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service” (emphasis added). Hence, the decision whether to institute a CBM patent review is based on whether a patent “is” a covered business method patent, which in turn is based on what the patent “claims” *at the time of the Decision on Institution*—not as the claims may exist at some later time after institution. *See Facebook*, slip op. at 6. In other words, *Facebook* instructs us as to the effect of disclaimed claims at the time of the decision to institute review, but does not instruct us as to the treatment of disclaimed claims after a patent has been determined to be eligible for CBM review and a trial has been instituted.

When the relevant claims are a part of the relevant patent at the time of the decision on institution, they may be considered in determining whether that patent is eligible for CBM patent review at the time of institution. Any belated disclaimer is an improper attempt to seek the specific relief set forth in 37 C.F.R. § 42.207 without complying with the rule's timeliness requirement. Specifically, under 37 C.F.R. § 42.207, titled "Preliminary response to petition," a "patent owner may file a preliminary response to the petition . . . setting forth the reasons why no post-grant review should be instituted." The rule also provides that "[t]he patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a) of this chapter, disclaiming one or more claims in the patent," and "[n]o post-grant review will be instituted based on disclaimed claims." In short, when a patent owner timely files a statutory disclaimer before institution, "[n]o post-grant review will be instituted based on disclaimed claims."

Disclaimed claims are not considered in determining whether a patent is eligible for CBM patent review if a patent owner timely files a statutory disclaimer before institution. *See Facebook*, slip op. at 4 (denying institution on the sole ground that the patent is not eligible for CBM patent review because, when the patent owner filed a statutory disclaimer before its preliminary response, the panel treated the disclaimed claims as if they never existed and declined to consider petitioner's arguments that were based on the disclaimed claims). In such a situation, the Board and parties can avoid the cost and expense of the instant trial, assuming no other claim can provide standing.

The Board's rules are "construed to secure the just, speedy, and inexpensive resolution of every proceeding." 37 C.F.R. § 42.1(b). The rules, including 35 C.F.R. §§ 42.1(b) and 42.207, were promulgated with the consideration of "the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter." 35 U.S.C. § 326(b). We decline to construe our rules and procedures to encourage dilatory tactics.

A patent owner's reliance on 35 U.S.C. § 253, to persuade us that post-Institution Decision claim disclaimer can eliminate our CBM jurisdiction, is misplaced. While our reviewing court has "held that a disclaimer relinquishes the rights of the patent owner," its "precedent and that of other courts have not readily extended the effects of disclaimer to situations where others besides the patentee have an interest that relates to the relinquished claims." *Rembrandt Wireless Techs.*, 853 F.3d at 1383–84. Specifically, in part because institution is discretionary (AIA § 18(a)(1); 35 U.S.C. § 324(a)), a denial of institution does not leave a petitioner any worse off, in that petitioner is still free to challenge the patent in other forums, such as district court, and on all grounds. After institution of a CBM patent review, however, we are required by 35 U.S.C. § 328(a) to "issue a final written decision with respect to the patentability of" the challenged claims in the instituted CBM patent review. Once that final written decision is issued, petitioner is subject to certain estoppels. AIA § 18(a)(1)(D) ("The petitioner . . . may not assert, either in a civil action . . . or in a proceeding before the International Trade Commission . . . that the claim is invalid on any ground that the petitioner raised during that transitional proceeding.").

Accordingly, because, after institution, both the petitioner and the Board also have interests that relate to the relinquished claims, we are persuaded that related post-institution disclaimer of claims reciting a “financial activity element” does not affect our CBM patent review eligibility determination. *Cf. Guinn v. Kopf*, 96 F.3d 1419, 1422 (Fed. Cir. 1996) (holding disclaimer of an allegedly interfering claim did not divest the Board of jurisdiction over the declared interference proceeding).

*ii. Analysis*

There is no dispute that dependent claims 10, 15, 19, 32, 45, and 48 were not disclaimed at the time of institution. *Compare* Inst. Dec. 7 (entered June 12, 2017); Ex. 2009 (entered Oct. 4, 2017). Accordingly, their consideration in determining whether the '090 patent is CBM eligible, at the time of institution, was proper, and the subsequent disclaimer does not deprive us of jurisdiction here.

*c. Whether Any Claim Contains “Express Financial Component”*

Patent Owner argues that “[t]he claims of the '090 Patent do not recite selling anything,” and that reciting advertising, as opposed to selling advertising, does not make the '090 patent CBM review eligible. PO Resp. 15–23. Patent Owner further argues that the selling of advertising must be central to the operation of the claim. *See id.* at 22–23. Patent Owner’s argument focuses on elements of claims 1, 5, and 7, which, according to Patent Owner, do not recite selling advertisement as a central operation of the claim. *See id.*

Petitioner replies that Patent Owner’s proffered standard is too narrow, in that while a claim must contain, “‘however phrased, a financial activity element,’ . . . [t]he Federal Circuit has never held that the financial

element must be ‘central’ to the claims . . . .” Pet. Reply 3–4 (citing *Secure Access, LLC v. PNC Bank National Association*, 848 F.3d 1370, 1381 (Fed. Cir. 2017) *vacated as moot* 2018 WL 2186184 (Mem) \*1) (emphasis omitted).<sup>8</sup>

We disagree with Patent Owner, however, that the “express financial component” must be “central” to the claim. The primary case law support for this proposition, on which Patent Owner relies, is *Blue Calypso*. The manner in which the “central” language is set forth in *Blue Calypso* is that whether an express limitation “subsidy” was central to the claim was an explicit underlying factual finding made, by the Board, in support of an overall determination that a patent at issue in that proceeding was a covered business method patent. *See Blue Calypso*, 815 F.3d at 1339–1340 (“The Board further observed that the subsidy concept was ‘central to the claims’ . . . .”) (emphasis added); *Id.* at 1340 (“As the Board noted, the subsidy is central to the operation of the claimed invention.”) (emphasis added). While *Blue Calypso* states that such an underlying factual finding

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<sup>8</sup> Petitioner presents the language “financial activity element,” citing *Secure Access, LLC v. PNC Bank National Association*, 848 F.3d 1370, 1381 (Fed. Cir. 2017). Pet. Reply 4–5. That decision, however, was recently vacated as moot by the Supreme Court. *Secure Access, LLC v. PNC Bank National Association*, 2018 WL 2186184 \*1 (May 14, 2018) (Mem.) (“The petition for a writ of certiorari is granted. The judgment is vacated as moot, and the case is remanded to the United States Court of Appeals for the Federal Circuit with instructions to remand the case to the Patent Trial and Appeal Board to vacate the Board's order.”). Patent Owner uses the language “express financial component,” as set forth in *Blue Calypso*, 815 F.3d at 1340. We discern little substantive difference between that phrase and “financial activity element.” Accordingly, we substitute all further references to “financial activity element” with “express financial component.”



was relevant in that case to the overall determination that the patent at issue there was a covered business method patent, we do not read it as a requirement that such be considered in all cases.

Patent Owner additionally cites *Unwired Planet* in support of its position, contending that *Unwired Planet* stands for the proposition that “claimed ‘activities ‘incidental to’ or ‘complementary to’ a financial activity’ [is] not ‘the legal standard to determine whether a patent is a CBM,’” which, according to Patent Owner, underscores the requirements that any “express financial component” must be “central” to the claim. PO Resp. 18–19 (citing *Unwired Planet*, 841 F.3d at 1382). Patent Owner’s reliance on *Unwired Planet* is misplaced, however, as *Unwired Patent* does not even discuss express claim language, let alone a requirement that some of that express claim language be “central” to the claim.

Turning to the instant proceeding, Petitioner first contends that claims of the ’090 Patent are “CBM-eligible subject matter because they are directed to advertising to a consumer.” Pet. 5–6. Petitioner points to the recitations of “specifically identified advertising data,” “plac[ing] a selected advertising order,” “advertising rates,” and “cost effectiveness” in claims 1, 3, 5, and 7. *Id.* at 5. According to Petitioner, “advertising to consumers is ‘data processing or other operations used in the practice, administration or management of a financial product or service.’” *Id.* Additionally, Petitioner asserts, “claim 1 is directed to an apparatus for use in billing—which again falls within the statutory definition of CBM eligibility.” *Id.* at 6. Petitioner points to claim 1’s recitation of a “remote account transaction server,” which is described in the ’090 patent as a billing interface. *Id.* (citing Ex. 1001, 22:13–16).

Patent Owner argues that “[a] patent claim is not directed to a covered business method merely because it contains a limitation concerning advertising data; the advertising component of the claim must be directed to an actual financial transaction.” PO Resp. 18–20 (citing *Blue Calypso*, 815 F.3d at 1336–1340) (emphasis omitted). Patent Owner contends that although claims 1, 5, and 7 of the ’090 patent recite advertising, they do not recite selling advertising and, thus, the ’090 patent is not CBM review eligible. PO Resp. 15–23.

As explained in our Institution Decision, contrary to Patent Owner’s argument, the claims of the ’090 patent do explicitly recite the system selling advertising data and the transaction server billing for data, which both are financial activities. Inst. Dec. 11–12. As Petitioner points out, claim 7 recites, “an advertiser places a selected advertising order.” Pet. 5 (citing Ex. 1001, 46:62–64). In this context, we are persuaded that an order cannot reasonably be considered anything other than a financial transaction.<sup>9</sup> Claim 10 recites that the “selected placement option and associated *financial transactions* can be instantly and automatically conducted directly through said system.” Ex. 1001, 47:11–13 (emphasis added). The “selected placement option” of claim 10 refers to the “selected placement option” of claim 5, cited by Petitioner (Pet. 5). Claim 5 recites that “said system transmits advertising format scenarios according to a selected placement option,” and the format scenarios are analyzed based on factors, such as advertising rates or cost effectiveness. Ex. 1001, 46:48–58. The ’090 patent, viewed at the time of institution, thus, claims a system conducting financial transactions for the transmitting of advertisements according to a

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<sup>9</sup> We note that dependent claims 5 and 7 have not been disclaimed.

selected placement option; in other words, the selling of advertising data, which is a financial activity. Dependent claim 15 recites that the “transaction server verifies billing information with a financial institution of a user and authorizes charging of an account of said user prior to transferring said data product to a local receiver of said user.” *Id.* at 47:27–31. The “transaction server” refers to the “remote account transaction server” of independent claim 1. *See id.* at 46:15. The ’090 patent, thus, also explicitly claims an account transaction server performing a billing operation, which is, again, clearly a financial activity.

Patent Owner also asserts that Petitioner’s citations to the Specification concerning financial activities cannot substitute for their absence from the claims. PO Resp. 21. We agree. Patent Owner’s assertions are misplaced, however, as, for the reasons set forth above, we find that the claims of the ’090 patent recites an express financial component, such as an advertiser placing a selected advertising order and a system that performs “financial transactions.”

*d. Conclusion*

For the foregoing reasons, we determine that Petitioner has met its burden of demonstrating that at least one claim of the ’090 patent is or was, directed to an apparatus for performing data processing used in the practice, administration, or management of a financial product or service. Consequently, the ’090 patent satisfies the “financial product or service” component of the definition for a covered business method patent under § 18(d)(1) of the AIA.

## 2. *Technological Invention*

As set forth above, the definition for “covered business method patent” does not include patents for “technological inventions.” AIA § 18(d)(1); *see also* 37 C.F.R. § 42.301(a) (stating the same). To determine whether a patent falls within this exception, our rules prescribe a two-prong approach whereby we consider “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). Further, the following claim drafting techniques would not typically render a patent a “technological invention”:

(a) Mere recitation of known technologies, such as computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, or specialized machines, such as an ATM or point of sale device.

(b) Reciting the use of known prior art technology to accomplish a process or method, even if that process or method is novel and non-obvious.

(c) Combining prior art structures to achieve the normal, expected, or predictable result of that combination.

Office Patent Trial Practice Guide (“Trial Practice Guide”), 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Pursuant to the two-prong framework, Petitioner argues that the claims of the ’090 patent do not meet either prong. Pet. 6–9 (citing Ex. 1001). Patent Owner disagrees for several reasons. PO Resp. 23–27 (citing Ex. 2004, 2007, 2008). We have considered Patent Owner’s

arguments, but we are persuaded that Petitioner has shown sufficiently that the claimed invention of the '090 patent is not for a technological invention.

Turning to the first prong, we consider whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art. Petitioner asserts that the claims recite only generic computer components performing generic computer functions that were well known in the art at the time of the invention. Pet. 7 (citing Ex. 1001).

Patent Owner disagrees. PO Resp. 24–25. First, citing to its argument that certain claims are not anticipated by Hite, or obvious over Hite and Hill, Patent Owner argues that “the use of reserved storage space for advertising data in the '090 Patent was novel and unobvious over the prior art.” *Id.* at 24. For support, Patent Owner also cites to certain statements made in a Notice of Allowability. *Id.* at 25 (citing Ex. 2007, 4 ¶¶ 14–15). Those statements concern the combination of specific prior art patents and patent application publications cited during prosecution. *See* Ex. 2007 4 ¶¶ 14–15. Patent Owner’s assertions, concerning Hite, Hill, and the prior art cited in the Notice of Allowability, are misplaced. Whether Petitioner met its burden of showing, that a claim is anticipated or obvious over the cited prior art, is not commensurate with a determination that the claimed subject matter, as a whole, recites a technological feature that is novel and unobvious over the prior art. *See* 37 C.F.R. § 42.301(b); Pet. Reply 6. While the former analysis focuses on the novelty or obviousness of the claim as a whole, the latter analysis focuses on the novelty or obviousness of *specific, discrete* technological features recited in the claim as a whole.

In any event, Patent Owner’s citation to the Notice of Allowability does not support its argument that “the use of reserved storage space for

advertising data in the '090 Patent was novel and unobvious over the prior art" (PO Resp. 24). The Notice of Allowability actually states the opposite:

Marsh et al. (US 6876974 B1) teaches [at least one data storage section being reserved for advertising data storage] literally as a designated portion of the storage device 206 having a predetermined memory capacity (e.g., 10 MB) which is specifically reserved for storage of advertisements at the time the client system software is installed. This is done to assure there is sufficient space for advertising to support the special email application taught by March et al.

Ex. 2007, 4 ¶ 14 (emphasis omitted); *see also* Pet. Reply 5–6 (citing Ex. 1002, 433 (also ¶ 14 of the Notice of Allowability)).

Further, the '090 patent, itself, tells us that all other possible technological features of claim 1 are known. As Petitioner states:

Every claim limitation recited in the '090 Patent was "known" in the art, as admitted by the patentee in the specification. *See e.g.*, Ex. 1001 at Abstract; 4:61–62; 5:5–8; 13:26–32; 13:54–60; 13:66–14:3; 14:5–8; 14:29–35; 14:35–40; 14:46–50; 15:4–6; 15:11–14; 15:14–18; 15:43–46; 18:20–23; 18:42–46; 24:26–34; 25:1–7; and 37:29–32.

Pet. 7. The '090 patent describes that the claimed programmable local receiver having a data storage section is a known device, such as a set-top box. *See* Ex. 1001, Abstract, 4:59–5:8. Considering each limitation of independent claim 1, as well as each explicit citation to the Specification expressly set forth in the Petition, we are persuaded that Petitioner has met its burden of showing, via analysis and evidence explicitly set forth on pages 6–7 of the Petition, that independent claim 1, as a whole, does not recite a technological feature that is novel or unobvious.

We need only assess whether one of the prongs set forth in 37 C.F.R. § 42.301(b) is deficient to determine whether the claims of the '090 patent

are not for a “technological invention.” *See 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.”). Nonetheless, we have considered Petitioner’s assertion that the claims of the ’090 patent are directed to the business problem of creating a transaction or commercial zone and are not directed to a technical problem. Pet. 8–9 (citing Ex. 1001, 3:32–35). Petitioner asserts that “[d]elivering targeted advertisements is decidedly nontechnical.” Pet. 8.

Patent Owner argues that the ’090 patent is directed to a technical solution to a technical problem and states:

The technical problem is how to ensure that the end user’s storage device (the local receiver of Claim 1) has enough (or any) storage for targeted advertising. The technical solution provided by the ’090 Patent is to deliver, control, and store advertising data on local receivers, such as set-top boxes, in one or more reserved data storage sections.

PO Resp. 25–26 (citing Ex. 2008, 12); *see also id.* at 31–35 (in the context of a ground of unpatentability under 35 U.S.C. § 101, assertions that patent are directed to a technological solution to a technological problem). Patent Owner cites to statements made by the applicant during prosecution to support its argument, but does not provide any citation in support from the ’090 patent itself. *See id.* at 26 (citing Ex. 2008, 12).

We are persuaded by Petitioner’s explanation as to why the claimed subject matter does not solve a technical problem with a technical solution. *See* Pet. 8–9. The ’090 patent, itself, describes that its purpose is “to provide a system that creates a transaction or commercial zone for data to be

received, manipulated, stored, retrieved, and accessed by a user,” and that one aspect is to “[r]ent/lease storage space in users Data Box to personalize and target advertising to the individual preferences of the user.” Ex. 1001, 3:32–35, 4:10–12; *see also id.* at 31:60–64. The ’090 patent is not concerned with lack of storage space for targeted advertising. *See id.* at 30:50–33:16. Relatedly, for the same reasons discussed above in connection with the first prong, we are persuaded that the ’090 patent does not disclose a technical solution. We are persuaded that Petitioner has met its burden of showing, via analysis and evidence explicitly set forth on pages 8–9 of the Petition, that independent claim 1, as a whole, does not solve a technical problem with a technical solution.

Petitioner has met its burden of demonstrating that the ’090 patent is not for a “technological invention.”

### 3. *Conclusion*

For the reasons set forth above, we are persuaded that Petitioner has met its burden of demonstrating that the ’090 patent is covered business method patent eligible for review.

### *C. Indefiniteness*

Claim 7 depends from claim 5 and is reproduced below:

7. The system of claim 5 wherein an advertiser places a selected advertising order which activates instant or time scheduled delivery of said selected advertising order to system customers through interaction with the transaction server.

Petitioner contends that claim 7 is unpatentable under 35 U.S.C. § 112, 2nd paragraph, for failure to particularly point out, and distinctly claim, the subject matter that the application regards as the invention. Pet. 55–57.



Specifically, Petitioner argues that claim 7 is indefinite because it claims a mix of apparatus and method elements. *Id.* at 56 (citing *IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 430 F.3d 1377 (Fed. Cir. 2005).) According to Petitioner, claim 7 recites a method step, but depends from claim 5, which depends from claim 1, which recites an apparatus. *Id.* at 57.

Patent Owner disputes that claim 7 is indefinite. PO Resp. 51–52. According to Patent Owner, the advertiser recited by claim 7 is not an actor or user, but an advertiser computer. *Id.* Patent Owner directs our attention to column 32, lines 28–49 of the '090 patent to show that, in the context, of the '090 patent, the advertiser is an advertiser computer. *Id.*

Pursuant to 35 U.S.C. § 112, a claim is required to “particularly point out and distinctly claim the subject matter which the applicant regards as the invention.” “[A] single claim covering both an apparatus and a method of use of that apparatus is” indefinite because “it is unclear whether infringement . . . occurs when one creates a[n infringing] system, or whether infringement occurs when the user actually uses [the system in an infringing manner].” *IPXL Holdings, LLC v. Amazon.com, Inc.*, 430 F.3d at 1384. “Nonetheless, apparatus claims are not necessarily indefinite for using functional language. If an apparatus claim is clearly limited to an apparatus possessing the recited structure and capable of performing the recited functions, then the claim is not invalid as indefinite.” *UltimatePointer LLC v. Nintendo Co.*, 816 F.3d 816, 826 (Fed. Cir. 2016) (internal quotations and citations omitted).

Contrary to Patent Owner’s argument, the additional limitation of claim 7 does not recite an advertising *computer* or more specifically, an advertising computer capable of performing a function. The plain language

of claim 7 recites “an advertiser” performing the claimed action (“places a selected advertising order”). This is akin to a step of a method. Claim 7, however, depends from claim 5, which depends from claim 1. *See* Ex. 1001, 46:62–65 (“The system of claim 5 . . .”). Claims 1 and 5 recite systems comprising apparatuses, such as a remote account transaction server and a programmable local receiver unit. Ex. 1001, 46:12, 46:48. It, thus, is unclear whether claim 7 encompasses an apparatus or a method.

The specification of the '090 patent does not provide any further clarity. Patent Owner is correct that the '090 patent discloses an advertising computer used in connection with some aspects of the targeted advertising. *See id.* at 32:28–49. The '090 patent, however, also discloses an advertiser placing a selected advertising order. *See id.* at 32:28–67. For example, the '090 patent states: “[o]nce all format decision are made by the advertiser, it may then place the desired advertising placement order” (*id.* at 32:48–50) and “[a]nother example would allow an advertiser to make qualified yet almost instantaneous transactions for placement of advertising” (*id.* at 32:52–64).

We determine that Petitioner shows by a preponderance of the evidence that claim 7 is indefinite.<sup>10</sup>

#### *D. Section 101 Patent-Eligible Subject Matter*

Petitioner contends that claims 1–8, 17, and 23 do not recite patent eligible subject matter under 35 U.S.C. § 101, because they are directed to

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<sup>10</sup> For the purposes of efficiency, we will consider claim 7 with respect to other grounds under §§ 101, 102, and 103 asserted by Petitioner despite our determination that Petitioner has shown that claim 7 is indefinite.

an unpatentable abstract idea, and do not contain an “inventive concept” that amounts to significantly more than the abstract idea. Pet. 31–55 (citing Exs. 1001, 1008). Patent Owner disagrees. PO Resp. 31–51 (citing Exs. 1001, 2004, 2007, 2008). Petitioner replies. Pet. Reply 8–23. Patent Owner further responded. PO Sur. 1–5. Petitioner did the same. Pet. Sur. 1–5.

### *1. Relevant Law*

An invention is patent-eligible if it claims a “new and useful process, machine, manufacture, or composition of matter.” 35 U.S.C. § 101. The Supreme Court, however, has long interpreted § 101 to include implicit exceptions: “[l]aws of nature, natural phenomena, and abstract ideas” are not patentable. *E.g., Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014).

In determining whether a claim falls within the abstract ideas exception, we are guided in our analysis by the Supreme Court’s two-step framework, described in *Mayo* and *Alice*. *Id.* at 2355 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1296–97 (2012)). In accordance with that framework, we first determine whether the claim is “directed to” a patent-ineligible abstract idea. *See Alice*, 134 S. Ct. at 2356. We evaluate “the focus of the claimed advance over the prior art to determine if the claim’s character as a whole is directed to excluded subject matter.” *Affinity Labs of Tex., LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1257 (Fed. Cir. 2016) (internal quotation marks omitted). “[W]hen considering claims purportedly directed to ‘an improvement of computer functionality,’ we ‘ask whether the focus of the claims is on the specific asserted improvement in computer capabilities . . . or, instead, on a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a

tool.” *Smartflash LLC v. Apple, Inc.*, 680 Fed. Appx. 977, 982 (Fed. Cir. Mar. 1, 2017) (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335–36 (Fed. Cir. 2016).

The following method is then used to determine whether what the claim is “directed to” is an abstract idea:

[T]he decisional mechanism courts now apply is to examine earlier cases in which a similar or parallel descriptive nature can be seen—what prior cases were about, and which way they were decided. *See, e.g., Elec. Power Grp.*, 830 F.3d at 1353–54. That is the classic common law methodology for creating law when a single governing definitional context is not available. *See generally* Karl N. Llewellyn, *The Common Law Tradition: Deciding Appeals* (1960). This more flexible approach is also the approach employed by the Supreme Court. *See Alice*, 134 S. Ct. at 2355–57. We shall follow that approach here.

*Amdocs (Israel) Limited v. Openet Telecom, Inc.*, 841 F.3d 1288, 1294 (Fed. Cir. 2016) (footnote omitted).

If the claim is “directed to” a patent-ineligible abstract idea, we then consider the elements of the claim—both individually and as an ordered combination—to assess whether the additional elements transform the nature of the claim into a patent-eligible application of the abstract idea. *Alice*, 134 S. Ct. at 2355. This is a search for an “inventive concept”—an element or combination of elements sufficient to ensure that the claim amounts to “significantly more” than the abstract idea itself. *Id.*

## 2. *Whether the Claims are Directed to an “Abstract Idea”*

Petitioner argues that the challenged claims are directed to the abstract idea of “delivering targeted advertising to a user” and that the remaining claim elements merely identify a generic technological environment and add routine and conventional post-solution activity. Pet. 36 (citing Ex. 1001,

46:12–18); Pet. Reply 7–9. Patent Owner disagrees, and argues that the challenged claims are patent eligible, because they claim a specific, discrete implementation of a technological solution to a technological problem via an improvement in data management. PO Resp. 32–35 (citing Ex. 2004).

Like the parties, who focus their analysis for step one on independent claim 1, we take claim 1 as representative. *See* Pet. 36–40; PO Resp. 31–41. Claim 1 recites “[a] data delivery system for providing automatic delivery of multimedia data products from one or more multimedia data product providers” and specifies that at least one of the multimedia data products is specifically identified advertising data. Ex. 1001, 46:12–18. Claim 1 also recites that the multimedia data products are provided by a remote account transaction server, and received by a programmable local receiver unit. *Id.* at 46:15–21. The remote account transaction server monitors and controls an individually controlled and reserved advertising data storage section, and the specifically identified advertising data is stored in the individually controlled and reserved advertising data storage section. *Id.* at 46:26–32. Based on its recitations, the focus of claim 1 is the abstract idea of delivering targeted advertising to user. *See* Pet. 36–38 (citing Ex. 1008 ¶ 373, testimony of Dr. Negus). The focus of claim 1 is consistent with the ’090 patent description of renting or leasing storage space in a user’s data box to personalize and target advertising to individual users. *See* Ex. 1001, 3:32–35, 4:10–12, 31:60–64.

Patent Owner argues that “[t]he ’090 Patent is directed to solving the technical problem of how to ensure that the end user’s storage device has enough storage for targeted advertising by claiming a system to deliver, control, and store the advertising data on local receivers in reserved data

storage sections” and not to an abstract idea. PO Resp. 32; *see also* PO Sur 2. Patent Owner relies upon the testimony of Dr. Kesan to support its argument. PO Resp. 32–35 (citing Ex. 2004, 1024–1043). Dr. Kesan testifies, “the ’090 Patent discloses a system that breaks up the total memory of a device into separate data storage sections,” which “provide to the end-user and each data supplier a virtual memory allocation out of the larger memory area.” Ex. 2004 ¶ 1026. Patent Owner’s argument, and Dr. Kesan’s testimony, is unpersuasive because they are not commensurate with the scope of claim 1. Claim 1 does not require the advertising data storage section to have any specific structure, such as separate portions that are allocated to a user or a data supplier. Nor does claim 1 require that data, other than specifically identified advertising data, be stored on the same device. *See DISH Network Corp. v. Customedia Tech., L.L.C.*, Case. No. IPR2017-00454, Paper 10, 8–9 (rejecting Patent Owner’s contention that claim 1’s advertising data storage section must be set apart from other data storage sections that are on the same data storage and that store data other than the specifically identified advertising data). Claim 1 does not require that the programmable local receiver receive any data other than specifically identified advertising data.

Patent Owner also relies upon statements, made by Petitioner’s damages experts in the related district court case, to assert that “[i]n the district court, DISH conceded that the claims’ ‘character as a whole’ is *not* directed to targeted advertising but rather a discrete technological solution to a technological problem.” PO Resp. 47 (reproducing statements of Paul C. Benoit and Christopher Bakewell from Exs. 2005, 2006). As Petitioner points out, however, “[t]hese statements come from a damages expert report

responding to theories presented by Patent Owner’s own technical and damages experts in the underlying district court case. Petitioner’s expert was required to assume validity . . . .” Pet. Reply. 13 (emphasis omitted).

For the reasons above, we are not persuaded by Patent Owner that claim 1 is directed to a technological solution to a technological problem, and not to an abstract idea. Petitioner’s argument and evidence sufficiently show that claim 1 is directed to the concept of delivering targeted advertising to a user. *See* Pet. 36–38 (citing Ex. 1001, Ex. 1008).

The concept of delivering targeted advertising to a user is similar to concepts determined to be patent-ineligible in other cases. *See* Pet. 37–40. For example, in *Affinity Labs*, the Federal Circuit determined that the concept of providing out-of-region access to regional broadcast is an abstract idea. *Affinity Labs*, 838 F.3d at 1258. Similarly, in *Smartflash*, the Federal Circuit determined that claims reciting a method and a terminal for controlling access to and retrieving multimedia content were directed to the abstract idea of “conditioning and controlling access to data based on payment.” *Smartflash*, 680 Fed. Appx. at 982. Like claim 1, the claims at issue in *Smartflash* recited the use of components of a computer, such as a processor having code to receive multimedia content and code to control access to the multimedia content according to use rules and a memory storage. *Id.* at 4–6. The Federal Circuit determined that the claims “invoke computers merely as tools to execute fundamental economic practices.” *Id.* at 10; *see also Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014) (finding computer-implemented system claim merely recited the abstract idea of offering media content in exchange for viewing an

advertisement, along with routine additional steps such as restrictions on public access).

Patent Owner argues that the claim here is like the claims in cases, such as *Visual Memory LLC v. NVIDIA Corp.*, 867 F.3d 1253 (Fed. Cir. 2017), *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), *Thales Visionix Inc. v. United States*, 850 F.3d 1343 (Fed. Cir. 2017), and *Core Wireless Licensing S.A.R.L. v. LG Electronics, Inc.*, 880 F.3d 1356 (Fed. Cir. 2018). *See* PO Resp. 35–38; PO Sur. 1–3. Patent Owner contends that, like in those cases, claim 1 requires a specific memory structure that solves a technological problem in the art and improves the functioning of computers. *See* PO Resp. 36 (“Claim 1 of the ’090 Patent requires a specific memory structure—reserve storage space . . . “); PO Sur. 1–3 (“modifying the typical computer memory configuration to reserve storage space just for advertising data”). Patent Owner’s argument is unpersuasive, because it is not commensurate with the scope of claim 1. Claim 1 does not require the advertising data storage section to have any specific structure. *See DISH Network Corp. v. Customedia Tech., L.L.C.*, IPR2017-00454, Paper 47, 7–9 (PTAB).

For the reasons discussed above, Petitioner’s evidence and analysis sufficiently show that claim 1 of the ’090 patent is directed to the patent-ineligible abstract idea of delivering targeted advertising to a user.

### *3. Inventive Concept*

Next we turn to “the elements of each claim both individually and as an ordered combination” to determine whether the additional elements “transform the nature of the claim” into a “patent-eligible application.” *Mayo*, 566 U.S. at 1297–98. The additional elements must be more than



“well-understood, routine, conventional activity.” *Id.* at 1298. On this record, Petitioner has made an adequate showing that the challenged claims of the '090 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355.

Petitioner goes into detail concerning each of claims 1–8, 17, and 23 and why each one of these claims does not, in their view, contain an inventive concept that amounts to “significantly more” than an abstract idea. Pet. 40–57. Patent Owner asserts that Petitioner has failed to meet its burden of showing, under the guidance set forth in *Berkheimer v. HP, Inc.*, 881 F.3d 1360 (Fed. Cir. 2018), a sufficient evidentiary basis for its assertions that certain claims elements are “well-understood, conventional and routine.” PO Sur. 3. Petitioner disagrees, asserting, among other arguments, that its assertions with respect to “well-understood, conventional and routine” are supported sufficiently by evidence, for example, by the prior art cited in the Petition, the testimony of Dr. Negus, and “the specification’s own admissions that all of the structural elements of the claim were well-known.” Pet. Sur. 3 (citing Pet. 40–55; Ex. 1008 ¶¶ 374–393).

With respect to claim 1, Patent Owner argues that claim 1 recites the use of non-conventional and non-generic components as well as non-conventional and non-generic arrangements of known, conventional components. PO Resp. 43–43. Specifically, Patent Owner argues that the use of a reserved storage space just for advertising data that is monitored and controlled by a remote account transaction server is an inventive concept. *Id.* at 43. Patent Owner relies upon the testimony of Dr. Kesan for support. *Id.* (citing Ex. 2004 ¶ 1037). Dr. Kesan testifies that “[c]laim 1 recites

managing and integrating various types of advertising data, while also ensuring that there is space for such data in the system . . . ,” and concludes

the invention of sending multimedia data from a first computer to a specific section of the storage on a second computer and then continuing to monitor and control that section of the second computer from the first computer as recited in Claim 1 was not conventional or generic at the time of the invention.

Ex. 2004 ¶ 1037. Claim 1, however, does not recite managing and integrating various types of advertising data. Dr. Kesan’s testimony, thus, is misplaced, at least with respect to whether claim 1 recites an inventive concept.

Patent Owner also relies upon the same statements from the Notice of Allowability, as discussed above in connection with CBM eligibility, to argue claim 1 recites an inventive concept. *Id.* at 43–44 (citing Ex. 2007, 4 ¶¶ 14–15). The statements, however, only address the patentability of claim 1 over the prior art considered during prosecution, and not whether claim 1 recites an inventive concept in the context of a patent eligibility analysis. *See* Ex. 2007, 4 ¶¶ 14–15. A novel and non-obvious claim directed to a purely abstract idea is, nonetheless, patent-ineligible. *See Mayo*, 566 U.S. at 90; *see also Diamond v. Diehr*, 450 U.S. 175, 188–89 (1981) (“The ‘novelty’ of any element or steps in a process, or even of the process itself, is of no relevance in determining whether the subject matter of a claim falls within the § 101 categories of possibly patentable subject matter.”).

As Petitioner argues, the ’090 patent, itself, indicates that the remaining elements of claim 1 were well known. *See* Pet. 40–45 (citing Ex. 1001 at Abstract; 4:61–62; 5:5–8; 13:26–32; 13:54–60; 13:66–14:3; 14:5–8; 14:29–35; 14:35–40; 14:46–50; 15:4–6; 15:11–14; 15:14–18; 15:43–46; 18:20–23; 18:42–46; 24:26–34; 25:1–7; and 37:29–32. Further,

Dr. Negus's testimony persuaded us that all of the recited components of the claims are well-known computer technology. *See* Ex. 1008 ¶¶ 374–380. Based on this evidence, we determine that Petitioner has shown sufficiently that the remaining elements of the claim 1 do not transform the nature of claim 1 into a patent-eligible application of the abstract idea. They do not add significantly more to the abstract idea.

With respect to dependent claims 2–8, 17, and 23, Patent Owner asserts that they recite non-conventional, non-generic components and non-generic arrangements of known, conventional components. Pet. 44–45. Patent Owner relies upon the testimony of Dr. Kesan for support. *Id.* (citing Ex. 2004 ¶¶ 1040–1043). Dr. Kesan's testimony is insufficient to overcome Petitioner's analysis and evidence that the additional elements recited by the dependent claims are conventional and generic. For example, Dr. Kesan testifies: "Claim 2 adds that specific technological solutions can be applied where multimedia data products are received at the personal media receiver unit via network television broadcast, cable television broadcast, or satellite television broadcast." Ex. 2004 ¶ 1040. Dr. Kesan's testimony, however, merely paraphrases claim 2 without further analysis, which is insufficient to overcome Petitioner's analysis and evidence (Pet. 45 (citing Ex. 1001, 1:50–53; Ex. 1008 ¶ 381) that the recited components are conventional and generic. While admittedly a "battle of experts," we are persuaded by Dr. Kesan's opinion that we are hard-pressed to find an element in dependent claim 2 that was non-conventional or non-generic. As another example, with regards to claim 8, Dr. Kesan testifies: "Asserted dependent Claim 8 recites limiting transmission to those receiver units that the system indicates have available advertising space within a respective individually controlled and

reserved advertising data storage section. '090 Patent at 46:64–47:4.” *Id.* ¶ 1041. Dr. Kesan’s testimony, again, merely paraphrases claim 8, and, thus, suffers from the same faults as claim 2.

Petitioner goes into detail concerning each of dependent claims 2–8, 17, and 23, and why each of these claims do not recite an inventive concept that amounts to “significantly more” than an abstract idea. Pet. 46–55. For each dependent claim, Petitioner relies upon the '090 patent itself and the testimony of Dr. Negus to show that the additional element recited by the dependent claims was routine and conventional. *Id.* (citing Ex. 1001; Ex. 1008). Petitioner evidence and analysis, which we are persuaded by and, thus, adopt as our own, sufficiently shows that dependent claims 2–8, 17, and 23 do not recite an inventive concept that amount to “significantly more.” *Id.*

#### 4. *Conclusion*

For the foregoing reasons, we determine that the Petitioner has shown, by a preponderance of the evidence, that claims 1–8, 17, and 23 are unpatentable under 35 U.S.C. § 101.

#### *E. Anticipation by Hite*

Relying upon substantially the same argument and evidence it relied upon in IPR2017-00454, Petitioner contends that claims 1, 5, and 7 are unpatentable under 35 U.S.C. § 102 as being anticipated by Hite. Pet. 57–79; *DISH Network Corp. v. Customedia Tech., L.L.C.*, Case. No. IPR2017-00454, Paper 1, 20–36, 42–48 (PTAB). Likewise, relying substantially upon the same argument and evidence it relied upon in

IPR2017-00454,<sup>11</sup> Patent Owner disputes that Hite anticipates claims 1, 5, and 7. *See* PO Resp. 52–70; *DISH Network Corp. v. Customedia Tech., L.L.C.*, Case No. IPR2017-00454, Paper 24, 15–30, 36–39 (PTAB).

For the same reasons we set forth in the Final Written Decision in IPR2017-00454, we determine that Petitioner shows by a preponderance of the evidence that Hite anticipates claims 1, 5, and 7. *DISH Network Corp. v. Customedia Tech., L.L.C.*, Case. No. IPR2017-00454, Paper 47, 9–19, 22–25 (PTAB).

#### *F. Obviousness over Hite and Hill*

Relying upon substantially the same argument and evidence it relied upon in IPR2017-00454, Petitioner contends that claims 1, 5, and 7 are unpatentable under 35 U.S.C. § 103 over Hite and Hill. Pet. 79–84; *DISH Network Corp. v. Customedia Tech., L.L.C.*, Case. No. IPR2017-00454, Paper 1, 20–36, 42–48, 57–62 (PTAB). Likewise, relying substantially upon the same argument and evidence it relied upon in IPR2017-00454, Patent Owner disputes that claims 1, 5, and 7 are unpatentable over Hite and Hill. *See* PO Resp. 70–79; *DISH Network Corp. v. Customedia Tech., L.L.C.*, Case No. IPR2017-00454, Paper 24, 15–30, 36–39, 44–55 (PTAB).

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<sup>11</sup> Patent Owner states that it “incorporates by reference the arguments presented in its response, filed contemporaneously herewith, in IPR2017-00454.” PO Resp. 52; *see also id.* at 70. Incorporation by reference of arguments from one document into another is prohibited by 37 C.F.R. § 42.6(a)(3). We, thus, have not considered any arguments not made in the Petition. Petitioner, however, relying substantially upon the same argument and evidence in the Petition that it relied upon in the IPR2017-00454 Petition.

For the same reasons we set forth in the Final Written Decision in IPR2017-00454, we determine that Petitioner fails to show by a preponderance of the evidence that claims 1, 5, and 7 are unpatentable over Hite and Hill. *DISH Network Corp. v. Customedia Tech., L.L.C.*, Case No. IPR2017-00454, Paper 47, 31–34 (PTAB).

### III. CONCLUSION

Petitioner has met its burden of demonstrating that the '090 patent is covered business method patent eligible for review. Petitioner has also met its burden of demonstration by a preponderance of the evidence that (1) claims 1–8, 17, and 23 are unpatentable under 35 U.S.C. § 101, (2) that claim 7 is unpatentable under 35 U.S.C. § 112 and (3) Hite anticipates claims 1, 5, and 7. Petitioner fails to meet its burden of demonstration by a preponderance of the evidence that (1) claims 1–8, 17, and 23 are unpatentable under 35 U.S.C. § 103 over Hite and Hill.

This is a Final Written Decision of the Board under 35 U.S.C. § 328(a). Parties to the proceeding seeking judicial review of this decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

### IV. ORDER

It is:

ORDERED that claims 1–8, 17, and 23 of the '090 patent are *unpatentable*.

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