

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

FEDERAL RESERVE BANK OF ATLANTA, FEDERAL RESERVE
BANK OF BOSTON, FEDERAL RESERVE BANK OF CHICAGO,
FEDERAL RESERVE BANK OF CLEVELAND, FEDERAL RESERVE
BANK OF DALLAS, FEDERAL RESERVE BANK OF KANSAS CITY,
FEDERAL RESERVE BANK OF MINNEAPOLIS, FEDERAL RESERVE
BANK OF NEW YORK, FEDERAL RESERVE BANK OF
PHILADELPHIA, FEDERAL RESERVE BANK OF RICHMOND,
FEDERAL RESERVE BANK OF SAN FRANCISCO, and
FEDERAL RESERVE BANK OF ST. LOUIS,
Petitioner,

v.

BOZEMAN FINANCIAL LLC,
Patent Owner.

Case CBM2017-00035
Patent 6,754,640 B2

Before MICHAEL W. KIM, WILLIAM V. SAINDON, and
KEVIN W. CHERRY, *Administrative Patent Judges*.

CHERRY, *Administrative Patent Judge*.

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

I. INTRODUCTION

Federal Reserve Bank of Atlanta, Federal Reserve Bank of Boston, Federal Reserve Bank of Chicago, Federal Reserve Bank of Cleveland, Federal Reserve Bank of Dallas, Federal Reserve Bank of Kansas City, Federal Reserve Bank of Minneapolis, Federal Reserve Bank of New York, Federal Reserve Bank of Philadelphia, Federal Reserve Bank of Richmond, Federal Reserve Bank of San Francisco, and Federal Reserve Bank of St. Louis (“Petitioner”) filed a Petition (Paper 1, “Pet.”) seeking a covered business method patent review of claims 1–26 of U.S. Patent No. 6,754,640 B2 (Ex. 1001, “the ’640 patent” or the “challenged patent”) under Section 18 of the Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284, 331 (2011) (“AIA”). Petitioner supports its contentions that the claims are unpatentable with the Declaration of Thomas M. Conte, Ph.D. (Ex. 1004), and its contentions that it was charged with infringement with the Declaration of Richard M. Fraher (Ex. 1005). Patent Owner, Bozeman Financial LLC, filed a Preliminary Response (Paper 4, “Prelim. Resp.”). Patent Owner submitted the Declaration of William O. Bozeman, III with its Preliminary Response. Paper 5 (“First Bozeman Decl.”).

On May 19, 2017, pursuant to our authorization, Petitioner filed a Reply to Patent Owner’s Preliminary Response on the limited issue of whether Petitioner has standing to bring this proceeding. Paper 9 (“Reply”). With its Reply, Petitioner provided a second Declaration of Richard M. Fraher (Ex. 1014). On May 26, 2017, also pursuant to our authorization, Patent Owner filed a Sur-Reply on the limited issue of standing. Paper 13

(“Sur-Reply”). Patent Owner submitted a second Declaration of William O. Bozeman, III in support of its Sur-Reply. Paper 15 (“Second Bozeman Decl.”).

Pursuant to 35 U.S.C. § 324, in our Decision to Institute, we instituted this proceeding as to claims 1–26 on the all asserted grounds. Paper 23 (“Dec.”).

After the Decision to Institute, Patent Owner filed a Patent Owner Response (Paper 24, “PO Resp.”), and Petitioner filed a Reply to the Patent Owner Response (Paper 26, “Pet. Reply”). Patent Owner supported its Response with a third Declaration of William O. Bozeman (Ex. 2003) (“Third Bozeman Decl.”). An oral hearing was held on April 5, 2018. Paper 33 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(b). 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 Petitioner has demonstrated, by a preponderance of the evidence, that claims 1–26 are unpatentable.

A. Related Matters

Petitioner and Patent Owner represent that Petitioner has filed a covered business method patent review, CBM2017-00036, against a related patent, U.S. Patent No. 8,768,840 B2 (“the ’840 patent,” Ex. 1003). Pet. 3; Paper 7, 3; Paper 8, 1. Petitioner has also filed a declaratory judgment action of non-infringement of both the ’640 patent and ’840 patent—*Federal*

Reserve Bank of Atlanta et al. v. Bozeman Financial LLC, Case No. 1:17-cv-00389 (N.D. Ga.). Paper 7, 2.

*B. Standing to File a Petition for
Covered Business Method Patent Review*

A petition for covered business method review must set forth the petitioner's grounds for standing. 37 C.F.R. § 42.304(a). Rule 42.304(a) states it is Petitioner's burden to "demonstrate that the patent for which review is sought is a covered business method patent, and that the petitioner meets the eligibility requirements of § 42.302." *Id.* One of those eligibility requirements is that only persons (or their privies) who have been sued or charged with infringement under a patent are permitted to file a petition seeking a covered business method patent review of that patent. AIA § 18(a)(1)(B); 37 C.F.R. § 42.302(a). Under our rules, "[c]harged with infringement means a real and substantial controversy regarding infringement of a covered business method patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court." 37 C.F.R. § 42.302(a).

The Declaratory Judgment Act provides that "[i]n a case of actual controversy within its jurisdiction, . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration." 28 U.S.C. § 2201(a). In *MedImmune, Inc. v. Genentech, Inc.*, the Supreme Court stated that the test for whether an "actual controversy" exists is "whether the facts alleged, under all the circumstances, show that there is a substantial

controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” 549 U.S. 118, 127 (2007) (internal quotation marks omitted).

Although it relaxed the test for establishing jurisdiction, *MedImmune* “did not change the bedrock rule that a case or controversy must be based on a *real and immediate* injury or threat of future injury that is *caused by the defendants*—an objective standard that cannot be met by a purely subjective or speculative fear of future harm.” *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1339 (Fed. Cir. 2008). Thus, courts have explained post-*MedImmune* that “jurisdiction generally will not arise merely on the basis that a party learns of the existence of a patent owned by another or even perceives such a patent to pose a risk of infringement, without some affirmative act by the patentee.” *SanDisk Corp. v. STMicroelecs., Inc.*, 480 F.3d 1372, 1381 (Fed. Cir. 2007). Instead, courts have required “conduct that can be reasonably inferred as demonstrating intent to enforce a patent.” *Hewlett-Packard Co. v. Acceleron LLC*, 587 F.3d 1358, 1363 (Fed. Cir. 2009).

In this case, Patent Owner has not sued Petitioner for infringement. Instead, Petitioner contends that Patent Owner charged it with infringing the ’640 patent. Pet. 19–21. Petitioner submits, supported by the testimony of Mr. Fraher, that Patent Owner contacted Petitioner by telephone, in January 2016, and contended that Petitioner was infringing the ’640 patent and ’840 patents. *Id.* at 20 (citing Ex. 1005 ¶ 5). Petitioner also asserts that Patent Owner indicated that it intended to seek fees for the alleged infringement.

Id. Petitioner contends that Patent Owner continued to contact it about potentially licensing the '640 and '840 patents. *Id.* Petitioner also provides an infringement claim chart Patent Owner sent Petitioner, mapping Petitioner's conduct to the claims of the '840 patent, which also mentions the '640 patent. *Id.* (citing Ex. 1006, 000001-5).

In its Patent Owner Response, Patent Owner contends that Petitioner has

not met the burden of establishing standing in this matter as they have not provided any evidence that [Petitioner] suffered from any real and immediate injury or threat of future injury that was caused by the Patent Owner ('Bozeman') and that they have not been sufficiently sued or charged with infringement to give rise to the immediate nature of a present or future threat of patent infringement litigation.

PO Resp. 3. Patent Owner argues that

any discussion of infringement of one of the Bozeman patents, the '840 Patent, were only provided in response to the solicitation by [Petitioner] in order to further evaluate a business agreement centered around future licensing and royalties and not past infringement and that there was never any discussion of potential infringement of the '640 Patent.

Id. at 4 (citing Ex. 2002, 5). Patent Owner further asserts that "[b]ecause [Patent Owner] was seeking only a future looking agreement, and further and more importantly, since any discussion of potential infringement was only directed to the '840 [patent] does not give rise to sufficient immediacy and reality of a serious threat to warrant such an affirmative filing by the [Petitioner] without proper standing." *Id.* at 4–5. Patent Owner contends that Petitioner's assertion that litigation was threatened as to the '640 patent

is “patently false and unsubstantiated.” *Id.* at 5. Patent Owner asserts that it was seeking ground for “mutual agreement and commercially reasonable treatment” from the Petitioner and other parties. *Id.* Patent Owner also acknowledges that it sent the claim chart to Petitioner regarding the ’840 patent, but asserts that the claim chart was “very preliminary” and intended to “support a dialog” between Patent Owner and Petitioner. *Id.* Patent Owner argues that the parties’ course of dealing demonstrates that Petitioner had no fear of an immediate and real threat of litigation. *Id.* at 5–6.

In its Reply, Petitioner disputes Patent Owner’s characterization of the events that took place in their negotiations in 2016 and early 2017. Pet. Reply 7–10. Petitioner points to the proposal Patent Owner sent discussing Patent Owner’s “IP,” and broadly discussing how the “Bozeman patents” cover “multiple FRB systems.” *Id.* at 7 (citing Ex. 1024¹, 3, 8–11). Petitioner argues that Patent Owner was seeking past damages, and threatened litigation during their discussions. *Id.* at 8 (citing Ex. 1024, 1, 10; Ex. 1014 ¶¶ 11–13). Petitioner contends that the lack of a claim chart for the ’640 patent, or use of the word “infringement” in the communications, is “irrelevant.” *Id.* at 9 (citing *Hewlett-Packard*, 587 F.3d at 1362). Moreover, Petitioner argues that Patent Owner did provide a claim chart of the ’840 patent, which is related to the ’640 patent and has overlapping subject matter. *Id.* at 10.

¹ Exhibit 1024 is a redacted version of Exhibit 1015. On the Board’s electronic filing system, it was filed by Patent Owner as Exhibit 2010.

We have reviewed Petitioner's and Patent Owner's submissions and supporting evidence, and we determine that Petitioner has established that the facts, taken together, demonstrate that it has standing to bring this covered business method review. It is undisputed that Patent Owner contacted Petitioner and the parties entered into lengthy discussions regarding the potential licensing of the '640 and '840 patents beginning in 2014. *See* Ex. 1005 ¶¶ 4–8; Ex. 1014 ¶¶ 3–7; First Bozeman Decl. ¶¶ 7–14. These included a number of calls over a period of more than a year. *Id.* In April 2016, Patent Owner sent Petitioner a claim chart mapping Petitioner's existing services to claims of the '840 patent, and also mentioned the '640 patent. *See* Ex. 1005 ¶ 6; Ex. 1006, 1 (mentioning '640 patent), 2–5 (claim chart of '840 patent); Ex. 1014 ¶ 6. In addition, in August 2016, the parties held an in-person meeting to discuss Petitioner's systems, the Patent Owner's patents, and potential licensing of those patents. Ex. 1014 ¶ 10. Although Patent Owner disputes whether Mr. Bozeman mentioned infringement of the '640 patent during telephone calls and in-person meetings with Petitioner's representatives, we do not need to definitely resolve that dispute; it is enough to find that the other facts, discussed below, weigh against Patent Owner on the issue of Petitioner's standing. We find, regardless of whether infringement of the '640 patent was discussed specifically on the calls or meetings, other contacts by Patent Owner establish standing, especially when weighed in the aggregate with the above.

In particular, following the August 2016 meeting, Patent Owner sent Petitioner an email and attached licensing proposal on September 29, 2016.

Ex. 1014 ¶ 12. Patent Owner’s September 29, 2016 communication and Memorandum and Proposal repeatedly reference the “Bozeman patents” collectively (including both the ’640 and ’840 patents), and threaten litigation. *See, e.g.*, Ex. 1024, 1. In particular, in the September 29, 2016 email from Patent Owner’s counsel to Mr. Fraher, Patent Owner’s counsel states:

Pursuant to our ongoing discussions regarding the Bozeman patent dispute with the FRB and in the interest of attempting to move this process along at a more rapid pace we provide the attached Proposal, Memorandum, Appendix and revised preliminary Claim Chart for consideration by the Federal Reserve in addressing *the current divide on past usage and rents due by the FRB*. . . . As we have been going at this since late 2014 and as the *Bozeman patents* useful life continues to tick away, we are respectfully requesting that the FRB use best efforts to review the attached and to set up a follow-up meeting or conference session in the near future. If we cannot get to that point, it may leave [Mr. Bozeman] with little alternative but to begin to head down an enforcement path that would most likely be very disruptive. . . . We remain very flexible in discussing alternative approaches but do want to point out the time sensitivities involved in [Mr. Bozeman’s] opening proposal.

Ex. 1024, 1 (emphasis added). Attached to this email is Patent Owner’s Memorandum and Proposal of Bozeman Financial LLC to the Federal Reserve Bank (“FRB”) (“Memorandum”). *Id.* at 2. In the Memorandum, Patent Owner repeatedly refers to the “Bozeman IP” and “Bozeman patents,” without limiting the identification to the ’840 patent. *See, e.g., id.* at 3 (noting “infringement upon the Bozeman IP”), 4 (identifying both the ’640 and ’840 patents), 5 (“potential applicability of the Bozeman IP to the

FRB”), 6 (“Bozeman IP”), 8 (“Bozeman IP” and “Bozeman issued patents”). Furthermore, the Memorandum repeatedly alludes to, and openly discusses, the parties’ dispute regarding whether Petitioner’s systems infringe the Bozeman patents. *See, e.g., id.* at 9 (alleging “when Bozeman first made known his IP to the FRB, that the FRB was in the process of updating its systems from its dated legacy methods to those anticipated by the Bozeman I.P.,” and noting, with respect to the “Bozeman patents,” that the parties have “differing views of its applicability to the current and past FRB systems and service offerings”), 9–10 (noting “Bozeman[] asserts that a relatively basic reading of the Bozeman patents readily shows that . . . [Petitioner’s] systems . . . fit well within the inventions of the Bozeman IP”), 10 (asserting Petitioner’s “argument and its related technical analysis have not persuaded Bozeman and his advisors that the Bozeman interpretation of the patents is not the more likely outcome to be upheld if infringement litigation were to be undertaken”), 12 (discussing “the Bozeman interpretation of the patents” and noting that “[w]e believe that Bozeman and the FRB are at a critical crossroad in determining if they can reach an agreement recognizing that each side believes it has valid and determinative arguments and analysis to defeat the other’s claims” and arguing that “with the stakes so high the relevant question is it more practical to compromise and reach a fair accord, or is it in the best interest of either party to litigate these issues on multiple fronts over the next 1–5 years”), 16–18 (discussing “settlement criteria which would substantially discount the totals from traditional patent damages”).

We note that the context for these statements significantly enhances their weight in our analysis. This Memorandum was made at the culmination of almost two years of talks between the parties, including numerous calls and a technical presentation by Petitioner on how its systems operated, and why they did not infringe. *See* Ex. 1005 ¶¶ 4–6 (discussing early talks between the parties); Ex. 1014 ¶¶ 7–11 (discussing the parties’ meetings and discussions leading up to the Memorandum). Rather than backing down from its previous assertions, Patent Owner repeatedly asserts, in the Memorandum, that Petitioner’s systems are covered by (i.e., infringe) the Bozeman *patents*. Moreover, the email and Memorandum make clear that the time for Petitioner to license the Bozeman patents was running short, and that if Petitioner did not take a license to the Bozeman patents that Patent Owner would begin to “head down an enforcement path,” Ex. 1024, 1, which could involve “litigat[ing] these issues on multiple fronts over the next 1–5 years,” *id.* at 12.

“[A] specific threat of infringement litigation by the patentee is not required to establish jurisdiction, and a ‘declaratory judgment action cannot be defeated simply by the stratagem of a correspondence that avoids magic words such as ‘litigation’ or ‘infringement.’” *ABB Inc. v. Cooper Indus., LLC*, 635 F.3d 1345, 1348 (Fed. Cir. 2011) (quoting *Hewlett–Packard*, 587 F.3d at 1362). But, of course, if “a party has actually been charged with infringement of the patent, there is, *necessarily*, a case or controversy adequate to support [declaratory judgment] jurisdiction.” *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 96 (1993). Here, we find the

statements in the Memorandum actually charge Petitioner with infringement of both the '640 and '840 patents, which is sufficient to give rise to declaratory judgment jurisdiction. *Id.* Patent Owner cannot defeat this overwhelming evidence merely because the Memorandum does not utter the precise words “infringes” and “the '640 patent” in the same sentence. Instead, Patent Owner’s communications make clear that its allegations were not limited to a single patent, but rather encompass both of the “Bozeman patents.” *See* Ex. 1024, 1. Patent Owner also stated that it believed that Petitioner’s products were covered by the “Bozeman patents,” and that litigation was on the horizon if a license, which would include both patents, was not taken. These suggest Petitioner was reasonable in believing that Patent Owner intended to sue if its demands were not met.

Patent Owner attempts to delve into the subjective understandings of the parties, arguing that Petitioner would never fear litigation because it is so powerful, and that, regardless of Patent Owner’s statements, it really never intended to sue Petitioner. Ex. 2001 ¶ 14; Ex. 2002 ¶¶ 4, 6, 19; Ex. 2003 ¶ 9. However, it is irrelevant whether Patent Owner subjectively believed Petitioner was infringing or intended to sue. “The test [for declaratory judgment jurisdiction in patent cases], however stated, is *objective*. . . .” *Hewlett-Packard*, 587 F.3d at 1364 (quoting *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 736 (Fed. Cir. 1988)). “Indeed, it is the objective words and actions of the patentee that are controlling.” *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 979 (Fed. Cir. 1993). Thus, conduct that can be reasonably inferred as demonstrating intent to enforce a

patent can create declaratory judgment jurisdiction. *Hewlett-Packard*, 587 F.3d at 1364. Here, when Patent Owner’s statements, demands, and actions are considered collectively, it is difficult to reasonably infer any conclusion other than that Patent Owner was demonstrating an intent to enforce its patents. Moreover, Patent Owner’s contentions that it was only seeking a forward-looking agreement (*see* PO Resp. 4), are not supported by the record. The Memorandum repeatedly refers to seeking compensation for past use of the Bozeman patents. *See* Ex. 1024, 18 (“This option allows for a one-time payment to cover all of the past rents due. . .”).

As for Patent Owner’s argument that it was somehow entrapped by Petitioner, we note that (a) all through its negotiations with Petitioner, Patent Owner was represented by counsel (First Bozeman Decl. ¶ 6; Ex. 1006, 1; Ex. 1024, 1), (b) Patent Owner’s head, Mr. Bozeman, appears to be a sophisticated businessman (First Bozeman Decl. ¶¶ 2, 3; Ex. 1024, 4–5), and (c) there is no credible evidence that shows that Patent Owner was coerced into making the statements it made in the Memorandum. Moreover, the law was clear at the time the statements were made that they could give rise to declaratory judgment jurisdiction. *See Hewlett-Packard*, 587 F.3d at 1362 (“But it is implausible (especially after *MedImmune* and several post *MedImmune* decisions from this court) to expect that a competent lawyer drafting such correspondence for a patent owner would identify specific claims, present claim charts, and explicitly allege infringement.”).

As for Patent Owner’s arguments that the parties had a longstanding relationship, we do not find this materially changes our analysis, even if true.

Specifically, based on the evidence presented, we are persuaded that, even assuming some sort of previous non-adversarial relationship did exist, it does not change the objective import of the documented interactions beginning in January 2016. Thus, we determine that these statements and actions, when considered objectively, and even when taking into consideration any past relationships, are more than sufficient to establish that there was a substantial controversy between the parties sufficient to establish standing under relevant case law. *See SanDisk*, 480 F.3d at 1382 (holding demand for license fees and identification of specific allegedly infringing activity sufficient for jurisdiction); *see also Hewlett-Packard Co.*, 587 F.3d at 1364 (finding jurisdiction where patentee took affirmative step of twice contacting alleged infringer and made implied assertion of right against particular product).

Accordingly, we conclude that Petitioner has demonstrated that it has standing to bring this covered business method review.

C. The Challenged Patent

The '640 patent, titled "Universal Positive Pay Match, Authentication, Authorization, Settlement and Clearing System," describes a universal positive pay match, authentication, authorization clearing and settlement system to reduce check fraud and verify checks, other financial instruments and documents. Ex. 1001, [54], Abstract. The '640 patent explains that "[c]heck fraud and verification of checks presented to merchants and financial institutions have always been a problem for payers who write

checks.” *Id.* at 1:19–21. According to the ’640 patent, positive pay services are services “that a bank sells for a fee to its account holders whereby only checks that are pre-approved are accepted at the bank,” and “have been available from individual banks for a number of years.” *Id.* at 5:8–11.

According to the patent, a

check generating customer [using a prior art positive pay service] generally uploads a file of check register information daily to the bank of all checks written that day. When checks drawn on the customers’ accounts are presented to the bank, their database is queried. If the check has been tampered with or if it is an unauthorized check number, the check will be rejected.

Id. at 5:11–17.

The patent explains that “[t]he existing positive pay services are bank specific,” meaning that “only a bank’s own account holders can utilize it and take advantage of it.” *Id.* at 5:25–27. The patent suggests that it will overcome this perceived problem by offering a “universal” positive pay system that “can be used by both account holder members and non-members,” and “accessed by all banks, depositors and account holders for issuing and tracking check data, signatures and matrixes at point of presentment, point of sale and point of payment of the item.” *Id.* at 5:27–35. Figure 5A of the ’640 patent is reproduced below.

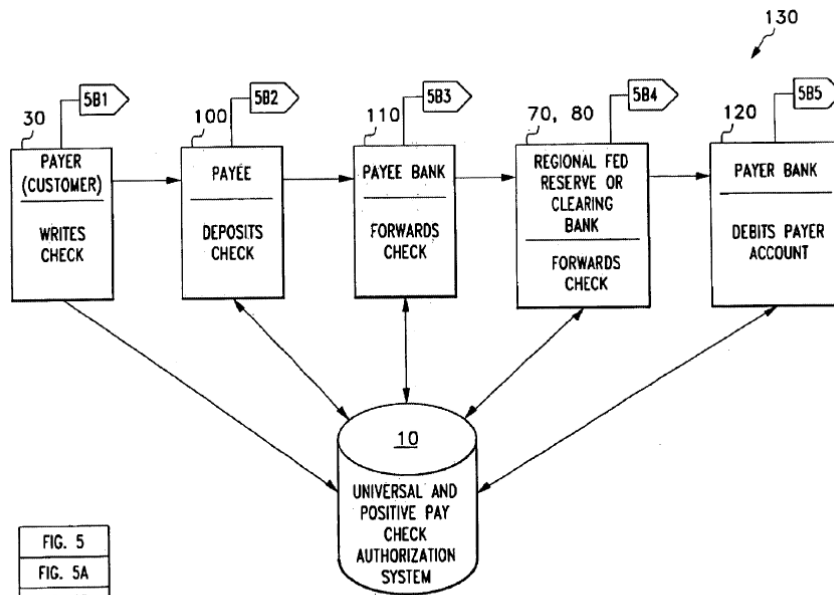


Fig. 5A

Figure 5A illustrates a flow diagram of the universal positive pay method for checking accounts according to the claimed invention. *Id.* at 4:9–11.

Figure 5A shows that “each participant in the check clearing process (payer customer 30, payee 100, payee bank 110, Federal Reserve 80, clearing bank 70, or payor bank 120), participates in a universal positive pay match, authentication, authorization, clearing and settlement system method 130 used by a payer (customer) 30 for maintaining check payment control and preventing check fraud.” *Id.* at 9:46–53. According to the ’640 patent,

[t]he universal positive pay match, authentication, authorization, clearing and settlement system method 130 comprises a series of steps in which payer 30 uploads check information to the universal positive pay match, authentication, authorization, clearing and settlement system 10, payee 100 deposits check in payee bank 110, payee bank 110 checks the check against database 20 in the universal positive pay match authentication,

authorization, clearing and settlement system 10, check is deposited in Federal Reserve 80 or clearing bank 70, which checks it against the database 20, payor bank 120 receives check and checks it against the database 20 and reports back to the universal positive pay match authentication, authorization, clearing and settlement system 10 that the check has been debited from payer's 30 account.

Id. at 9:53–67.

D. Illustrative Claims

Petitioner challenges all twenty-six claims of the challenged patent. Claims 1 and 21 are independent claims. Claims 1 and 21 are illustrative of the claimed subject matter:

1. A universal positive pay match, authentication, authorization, clearing and settlement system comprising:
 - at least one server computer having a processor, an area of main memory, a storage device, and a bus connecting the processor, main memory, and the storage device;
 - a database stored on said storage device;
 - a data communications device connected to said bus for connecting said at least one server computer to an Internet;
 - and
 - web-based computer program code stored in said storage device and executing in said main memory under direction of said processor, the computer program code including:
 - first instruction means for permitting a payer who executes a check for payment to enter and store check register information relating to the executed check in said database, the check register information including a check number, a date issued, a payee, a routing number, and an account number;

second instruction means for providing a web site on the Internet accessible to the payer who executed the check, a payee of the executed check, a payee bank, a drawee bank, and banking institutions intermediate the payee bank and the drawee bank;

third instruction means for enabling the payer who executed the check, the payee of the executed check, the payee bank, the drawee bank, and banking institutions intermediate the payee bank and the drawee bank to access check register information of the executed check at every point along a check clearing process in order to determine correspondence between check register information stored in said database and the executed check presented for payment; and

fourth instruction means for enabling the payer who executed the check, the payee of the executed check, the payee bank, the drawee bank, and banking institutions intermediate the payee bank and the drawee bank to determine whether tampering or altering has occurred to the executed check at every point along a check clearing process;

wherein said database stores check register information for payers who execute checks having accounted with a plurality of unrelated drawee banks.

Ex. 1001, 16:59–17:35.

21. A computerized method for a universal positive pay match, authentication, authorization, clearing and settlement system, said method comprising:

(a) providing a database;

(b) storing check register information relating to a check executed by a payer for payment in said database, the check register information including a check number, a date issued, a payee, a routing number, an account number, and an amount;

- (c) providing a web site on the Internet accessible to the payer who executed the check, a payee of the executed check, a payee bank, a drawee bank, and banking institutions intermediate the payee bank and the drawee bank;
- (d) enabling the payer who executed the check, the payee of the executed check, the payee bank, the drawee bank, and banking institutions intermediate the payee bank and the drawee bank to access the check register information of the executed check stored in said database via the web site at every point along a check clearing process in order to determine correspondence between the check register information stored in said database and the executed check presented for payment; and
- (e) enabling the payer who executed the check, the payee of the executed check, the payee bank, the drawee bank, and banking institutions intermediate the payee bank and the drawee bank to determine whether tampering or altering has occurred to the executed check at every point along a check clearing process.

Id. at 18:62–19:25.

E. Asserted Grounds of Unpatentability

Petitioner asserts that the challenged claims are unpatentable based on the following grounds:

Basis	Challenged Claims
§ 101	1–26
§ 112 ¶¶ 2, 6 ²	1–20, 25, and 26

II. DISCUSSION

A. Claim Construction

In a covered business method patent review, a claim term in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears. 37 C.F.R. § 42.300(b); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016); *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1328 (Fed. Cir. 2015).

We construe the challenged claims according to these principles. Petitioner proposes constructions only for the various means-plus-function terms found in claim 1–20, 25, and 26. Pet. 23–32. We deal with the claim construction of the means-plus-function terms in the discussion of the ground based on § 112 below. Aside from the means-plus-function terms, we determine that no other terms require express construction for this Decision.

² Paragraphs 2 and 6 of 35 U.S.C. § 112 were replaced with newly designated § 112(b) and § 112(f) by § 4(c) of the AIA, and AIA § 4(e) makes those changes applicable “to any patent application that is filed on or after” September 16, 2012. *Alcon Research Ltd. v. Barr Labs., Inc.*, 745 F.3d 1180, 1183 n.1 (Fed. Cir. 2014). Because the application resulting in the ’640 patent was filed before that date, we will refer to the pre-AIA-version of § 112.

B. Covered Business Method Patent

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” AIA § 18(d)(1); *see* 37 C.F.R.

§ 42.301(a). Congress provided a specific exception to this definition of a covered business method patent—“the term does not include patents for technological inventions.” *Id.* To determine whether a patent is eligible for a covered business method patent review, the focus is on the claims. *See Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1381 (Fed. Cir. 2016). For the reasons set forth below, we conclude that the challenged patent meets the definition of a covered business method patent.

1. Financial Product or Service

One requirement of a covered business method patent is for the patent to “claim[] 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.” AIA § 18(d)(1); 37 C.F.R. § 42.301(a).

Petitioner contends the challenged patent meets the financial product or service requirement, because the patent claims methods or systems for allowing check clearing participants (i.e., payers, payees, drawee banks, payee banks, and banking institutions intermediate the payee and drawee banks) to access stored check register information at every point along the

check clearing process in order to determine whether a check has been tampered with or altered. Pet. 12–13.

Patent Owner does not dispute Petitioner’s assertions.

We agree with Petitioner that the ’640 patent meets the financial product or service requirement. For example, claim 21 and its dependents are directed to “[a] computerized method for a universal positive pay match, authentication, authorization, clearing and settlement system” that includes the steps of (a) providing a database; (b) storing check register information in the database; (c) providing a website accessible to the check clearing process participants; (d) enabling the check clearing process participants to access the stored check register information via the website at every point along a check clearing process in order to determine correspondence between the stored check register information and an executed check; and (e) enabling the check clearing process participants to determine whether tampering or altering has occurred at every point along a check clearing process. Pet. 13–14. We agree with Petitioner that the processing and authentication of checks for payment meets the financial product or service requirement of Section 18 of the AIA. *See, e.g., U.S. Bancorp v. Solutran, Inc.*, Case CBM2014-00076, slip op. 6 (PTAB Aug. 7, 2014) (Paper 16) (method of processing paper checks for payment); *Jack Henry & Assocs., Inc. v. DataTreasury Corp.*, Case CBM2014-00056, slip op. 8 (PTAB July 10, 2014) (Paper 17) (method and system for storage and verification of checks financial in nature). Accordingly, the financial product or service requirement is satisfied.

2. *Exclusion for Technological Inventions*

Section 18 of the AIA states that the term “covered business method patent” does not include patents for “technological inventions.”

AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). To determine whether a patent is for a technological invention, we consider “whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.”

37 C.F.R. § 42.301(b). The following claim drafting techniques, for example, typically do not render a patent a “technological invention”:

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

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

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

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

Petitioner submits that no “technological feature” of claim 21 is novel and non-obvious. Pet. 15. Petitioner argues that claim 21 is directed to a computerized method that uses a database for storing check register information and an Internet website. *Id.* Petitioner asserts that “[a] database and Internet website are not novel or non-obvious — they were generic,

conventional computer technologies well-known in the art in October 2000.” *Id.* (citing Ex. 1004 ¶¶ 41, 44, 57). Petitioner further contends that the ’640 patent does not provide a technical solution to a technical problem. *Id.* at 16–19. Petitioner argues that the ’640 patent addresses the problem of check fraud, which is a business problem, not a technical problem. *Id.* at 17. Further, Petitioner contends that the solution, providing multiple users with access to a positive pay system at every point along the check clearing process, is not a technical solution to this problem. *Id.*

Patent Owner offers no arguments in its Patent Owner Response, but instead, tries to incorporate by reference its arguments from the related proceeding in CBM2017-00036. PO Resp. 7. Our rules do not allow such incorporation by reference. *See* 37 C.F.R. § 42.6(a)(3); *see also Cisco Sys., Inc. v. C-Cation Techs., LLC*, Case IPR2014-00454, slip op. (PTAB Aug. 29, 2014) (Paper 14) (informative) (declining to consider arguments incorporated by reference from one document into another). Patent Owner’s arguments are directed to the claims of the ’840 patent, not the claims of the ’640 patent. Patent Owner has not provided any explanation of how the arguments related to the claims of the ’840 patent can correlate to the claims of the ’640 patent. Thus, we do not consider these arguments to be persuasive. In addition, as we explained in our final written decision in CBM2017-00036, issued concurrently, those arguments are not persuasive because they relate to unclaimed features and conventional technology that could not transform the claims of the ’840 patent into a technological

invention. Based on our review, the reasoning from CBM2017-00036 applies to these claims as well, so we adopt it here.

We determine that the technological features of the claimed steps are directed to using known technologies. *See* Office Trial Practice Guide, 77 Fed. Reg. at 48,764 (indicating use of known technologies does not render a patent a technological invention). For example, independent claim 21 requires only “a database,” and “a web site on the Internet” (Ex. 1001, 18:62–19:24), and we do not discern that either is used in a non-conventional manner. We further agree with Petitioner that the subject matter of independent claim 21, as a whole, does not require any specific, unconventional software, computer equipment, processing capabilities, or other technological features to produce the required functional result. *See* Ex. 1004 ¶¶ 39–45.

We also agree with Petitioner that the challenged patent addresses the business problem of check fraud by providing multiple users access to a positive pay system at every point along the check clearing process, which is not a technical solution to a technical problem. *See Nautilus Hyosung Inc. v. Diebold, Inc.*, Case CBM2016-00034, slip op. 11–14 (PTAB Aug. 22, 2016) (Paper 9) (characterizing “reducing the risk of [check] fraud” as a “business problem”).

Accordingly, we conclude that the subject matter of at least independent claim 21 does not have a technological feature that solves a technical problem using a technical solution, and is, therefore, not a technological invention. *See Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d

1331, 1341 (Fed. Cir. 2016) (finding that using general computer components to carry out the claimed process does not “rise[] above the general and conventional” and “cannot change the fundamental character of [patent owner’s] claims”).

3. Eligible for Covered Business Method Patent Review

Having determined that the challenged patent 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 and does not fall within the exception for technological inventions, we determine that the challenged patent is eligible for a covered business method patent review

C. Asserted Ground that Claims 1–26 Are Unpatentable Under § 101

Petitioner asserts each of claims 1–26 is unpatentable for being directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 60–83. Petitioner supports its contentions with citations to the Declaration of Dr. Conte (Ex. 1004).

1. Principles of Law

A patent may be obtained for “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” 35 U.S.C. § 101. The Supreme Court has held that this statutory provision contains an important implicit exception: laws of nature, natural phenomena, and abstract ideas are not patentable. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014); *Gottschalk v. Benson*, 409

U.S. 63, 67 (1972) (“Phenomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work.”). Notwithstanding that a law of nature or an abstract idea, by itself, is not patentable, the practical application of these concepts may be deserving of patent protection. *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 69–72 (2012).

In *Alice*, the Supreme Court reaffirmed the framework set forth previously in *Mayo* “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If the claims are directed to a patent-ineligible concept, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether the additional elements “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 566 U.S. at 77). In other words, the second step is to “search for an ‘inventive concept’—*i.e.*, an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Id.* (quoting *Mayo*, 566 U.S. at 71–72) (alterations in original).

Noting that the two stages involve “overlapping scrutiny of the content of the claims,” the Federal Circuit has described “the first-stage inquiry as looking at the ‘focus’ of the claims, their ‘character as a whole,’

and the second-stage inquiry (where reached) as looking more precisely at what the claim elements add—specifically, whether, in the Supreme Court’s terms, they identify an ‘inventive concept’ in the application of the ineligible matter to which (by assumption at stage two) the claim is directed.” *Electric Power Grp, LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016).

Furthermore, the prohibition against patenting an abstract idea “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment or adding insignificant postsolution activity.” *Bilski v. Kappos*, 561 U.S. 593, 610–11 (2010) (citation and internal quotation marks omitted); see *Electric Power*, 830 F.3d at 1355 (“[L]imiting the claims to the particular technological environment of power-grid monitoring is, without more, insufficient to transform them into patent-eligible applications of the abstract idea at their core.”).

2. Step 1 — Whether the Claims Are Directed to an Abstract Idea

In determining whether a method or process claim recites an abstract idea, we must examine the claim as a whole. *Alice*, 134 S. Ct. at 2355 n.3. Petitioner submits that claim 21 is representative for the § 101 analysis. Pet. 62. Patent Owner does not dispute this. We agree with Petitioner that claim 21 is representative.

More specifically, Petitioner asserts that claim 21, as a whole, relates to “[a] computerized method for a universal positive pay match, authentication, authorization, clearing and settlement system,” comprising steps directed to storing check register information in an online database, accessing the stored check register information to determine correspondence

between the stored information and an executed check, and determining whether tampering or altering has occurred. *Id.* (citing Ex. 1001, 18:62–19:24 (claim 21)). Petitioner asserts that “[c]laim 21 recites nothing more than a recitation of steps for collecting and analyzing information” for “the age-old abstract idea of reconciling check information against a ledger—a long-standing fundamental economic practice that can easily be performed using pen and paper....” *Id.*

We agree with Petitioner that it has shown that claims 1–26 are drawn to an abstract idea. Specifically, we agree with Petitioner that the claims of the challenged patent are directed to collecting, displaying, and analyzing information to reconcile check information against a ledger.

For example, beginning with independent claim 21, no specific equipment is recited for executing the claimed functions. While the claim does recite a database and a website accessible over the Internet, they do not appear to perform any more than their typical and ordinary functions, unrelated to the specific functions claimed. Ex. 1001, 18:62–19:25. The remainder of the claim is simply a method of collecting and displaying information. As discussed above, the claimed method steps include (i) “providing a database,” (ii) “storing check register information . . . in said database,” (iii) “providing a web site on the Internet . . .,” (iv) “enabling . . . access [to] the check register information . . . stored in the database via the web site . . . in order to determine correspondence between the check register information stored in said database and the executed check presented for payment,” and (v) “enabling . . . [a] determin[ation] whether

tampering or altering has occurred to the executed check at every point along the check clearing process.” *Id.* at 18:62–19:25. Thus, besides providing conventional computer technology in the form of a database and website, the method consists of storing, displaying, and analyzing information. Moreover, the claim language is broad enough such that a person viewing the information on a website could be the one making the determination of whether the check is fraudulent or not. Claim 1 is written as a system and includes substantially similar functions, written as computer code, as claim 21.

The specification reinforces that the focus of claims 1 and 21 is collecting and analyzing information: “The present invention relates to a universal positive pay [] system to reduce check fraud and verify checks, other financial instruments and documents.” Ex. 1001 at 1:14–17. According to the specification, the customer “has the flexibility to utilize several means for inputting current check register information . . . includ[ing] computerized devices such as personal computers, portable laptops and palmtops, as well as mainframe computers and servers[.]” *Id.* at 6:1–7. Once the customer’s information is in the claimed system, the “participating commercial entity . . . may match and compare the information from the check with the check register information in the [claimed system] . . . to verify that the check has not been altered or tampered with.” *Id.* at 6:51–61. Moreover, we are persuaded that the idea of reconciling check register information is a well-known, routine economic practice commonplace in the financial services industry and is

fundamentally abstract. Indeed, the specification states that “[p]ositive pay services have been available from individual banks for a number of years.” *Id.* at 5:8–9.

We find this case indistinguishable from a number of cases that have found storing, displaying, and analyzing data, such as for loan application processing and fraud detection, to be abstract ideas. *See Credit Acceptance Corp. v. Westlake Servs.*, 859 F.3d 1044, 1054–57 (Fed. Cir. 2017) (holding “system for maintaining a database of information about items in a dealer’s inventory, obtaining financial information about a customer from a user, combining these two sources of information to create a financing package for each of the inventoried items, and presenting the financing packages to the user” to be abstract); *Intellectual Ventures I LLC v. Capital One Fin. Corp.*, 850 F.3d 1332, 1340 (Fed. Cir. 2017) (discussing abstract idea precedent related to organizing, displaying, and manipulating data); *FairWarning IP, LLC v. Iatric Sys., Inc.*, 839 F.3d 1089, 1093–94 (Fed. Cir. 2016) (holding that claims directed to “collecting and analyzing information to detect misuse and notifying a user when misuse is detected” are abstract); *Electric Power*, 830 F.3d at 1354 (“[M]erely presenting the results of abstract processes of collecting and analyzing information, without more (such as identifying a particular tool for presentation), is abstract as an ancillary part of such collection and analysis.”); *Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1324 (Fed. Cir. 2016) (holding that claims are abstract where they “recite nothing more than the collection of information to generate a ‘credit grading’ and to facilitate anonymous loan

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shopping”); *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (identifying “the abstract idea of 1) collecting data, 2) recognizing certain data within the collected data set, and 3) storing that recognized data in a memory”); *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1367–69 (Fed. Cir. 2015) (determining claims adding generic computer components to financial budgeting not patent eligible); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1346 (Fed. Cir. 2013) (generating tasks in an insurance organization); *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1333–34 (Fed. Cir. 2012) (holding that a “computer-aided” method for “processing information through a clearinghouse” for car loan applications is patentineligible).

Patent Owner offers no arguments in its Patent Owner Response, but, instead, tries to incorporate by reference its arguments from the related proceeding in CBM2017-00036. PO Resp. 7. Our rules do not allow such incorporation by reference. *See* 37 C.F.R. § 42.6(a)(3); *see also Cisco Sys., Inc. v. C-Cation Techs., LLC*, Case IPR2014-00454, slip op. (PTAB Aug. 29, 2014) (Paper 14) (informative) (declining to consider arguments incorporated by reference from one document into another). Moreover, even if we did consider them, Patent Owner’s arguments are directed to the claims of the ’840 patent, not the claims of the ’640 patent. Patent Owner has not provided any explanation of how the arguments related to the claims of the ’840 patent can correlate to the claims of the ’640 patent. Thus, we do not consider these arguments to be persuasive. In addition, as we explained in

our final written decision in CBM2017-00036, those arguments are not persuasive because they relate to unclaimed features and conventional technology that could not transform the claims of the '840 patent from being an abstract idea. Based on our review, the reasoning from CBM2017-00036 applies to these claims as well, so we adopt it here.

The dependent claims either specify additional data processing steps (claims 2–8, 19, 20, 22–26), or append one or more instruments or devices to the claimed system (claims 9–18). Petitioner asserts, and we agree, that none of these dependent claims appear to add anything that would change the conclusion that the claims are directed to an abstract idea. *See* Pet. 64; Ex. 1004 ¶ 48.

In view of the foregoing, we determine that Petitioner has shown, by a preponderance of the evidence, that claims 1–26 of the challenged patent are directed to a patent-ineligible abstract idea.

3. Step 2 — Whether the Challenged Claims Include Limitations that Represent Inventive Concepts

We turn to the second step of the *Alice* inquiry “and scrutinize the claim elements more microscopically” for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Electric Power*, 830 F.3d at 1353–54. That is, we determine whether the claims include an “inventive concept,” i.e., an element or combination of elements sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2357. The relevant inquiry here is whether “additional

substantive limitations . . . narrow, confine, or otherwise tie down the claim so that, in practical terms, it does not cover the full abstract idea itself.” *Accenture*, 728 F.3d at 1341 (internal quotations and citation omitted).

Further scrutinizing the recited system and method, Petitioner asserts, and we agree, there is nothing that appears to transform the nature of the claims into patent-eligible applications of an abstract idea. Pet. 74–83.

First, the only recited technology in claim 21 is a “database” and “Internet accessible web page.” Claim 1 merely adds a “server computer” with a “processor,” “main memory,” “storage device,” and “bus connecting the processor, main memory, and the storage device.” Nothing in the claims, understood in light of the specification, appears to require anything more than off-the-shelf, conventional, computer, storage, network, and display technology for collecting the data related to the check register, and displaying the data to the users. The Federal Circuit has repeatedly held that such invocations of computers and networks that are not even arguably inventive are “insufficient to pass the test of an inventive concept in the application” of an abstract idea. *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353 (Fed. Cir. 2014); *see, e.g., FairWarning*, 839 F.3d 1089, 1096 (Fed. Cir. 2016) (holding that an “interface” and “microprocessor” are generic computer elements that do not transform an otherwise abstract idea into patent-eligible subject matter); *Mortgage Grader*, 811 F.3d at 1324–25 (holding that generic computer components, such as an “interface,” “network,” and “database,” fail to satisfy the inventive concept requirement); *Intellectual Ventures I*, 792 F.3d at 1368 (“The recited

elements, e.g., a database, a user profile . . . and a communication medium, are all generic computer elements.”); *Content Extraction*, 776 F.3d at 1347–48. Second, even limiting the claims to the particular technological environment of check processing, without more, would appear to be insufficient to transform the claims into patent-eligible applications of the abstract idea. *See Electric Power*, 830 F.3d at 1354 (“[L]imiting the claims to the particular technological environment of power-grid monitoring is, without more, insufficient to transform them into patent-eligible applications of the abstract idea at their core.”) (citing *Alice*, 134 S. Ct. at 2358; *Mayo*, 566 U.S. at 71–72; *Bilski*, 561 U.S. at 610–11; *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *buySAFE*, 765 F.3d at 1355).

The specification acknowledges that the elements are well known. *See* Ex. 1001, 4:53–64; *see also* Ex. 1004 ¶¶ 40–52 (explaining how the technologies are conventional and generic).

Patent Owner offers no arguments in its Patent Owner Response, but instead, tries to incorporate by reference its arguments from the related proceeding in CBM2017-00036. PO Resp. 7. Our rules do not allow such incorporation by reference. *See* 37 C.F.R. § 42.6(a)(3); *see also Cisco Sys., Inc.*, at 10 (declining to consider arguments incorporated by reference from one document into another). Moreover, even if we did consider them, Patent Owner’s arguments are directed to the claims of the ’840 patent, not the claims of the ’640 patent. Patent Owner has not provided any explanation of how the arguments related to the claims of the ’840 patent can correlate to the claims of the ’640 patent. Thus, we do not consider these arguments to

be persuasive. In addition, as we explained in our final written decision in CBM2017-00036, those arguments are not persuasive because the elements recited in the claims are insufficient to provide an inventive concept that would transform the claims from merely an abstract idea. Based on our review, the reasoning from CBM2017-00036 applies to these claims as well, so we adopt it here.

In view of the foregoing, we determine that, when considered individually and “as an ordered combination,” the claim elements appear to do no more than apply the abstract concept of collecting, displaying, and analyzing information to reconcile check information against a ledger, and do not appear to recite anything in a manner sufficient to transform that abstract idea into a patent-eligible invention. *See Alice*, 134 S. Ct. at 2359–60 (citing *Mayo*, 132 S. Ct. at 1297–98). This weighs in favor of finding claims 1–26 are a patent-ineligible abstract idea.

4. Conclusion

Having considered all the evidence and arguments in the record, we determine that Petitioner has shown, by a preponderance of the evidence, that claims 1–26 are directed to patent-ineligible subject matter under 35 U.S.C. § 101.

D. Asserted Ground Based on § 112 ¶¶ 2 & 6

Petitioner contends that the challenged patent fails to disclose adequate structure under 35 U.S.C. § 112 ¶ 6 for the means-plus-function limitations in claims 1–20, 25, and 26 and, therefore, these claims are

unpatentable as indefinite under 35 U.S.C. § 112 ¶ 2. Petitioner supports its contentions with citations to the Declaration of Dr. Conte (Ex. 1004).

Pet. 33–60. In its Patent Owner Response, Patent Owner merely states “Patent Owner relies on Ex. 1001 — the ’640 Patent to show that the Patent is valid under Section 112.” PO Resp. 7. In its Reply to the Patent Owner Response, Petitioner argues that Patent Owner’s “vague and conclusory reference to the ’640 Patent violates 37 C.F.R. § 42.23 . . . [and] amounts to an improper incorporation by reference.” Pet. Reply 11. Therefore, Petitioner argues that we “should refuse to entertain them.” *Id.*

1. Principles of Law

Under 35 U.S.C. § 112 ¶ 6, “[a]n element in a claim for a combination may be expressed as a means . . . for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.” 35 U.S.C. § 112 ¶ 6. Using the term “means” in a “means for” context creates a rebuttable presumption that 35 U.S.C. § 112 ¶ 6 applies. *See Williamson v. Citrix Online, LLC*, 792 F.3d 1339, 1348, 1349 (Fed. Cir. 2015) (en banc in relevant part) (“use of the word ‘means’ creates a presumption that § 112, ¶ 6 applies”). In determining whether a claim element falls within the ambit of § 112 ¶ 6, “[t]he standard is whether the words of the claim are understood by persons of ordinary skill in the art to have a sufficiently definite meaning as the name for structure.” *Id.* at 1349 (quoting *Greenberg v. Ethicon Endo–Surgery, Inc.*, 91 F.3d 1580, 1583 (Fed. Cir. 1996)).

“When a claim term lacks the word ‘means,’ the presumption can be overcome and § 112, para. 6 will apply if the challenger demonstrates that the claim term fails to ‘recite sufficiently definite structure’ or else recites ‘function without reciting sufficient structure for performing that function.’” *Id.* (quoting *Watts v. XL Sys., Inc.*, 232 F.3d 877, 880 (Fed. Cir. 2000)).

Once a claim limitation falls under 35 U.S.C. § 112 ¶ 6, the construction of such a limitation involves two steps: (1) identifying the claimed function and (2) identifying in the specification the corresponding structure that performs the claimed function. *See Noah Sys., Inc. v. Intuit Inc.*, 675 F.3d 1302, 1311 (Fed. Cir. 2012). In the event the specification does not identify sufficient structure to perform the claimed functions, “the claim limitation would lack specificity, rendering the claim as a whole invalid for indefiniteness under 35 U.S.C. § 112 ¶ 2.” *Aristocrat Techs. Austl. Pty Ltd. v. Int’l Game Tech.*, 521 F.3d 1328, 1331 (Fed. Cir. 2008) (citing *In re Donaldson*, 16 F.3d 1189, 1195 (Fed. Cir. 1994) (en banc)).

2. Analysis

We determine that Petitioner has shown, by a preponderance of the evidence, that the limitations of claims 1–20, 25, and 26 that recite “means for” are governed by § 112 ¶ 6. *See* Ex. 1004 ¶¶ 63–68; *Williamson*, 792 F.3d at 1349. Furthermore, as claim 1 recites, all of the “instruction means for” limitations are “web-based computer program code” executed and stored on a server having a processor, an area of main memory, a storage device, and a bus connecting the processor, main memory, and storage device. *See* Ex. 1001, 16:61–17:4. In other words, the “instruction means

for” limitations are all special purpose computer code executed on a general purpose computer. *See* Ex. 1004 ¶¶ 64–66.

As for the first step of construing these means-plus-function limitations, we further agree with Petitioner and determine that the corresponding functions for the following limitations are what is shown in the table below.

Term	Function
first instruction means for permitting a payer who executes a check for payment to enter and store check register information relating to the executed check in said database, the check register information including a check number, a date issued, a payee, a routing number, and an account number (claim 1)	permitting a payer who executes a check for payment to enter and store check register information relating to the executed check in said database, the check register information including a check number, a date issued, a payee, a routing number, and an account number
second instruction means for providing a web site on the Internet accessible to the payer who executed the check, a payee of the executed check, a payee bank, a drawee bank, and banking institutions intermediate the payee bank and the drawee bank (claim 1)	providing a web site on the Internet accessible to the payer who executed the check, a payee of the executed check, a payee bank, a drawee bank, and banking institutions intermediate the payee bank and the drawee bank
third instruction means for enabling the payer who executed the check, the payee of the executed check, the payee bank, the drawee bank, and banking institutions intermediate the	enabling the payer who executed the check, the payee of the executed check, the payee bank, the drawee bank, and banking institutions intermediate the payee bank and the

Term	Function
<p>payee bank and the drawee bank to access check register information of the executed check at every point along a check clearing process in order to determine correspondence between check register information stored in said database and the executed check presented for payment (claim 1)</p>	<p>drawee bank to access check register information of the executed check at every point along a check clearing process in order to determine correspondence between check register information stored in said database and the executed check presented for payment</p>
<p>fourth instruction means for enabling the payer who executed the check, the payee of the executed check, the payee bank, the drawee bank, and banking institutions intermediate the payee bank and the drawee bank to determine whether tampering or altering has occurred to the executed check at every point along a check clearing process (claim 1)</p>	<p>enabling the payer who executed the check, the payee of the executed check, the payee bank, the drawee bank, and banking institutions intermediate the payee bank and the drawee bank to determine whether tampering or altering has occurred to the executed check at every point along a check clearing process</p>
<p>fifth instruction means for searching and capturing check register information for abandoned property subject to escheat (claim 2)</p>	<p>searching and capturing check register information for abandoned property subject to escheat</p>
<p>sixth instruction means for automatically polling check register information for storage on said database (claim 3)</p>	<p>automatically polling check register information for storage on said database</p>
<p>seventh instruction means for performing a reconciliation of check registration information for payers</p>	<p>performing a reconciliation of check registration information for payers</p>

Term	Function
who executed checks (claim 4)	who executed checks
eighth instruction means for locating lost, stolen, misplaced items and items not presented and that remain outstanding (claim 5)	locating lost, stolen, misplaced items and items not presented and that remain outstanding
ninth instruction means for archiving and storing check register, matching data, verification data and authentication data for up to a period of seven years (claim 6)	archiving and storing check register, matching data, verification data and authentication data for up to a period of seven years
eleventh instruction means for making a credit history compilation for a payer who executes checks based upon check register information (claim 19)	making a credit history compilation for a payer who executes checks based upon check register information
twelfth instruction means for compiling a behavior matrix for payers who execute checks based upon check register information (claim 20)	compiling a behavior matrix for payers who execute checks based upon check register information
fourteenth instruction means for enabling payers who execute checks to view their check register information in real-time (claim 26)	enabling payers who execute checks to view their check register information in real-time
means for demodulating check register information from a telephone carrier signal (claim 9)	demodulating check register information from a telephone carrier signal

Pet. 26–32.

As for the second step of identifying the corresponding structure, we agree with Petitioner that the specification of the '640 patent fails to provide adequate corresponding structure for performing these functions. *See* Pet. 36–60. “A patent applicant who employs means-plus-function language ‘must set forth in the specification an adequate disclosure showing what is meant by that language.’” *Net MoneyIN, Inc. v. VeriSign, Inc.*, 545 F.3d 1359, 1367 (Fed. Cir. 2008) (quoting *In re Donaldson*, 16 F.3d at 1195). In cases such as this one, which involve a computer-implemented means-plus-function limitation, courts have required “that the structure disclosed in the specification be more than simply a general purpose computer or microprocessor.” *Aristocrat*, 521 F.3d at 1333. The specification must “disclose an algorithm for performing the claimed function.” *Net MoneyIN*, 545 F.3d at 1367. The specification can express the algorithm “in any understandable terms including as a mathematical formula, in prose, or as a flow chart, or in any other manner that provides sufficient structure.” *Finisar Corp. v. DirecTV Grp., Inc.*, 523 F.3d 1323, 1340 (Fed. Cir. 2008) (internal citation omitted). Simply disclosing software, however, “without providing some detail about the means to accomplish the function[,] is not enough.” *Id.* at 1340–41 (citation omitted).

As claim 1 makes clear, the “instruction means for” limitations are “web-based computer program code” executed on the processor in the server. *See* Ex. 1001, 16:61–17:4. Because the “instruction means for” are

software running on a processor, the specification must also disclose an algorithm.³ *Net MoneyIN*, 545 F.3d at 1367.

We agree with Petitioner that the specification of the '640 patent fails to provide an adequate algorithm for the “instruction means for” limitations identified above. For example, with respect to the “first instruction means for permitting a payer who executes a check for payment to enter and store check register information relating to the executed check in said database,” we agree with Petitioner that there does not appear to be a step-by-step explanation, in any way shape or form, of how the web-based code would both allow a person to enter and store the recited information. *See* Pet. 36–39; Ex. 1004 ¶¶ 72–79. Instead, we agree with Petitioner that all that appears is a generalized recitation of the function, and an indication that the software can perform it. *See* Ex. 1001, 6:9–15, 10:1–9, 10:16–26. As Petitioner notes, the fact that a person of ordinary skill might understand how to write code to perform these functions is not relevant. *See Blackboard, Inc. v. Desire2Learn, Inc.*, 574 F.3d 1371, 1385 (Fed. Cir. 2009) (“A patentee cannot avoid providing specificity as to

³ Because the '640 patent requires a server computer specifically programmed to carry out the recited functions associated with the various “instruction means for,” we determine that the exception to the algorithm requirement, set forth in *In re Katz Interactive Call Processing Patent Litig.*, 639 F.3d 1303, 1316 (Fed. Cir. 2011), for situations involving functions that can be accomplished by “any general purpose computer without special programming,” does not apply.

structure simply because someone of ordinary skill in the art would be able to devise a means to perform the claimed function.”).

Patent Owner’s reliance on the ’640 patent as a whole, without any particular citation or argument, is not persuasive to the contrary. We agree with Petitioner that Patent Owner’s vague and conclusory reference to the entirety of the ’640 patent violates 37 C.F.R § 42.23, which requires a party’s briefing to provide “[a] full statement of the reasons for the relief requested, including a detailed explanation of the significance of the evidence including material facts, and the governing law, rules, and precedent.” We further determine that this vague reference also amounts to an improper incorporation by reference. *See* 37 C.F.R § 42.6(a)(3). Accordingly, we determine Patent Owner’s arguments are insufficient to overcome the significant and persuasive evidence that Petitioner has submitted establishing that the means-plus-function elements lack corresponding structure. *See Tobii Tech. AB v. Eye Tribe APS*, No. C 13-05877-SBA, 2016 WL 269890, at *4 (N.D. Cal. Jan. 22, 2016) (finding plaintiff’s vague reference to prior art article incorporated by reference in patent as “ineffectual” to provide corresponding structure).

We also agree with Petitioner that it has shown, by a preponderance of the evidence, that the other “means for” limitations of claims 1–9, 19, 20, and 26 identified in the Petition similarly contain limitations that lack adequate corresponding structure in the specification. *See* Pet. 39–60; Ex. 1004 ¶¶ 80–164. As for claims 10–18 and 25, those claims depend from at least one claim that contains a limitation that has been shown to lack

adequate corresponding structure. Accordingly, based on the foregoing discussion, we agree that Petitioner has shown, by a preponderance of the evidence, that claims 1–20, 25, and 26 are unpatentable as indefinite under 35 U.S.C. § 112 ¶ 2 because the '640 patent fails to disclose adequate structure under 35 U.S.C. § 112 ¶ 6 for the means-plus-function limitations in those claims.

III. CONCLUSION

We have reviewed the information in the Petition as well as Patent Owner's arguments and evidence. With the record now developed fully, we have determined that Petitioner has shown by a preponderance of the evidence that (i) claims 1–26 are directed to patent-ineligible subject matter, and (ii) claims 1–20, 25, and 26 are indefinite for failing to disclose adequate structure.

IV. ORDER

For the foregoing reasons, it is
ORDERED that, based on a preponderance of the evidence,
claims 1–26 of the '640 patent are held unpatentable; and

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

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