

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 CBM2017-00036
Patent 8,768,840 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 1–20 of U.S. Patent No. 8,768,840 B2 (Ex. 1001, “the ’840 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. 1007), and its contentions that it was charged with infringement with the Declaration of Richard M. Fraher (Ex. 1008). Patent Owner, Bozeman Financial LLC, filed a Preliminary Response (Paper 5, “Prelim. Resp.”). Patent Owner submitted the Declaration of William O. Bozeman, III with its Preliminary Response. Paper 6 (“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 8 (“Reply”). With its Reply, Petitioner provided a second Declaration of Richard M. Fraher (Ex. 1023). On May 26, 2017, also pursuant to our authorization, Patent Owner filed a Sur-Reply on the limited issue of standing. Paper 12

(“Sur-Reply”). Patent Owner submitted a second Declaration of William O. Bozeman, III in support of its Sur-Reply. Paper 13 (“Second Bozeman Decl.”).

Pursuant to 35 U.S.C. § 324, in our Decision to Institute, we instituted this proceeding as to claims 1–20 on all asserted grounds. Paper 22 (“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 27, “Pet. Reply”). Patent Owner supported its Response with a third Declaration of William O. Bozeman, III (Ex. 2003) (“Third Bozeman Decl.”).

Patent Owner also filed a Contingent Motion to Amend. Paper 25 (“Mot.”). Petitioner filed an Opposition to the Motion to Amend. Paper 29 (“Opp.”). Patent Owner filed a Reply in Support of its Motion to Amend. Paper 31 (“PO Reply”). Pursuant to our authorization, Petitioner filed a Sur-Reply to Patent Owner’s Motion to Amend. Paper 33 (“Pet. Sur-Reply”).

An oral hearing was held on April 5, 2018. Paper 37 (“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 1–20 are unpatentable. We further *deny* Patent Owner’s Motion to Amend.

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A. Related Matters

Petitioner and Patent Owner represent that Petitioner has filed a covered business method patent review, CBM2017-00035, against a related patent, U.S. Patent No. 6,754,640 B2 (“the ’640 patent,” Ex. 1006). Pet. 6–7; Paper 7, 1. Petitioner has also filed a declaratory judgment action of non-infringement of both the ’640 patent and the ’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. STMicroelectronics, 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 '840 patent. Pet. 37–40. 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 and '840 patents. *Id.* at 38 (citing Ex. 1008 ¶¶ 2, 4, 5). Petitioner also asserts that Patent Owner indicated that it intended to seek fees for the alleged infringement. *Id.* Petitioner argues 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. *Id.* at 38–39 (citing Ex. 1022, 000001-5).

In its Patent Owner Response, Patent Owner contends “Petitioner’s unclean hands and deceptive actions, along with the fact the only controversy regarding infringement was created and induced by the Petitioner’s own bad faith, should bar it from this forum.” PO Resp. 17. To support this contention, Patent Owner argues that it “had a 15 year relationship with the Petitioner.” *Id.* at 13. Patent Owner claims that its discussions with Petitioner have only been about a “cooperative business arrangement” with Petitioner. *Id.* Patent Owner argues that it only discussed infringement at Petitioner’s “urging” and that it never had any interest in litigation. *Id.* at 13–14. Patent Owner asserts that Petitioner had no fear that it infringed the '840 patent. *Id.* at 14–15. Patent Owner further argues that Petitioner “misled” it, because Petitioner never informed Patent

Owner that Petitioner thought that the '840 patent was invalid, and Petitioner never informed Patent Owner that it intended to file these proceedings. *Id.* at 15–16. Patent Owner asserts that “[t]hese lack of disclosures, along with the inducement of Patent Owner to present infringement allegations,” were because “Petitioner was entrapping the Patent Owner to present such allegations as to the '840 Patent . . . in order to gain standing.” *Id.* at 16.

In its Reply, Petitioner disputes Patent Owner’s characterization of the events that took place in their negotiations in 2016 and early 2017. Reply 1–5. Petitioner points to the testimony of Mr. Fraher about the details of the discussions that took place before the parties signed their NDA, including confidential discussions that took place between the parties, and detailing Patent Owner’s actions through the course of those discussions. *Id.* (citing Ex. 1023 ¶¶ 1–14).

We have reviewed Petitioner’s and Patent Owner’s submissions and supporting evidence, and we determine that Petitioner has established sufficiently the facts, taken together, demonstrate that it has standing to bring this covered business method review. Here, it is undisputed that Patent Owner contacted Petitioner in October 2014 and the parties entered into lengthy discussions regarding the potential licensing of the '840 patent. *See* Ex. 1008 ¶¶ 4–8; Ex. 1023 ¶¶ 3–7; First Bozeman Decl. ¶¶ 7–14. In April 2016, Patent Owner sent Petitioner a claim chart mapping existing services offered by Petitioner to claims of the '840 patent. *See* Ex. 1022, 1 (seeking licensing discussions), 2–5 (claim chart of '840 patent). Although Patent Owner attempts to characterize these communications as an effort to

reach a business partnership (PO Resp. 14), the email’s statement that Patent Owner sought a “commercially reasonable treatment” and mapped *existing* products to claim 1 of the ’840 patent suggest otherwise (Ex. 1022, 1–5), and, in any case, is, at a minimum, “conduct that can be reasonably inferred as demonstrating intent to enforce a patent.” *Hewlett-Packard Co.*, 587 F.3d at 1363.

Furthermore, the April 2016 communication and claim chart, Patent Owner’s September 29, 2016 communication and Memorandum and Proposal repeatedly references the “Bozeman patents” collectively (including both the ’640 and ’840 patents), and threaten litigation. *See, e.g.*, Ex. 1024¹, 1. For example, 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 [Federal Reserve Banks (“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 alternate but to begin to head down an enforcement path that would most likely be very disruptive. . . .* We remain very flexible in

¹ Patent Owner has filed a redacted version of Exhibit 1024 as Exhibit 2011 in the PTAB E2E System.

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. 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;" 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 sent 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 back 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 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.

Mr. Bozeman’s efforts to re-characterize these actions in his Declarations (*see, e.g.*, Second Bozeman Decl. ¶¶ 4, 18; Third Bozeman Decl. ¶ 11), are inconsistent with the Memorandum and other written communications he sent to Petitioner, and is contradicted by the testimony of Mr. Fraher. In view of the Memorandum and other written communications, we find Mr. Bozeman’s assertions, in his Declarations, that

he never threatened to sue not to be credible, and give that testimony little weight.

“[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 the ’840 patent, which is sufficient to give rise to declaratory judgment jurisdiction. *Id.*

We are unpersuaded by Patent Owner’s arguments regarding the subjective understanding of the parties. PO Resp. 13–15. Most importantly, it is irrelevant whether Patent Owner subjectively believed Petitioner was infringing or actually 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. 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 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. 13–14, 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 (*see* First Bozeman Decl. ¶ 6; Ex. 1022, 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 showing that it 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.”). In addition, Patent Owner fails to explain why Petitioner had any legal obligation to reveal to Patent Owner that it believed the ’840 patent was invalid or that it planned to

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file these CBM proceedings. *See, e.g., Nat'l Westminster Bank, U.S.A. v. Ross*, 130 B.R. 656, 679 (S.D.N.Y. 1991) (“Where parties deal at arms length in a commercial transaction, no relation of confidence or trust sufficient to find the existence of a fiduciary relationship will arise absent extraordinary circumstances.”); *see also Williams v. Dresser Indus., Inc.*, 120 F.3d 1163, 1167–68 (11th Cir. 1997) (no general duty to disclose in commercial transactions under Georgia law).

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

C. The Challenged Patent

The '840 patent, titled “Universal Positive Pay Match, Authentication, Authorization, Settlement, and Clearing System,” describes a universal positive pay match database to reduce financial transaction fraud. Ex. 1001, [54], Abstract. The '840 patent explains that check fraud is a significant problem in the financial system, and although many solutions have been proposed, “[o]ne area where [the solutions] all fall short is in the elimination of check fraud.” *Id.* at 1:64–65.

The patent acknowledges the existence of numerous prior art systems aimed at verifying financial transactions and combatting checking fraud: “[m]any techniques have been developed to inhibit check fraud, such as Positive Pay [and] different forms of electronic check verification and electronic check presentment.” *Id.* at 1:57–60. The '840 patent explains that positive pay services “have been available from individual banks” for a

number of years, and are “recognized as an effective service to fight against check fraud.” *Id.* at 13:11–12, 13:22–23. According to the patent, a

check generating customer [using a prior art positive pay service] generally uploads a file of transaction records associated with financial transactions 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 transaction record for a check has been tampered with or if transaction record includes an unauthorized check number, the transaction record will be rejected.

Id. at 13:14–21.

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 13:30–32. 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 customers, payers, payees, payee banks, drawee banks, and banking institutions intermediate the payee banks and the drawee banks for issuing and tracking transaction records associated with financial transactions at every point along the financial transaction clearing process.” *Id.* at 13:32–39. Figure 5A of the ’840 patent is reproduced below.

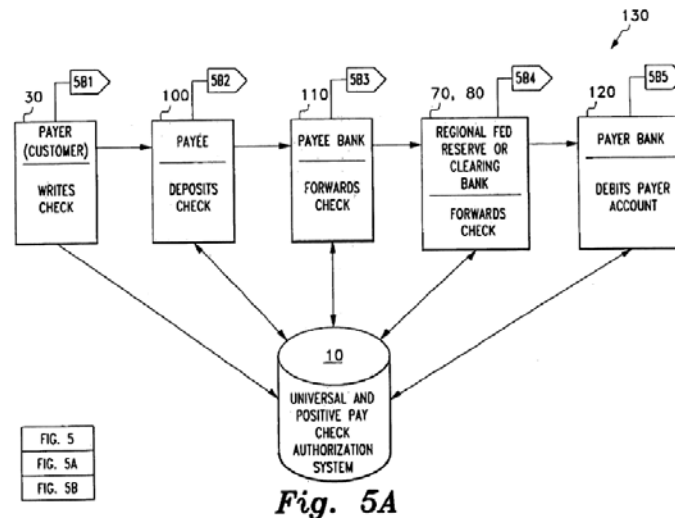


Figure 5A illustrates a flow diagram of the universal positive pay database method for checking accounts according to the claimed invention. *Id.* at 7:10–11. Figure 5A shows that “each participant in the check clearing process (payer customer 30, payee 100, payee bank 110, Federal Reserve 80, clearing bank 70, or payor bank 120), participates in a [universal positive pay database (“UPPD”)] method 130 used by a payer (customer) 30 for maintaining check payment control and preventing check fraud.” *Id.* at 17:56–61. According to the ’840 patent,

[t]he UPPD method 130 includes a series of steps in which payer 30 uploads check information to the UPPD system 10, payee 100 deposits check in payee bank 110, payee bank 110 checks the check against the UPPD database 20 in the UPPD system 10, check is deposited in Federal Reserve 80 or clearing bank 70, which checks it against the UPPD database 20, payer bank 120 receives check and checks it against the UPPD database 20 and reports back to the UPPD system 10 that the check has been debited from payer’s 30 account.

Id. at 17:61–18:3.

D. Illustrative Claim

Petitioner challenges all twenty claims of the challenged patent. Claims 1, 8, and 15 are independent claims. Claim 1 is illustrative of the claimed subject matter:

1. A computer implemented method for detecting fraud in financial transactions during a payment clearing process, said method comprising:

receiving through one of a payer bank and a third party, a first record of an electronic financial transaction from at least one of the following group: a payer, a point-of-sale terminal, an online account and a portable electronic device;

storing in a database accessible by each party to said payment clearing process of said electronic financial transaction, said first record of said electronic financial transaction, said first record comprising more than one parameter;

receiving at said database at least a second record of said electronic financial transaction from one or more of a payee bank and any other party to said payment clearing process as said transaction moves along said payment clearing process, wherein said second record comprises at least one parameter which is the same as said more than one parameter of said first record;

each of said first and second records received at said database comprise at least two of the same said more than one parameters;

determining by a computer when there is a match between at least two of said parameters of said second record of said first financial transaction received at said database and the same parameters of said first record of said financial transaction stored in said database, and wherein any party to said payment clearing process is capable of verifying

- said parameters at each point along said financial transaction payment clearing process;
- sending a notification to said payee bank participant with authorization to process said electronic financial transaction when said parameters match; and
- sending a notification to said payee bank participant to not process said electronic financial transaction when said parameters do not match.

Ex. 1001, 28:39–29:8.

E. Instituted Ground of Unpatentability

We have instituted review on the sole asserted ground—that claims 1–20 are unpatentable as directed to patent-ineligible subject matter under 35 U.S.C. § 101.

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 term “behavior matrix.” Pet. 41–43. However, we determine that no terms require express construction for this Decision.

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 computer-implemented methods for detecting fraud or errors in financial transactions. Pet. 27–30.

Patent Owner does not dispute Petitioner’s assertions.

We agree with Petitioner that the ’840 patent meets the financial product or service requirement. For example, claim 1 and its dependents are

generally directed to “[a] computer implemented method for detecting fraud in financial transactions during a payment clearing process,” comprising: (a) receiving a first record relating to a financial transaction; (b) storing that record in a database accessible to each party to the payment clearing process; (c) receiving a second record relating to the same financial transaction; (d) determining whether there is a match between the first and second records; and (e) sending a notification based on the outcome of that determination. Pet. 28. We agree with Petitioner that the detecting fraud in financial transactions during a payment clearing process meets the financial product or service requirement of Section 18 of the AIA. *See, e.g., 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 any of independent claims 1, 8, or 15 is novel and non-obvious. Pet. 31. Petitioner argues that the only technological features recited in claim 1 are a database, a computer, a point-of-sale terminal, a portable electronic device, and a notification. *Id.* Petitioner also submits that the only technological features recited in claim 8 are a computer having a database, a network interface, and an electronic notification. *Id.* Petitioner further argues that the only technological features recited in claim 15 are a computer having a processor, an area of main memory, and a storage device having a database; a point of sale terminal; a portable electronic device; and a notification. *Id.* Petitioner asserts that “[t]hese technological features are not novel or non-obvious — they are generic, conventional computer technologies that were well known at the time the provisional application was filed in October 2000.” *Id.* (citing Ex. 1007 ¶¶ 32–38).

Petitioner further contends that the '840 patent does not provide a technical solution to a technical problem. *Id.* at 34–37. Petitioner argues that the '840 patent addresses the problem of reducing financial transaction fraud and verifying checks and other financial instruments and documents, which are business problems, not technical problems. *Id.* at 34–35. Further, Petitioner contends that 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.* at 35.

Patent Owner argues that its claimed invention qualifies as a technological invention because “[t]he core of the claimed invention of the '840 Patent is the specific configuration of the UPPD system, files and tools which solve the technical problems with the timing and fraud related to clearing paper checks.” PO Resp. 7–8. Patent Owner contends that “this novel system for reducing check fraud is wholly based in technology in nature and ahead of its time.” *Id.* at 8. Patent Owner argues that, even if transaction fraud is a business problem, “that does not negate the technological problems solved by the claimed invention.” *Id.* Patent Owner asserts that, in our Institution Decision, we “confuse[d] the *use* of the invention and *effect* of the problem with the *actual* problem—namely, accurate and faster check clearing which also eradicates check fraud by configuration and utilization of the underlying technology.” *Id.* Patent Owner contends that the claims of the '840 patent solve “a technological problem, that being the failure of the prior art to accurately match, authenticate, authorize, settle and clear a check in real-time in order to

eradicate paper check fraud prior to the conclusion of the clearing process, while also speeding up the accuracy and settlement of check payments, a technological goal admitted as much by the Petitioner in expressing its own desire to assist in developing such a system.” *Id.* at 9. Patent Owner points to statements related to various payment systems developed by Petitioner to contend that the claimed inventions are technological. *Id.* at 9–11. Patent Owner argues that the fact that its system is implemented on a conventional computer is irrelevant, because the system overall is novel. *Id.* at 11–13.

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 1 recites only “a database,” “a computer,” “a point-of-sale terminal,” “a portable electronic device,” and “a notification” (Ex. 1001, 28:39–29:8), and none of these components are used a non-conventional manner. We agree with Petitioner that the subject matter of independent claim 1, 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. 1007 ¶¶ 32–38.

We also agree with Petitioner that the challenged patent addresses the business problem of fraud by providing multiple users access to a positive pay system at every point along the financial transaction 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”).

Patent Owner’s arguments do not persuade us otherwise, because they are not commensurate with the scope of claim 1. In particular, Patent Owner’s arguments about the “specific configuration” of the “UPPD system,” “files,” and “tools” do not reflect the actual limitations of claim 1. Claim 1 does not require any specific configuration for the “system,” other than a database on a computer connected to a network that can receive data. As for the “files,” the only limitation recited in the claim is that the files have at least two of the same parameters. We agree with Petitioner that these are extremely conventional arrangements for a database system, and do not amount to “specific configuration,” as Patent Owner argues. *See* Ex. 1007 ¶¶ 33–41. This use of generic computer components in a conventional way does not render a patent a technological invention. *See* Office Trial Practice Guide, 77 Fed. Reg. at 48,764.

As for Patent Owner’s contentions about problems with clearing paper checks, claim 1 is not limited to paper checks and involves financial transactions generally. Thus, claim 1 does not reflect any specific solution to technological problems in the clearing of paper checks, as Patent Owner contends. As for Patent Owner’s argument that we confuse the use of the invention and effect with the “actual” problem, we disagree. The ’840 patent is clear that financial transaction fraud is business problem that costs participants a great deal of money. *See* Ex. 1001, 1:27–52. Moreover, we agree with Petitioner that even if reducing financial transaction fraud were a

technological problem, the '840 patent does not offer a technological solution. Pet. Reply 5. Instead, it merely uses a conventional database that is accessible to multiple users along the transaction process. This does not qualify as a technological solution to a technological problem. *See Monster Worldwide Inc. v. Career Destination Dev., LLC*, Case No. CBM2014-00077 (PTAB Aug. 20, 2014) (Paper 9) (finding that “creating a centralized location for all employers and candidates to search” did not involve a technical solution to a technical problem).

Accordingly, we conclude that the subject matter of at least independent claim 1 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 1–20 Are Unpatentable Under § 101

Petitioner asserts each of claims 1–20 is unpatentable for being directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 43–67. Petitioner supports its contentions with citations to the Declaration of Dr. Conte (Ex. 1007).

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, 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 [that] ‘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 1 is representative. Pet. 46. More specifically, Petitioner asserts that claim 1, as a whole, recites steps directed to collecting and storing financial transaction information, comparing received financial transaction information against the stored information, and notifying the parties of any matches or mismatches between the sets of financial transaction information. *Id.* (citing Ex. 1001, 28:39–29:8 (claim 1)). Petitioner contends that independent claims 8 and 15 recite substantially identical corresponding limitations, but add the step of providing a computer having a database. *Id.* Petitioner further asserts that the claims are “directed towards the abstract idea of financial transaction fraud or error detection, a fundamental economic practice,” for “the abstract idea of collecting and analyzing information and presenting the results—simple steps that can be performed in the human mind or by a human using a pen and paper.” *Id.* at 45.

We agree with Petitioner that claims 1–20 are drawn to an abstract idea. Specifically, we agree with Petitioner that the claims of the challenged patent are directed to collecting and analyzing information for financial transaction fraud or error detection. We note that Patent Owner does not dispute that claim 1 is representative or offer arguments directed specifically

at claims 8 or 15. We agree with Petitioner that claim 1 is representative, and treat it as such.

For example, beginning with independent claim 1, the only specific items recited are a computer, a database, a point of sale terminal, and a portable electronic device. Ex. 1001, 28:39–29:8. The remainder of the claim is simply a method of collecting and analyzing information. As discussed above, the claimed method steps include (i) “receiving . . . a first record,” (ii) “storing in a database . . . said first record . . .,” (iii) “receiving . . . a second record . . .,” (iv) where each of the first and second records have at least two parameters in common, (v) “determining . . . when there is a match” between at least two of the parameters in the first and second records, (vi) “sending a notification to said payee bank . . . with authorization to process said electronic financial transaction when said parameters match,” and (vii) “sending a notification to said payee bank . . . to not process said electronic financial transaction when said parameters do not match.” *Id.* at 28:40–29:8. Thus, besides providing conventional computer technology in the form of computer, a database, a point of sale terminal, and a portable electronic device—all performing nothing more than their typical ordinary functions, the method consists of collecting, storing, analyzing, and transmitting information. We agree with Petitioner that claims 8 and 15 have similar limitations.

The specification reinforces the focus of claims 1, 8, and 15 on collecting and analyzing information: “The present invention relates to a Universal Positive Pay Database method, system, and/or computer useable

medium to reduce check fraud and verify checks, other financial instruments and documents.” Ex. 1001, 1:22–25. According to the specification, “[t]he present invention” includes a “UPPD database . . . configured to store thereon transaction records associated with financial transactions associated with customers of the UPPD database.” *Id.* at 5:29–34. Moreover, the specification explains that “[a] particular financial transaction is initiated between a payer and a payee by providing parameters associated with the particular financial transaction to the UPPD database.” *Id.* at 5:36–38. In addition, the specification states that “[a] correspondence determination is made between the parameters associated with the particular financial transaction . . . and the parameters associated with the particular financial transaction provided to the UPPD database to initiate the particular financial transaction.” *Id.* at 5:43–48. The participants in the financial transaction clearing process “are able to access the correspondence determination at every point along a financial transaction clearing process.” *Id.* at 5:51–53.

Moreover, we are persuaded that the idea of reconciling transaction information is a well-known, routine economic practice commonplace in the financial services industry and is fundamentally abstract. Indeed, the specification further explains that the idea of reconciling financial information was a well-known, routine business practice commonplace in the financial industry. *See, e.g., id.* at 1:57–60, 2:4–14, 3:34–42, 3:47–58, 3:59–65.

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 the 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) (finding claimed invention is directed to the abstract concept of collecting, displaying, and manipulating data of particular documents not patent eligible); *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 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*

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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 patent ineligible).

Patent Owner’s arguments to the contrary do not persuade us otherwise. Patent Owner argues that we missed “key components of the invention,” including “the timing, speed and accuracy of the universal matching of data, the authentication and settlement of the transaction and the notification mechanisms which are significant in the patented invention.” PO Resp. 17. However, we do not discern any limitations in the claims, nor does Patent Owner identify them, related to timing, speed, or accuracy or even a particular “mechanism” for notification. To the extent Patent Owner contends that computerized methods are faster and more accurate and capable of sending notifications, the same is true of any computerized method, which has been clearly held not sufficient to take an otherwise abstract method out of the realm of abstract ideas.

Patent Owner attempts to argue that this case is similar to recent Federal Circuit cases finding claims related to improvements in computer functionality to be patent eligible, such as, *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), *Trading Technologies International, Inc. v.*

CQG, Inc., 675 F. App'x 1001 (Fed. Cir. 2017) (non-precedential), *McRO, Inc. v. Bandai, Namco Games America Inc.*, 837 F.3d 1299 (Fed. Cir. 2016), and *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016). Specifically, Patent Owner contends that “the '840 patent discloses a technical solution which embodies a new and unique system” for various entities “to present a checking-account payment to a 3rd party through a universal system which vastly improves the accuracy and efficiency of a payment clearing process.” PO Resp. 18. As the court explained in *Electric Power Group, Enfish*

relied on the distinction made in *Alice* between, on one hand, computer-functionality improvements, and, on the other, uses of existing computers as tools in aid of processes focused on “abstract ideas” (in *Alice*, as in so many other § 101 cases, the abstract ideas being the creation and manipulation of legal obligations such as contracts involved in fundamental economic practices).

Elec. Power Grp., 830 F.3d at 1354. The court in *Electric Power Group* went on to explain that in *Enfish*, “the claims at issue focused not on asserted advances in uses to which existing computer capabilities could be put, but on a specific improvement—a particular database technique—in how computers could carry out one of their basic functions of storage and retrieval of data.” *Id.* With those distinctions in mind, it becomes apparent that the claims of the '840 patent fall on the abstract side of divide of using a computer as a tool exemplified by *Electric Power Group*, and not the non-abstract improvement in computer functionality exemplified by *Enfish*. In this case, there is no improvement in the operation of the computer. Instead,

the computer is used as a tool to automate and improve an existing process—financial transaction clearing. The cases cited by Patent Owner—*McRO*, *Amdocs*, and *Trading Technologies*—are similar to *Enfish*, and suggest a similar result.

In *McRO*, the claims were directed to an “improvement . . . allowing computers to produce ‘accurate and realistic lip synchronization and facial expressions in animated characters’ that previously could only be produced by human animators.” 837 F.3d at 1313. The invention realized this improvement “through ‘the use of rules, rather than artists, to set the morph weights and transitions between phonemes.’” *Id.* The claims were deemed patent eligible because “the automation goes beyond merely ‘organizing [existing] information into a new form’ or carrying out a fundamental economic practice”; “[t]he claimed process uses a combined order of specific rules that renders information into a specific format that is then used and applied to create desired results: a sequence of synchronized, animated characters.” *Id.* at 1315. In contrast, the claims here do not employ a specific set of rules, but instead recite a series of conventional steps—collecting, storing, analyzing, and sending information—to be performed in using conventional computer technologies. But “[c]laims directed to generalized steps to be performed on a computer using conventional computer activity are not patent eligible.” *Two-Way Media Ltd. v. Comcast Cable Commc’ns, LLC*, 874 F.3d 1329, 1337 (Fed. Cir. 2017) (citing *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1348–49 (Fed. Cir. 2015)).

As for *Amdocs*, Patent Owner quotes extensively from Judge Reyna's dissenting opinion, but the majority opinion is of no help to Patent Owner. The majority opinion based its finding of on Step 2 of *Alice*. *Amdocs*, 841 F.3d at 1300. Thus, it is not a basis for finding the claims not directed to an abstract idea.

With respect to *Trading Technologies*, again, the court found the claims there, which were directed to improvements in existing graphical user interfaces, required "a specific, structured graphical user interface paired with a prescribed functionality directly related to the graphical user interface's structure that is addressed to and resolves a specifically identified problem in the prior state of the art." 675 F. App'x at 1004. No such specific improvement in computer functionality is present here.

Finally, Patent Owner argues that the claims at issue here are similar to claims in *U.S. Bancorp v. Solutran, Inc.*, Case CBM2014-00076, slip op. at 13 (PTAB Aug. 7, 2014) (Paper 16), where the Board denied institution of a covered business method review. PO Resp. 22–25. We disagree. In *Solutran*, the Board denied institution concluding that the Petitioner had not shown that claims directed to a physical process of processing paper checks was not abstract. *See Solutran*, at 13. "It was significant to the Board's § 101 analysis in *Solutran* that the claim was for 'a method of processing paper checks, which is more akin to a physical process than an abstract idea.'" *Care N' Care Ins. Co., Inc. v. Integrated Claims Sys., LLC*, Case CBM2015-00064, slip op. at 20 (PTAB June 21, 2016) (Paper 24). Here, in contrast, the '840 patent claims are directed to a computer-implemented

method for detecting fraud in financial transactions—an electronic process, not a physical process. Thus, the reasoning of *Solutran* does not apply here.

The dependent claims specify: (1) what financial information may be stored in a database (claims 2, 4, 10, and 17), (2) various well-known financial transaction-types that may be used with method (claims 3, 9, and 16), and (3) variations of the processing steps recited in the independent claims (claims 5–7, 11–14, and 18–20). Petitioner asserts, and we agree, that none of these dependent claims add anything that would change the conclusion that the claims are directed to an abstract idea. *See* Pet. 49–51.

In view of the foregoing, we determine that Petitioner has shown, by a preponderance of the evidence, that claims 1–20 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. 57–65.

Patent Owner argues that the claims satisfy Step 2 of the *Alice* inquiry, because “[c]learing, processing and settling a check payment generally is much more than the concept of storing information and presenting it as it involves many factors and steps for the start to finish process.” PO Resp. 29. Patent Owner asserts that it “involves the transfer of currency in commerce,” and that this result “does not just happen by the retrieval, collection and storage of data.” *Id.* Patent Owner contends that the ’840 patent is directed to a “unique system” that uses “disparate databases accessible from multiple data entry points” and “computerized systems with multi-factor authentication to gain a more efficient, more accurate system and with the result being faster, more secure payments by utilizing these systems.” *Id.* at 30. Patent Owner argues that Petitioner failed to analyze the claims as an “an ordered combination,” as required. *Id.* at 31. In particular, Patent Owner asserts that considered as a whole, “the claims are directed to particular methods through the use of process to produce a more accurate and timely financial transaction clearing process and settlement, and therefore meets the tests for inventive concept under Step 2 of the *Alice* tests by providing limitations that represent such inventive concepts.” *Id.* at 31–32. Patent Owner asserts that “the Claim

limitations of the '840 Patent go well beyond a mere technological environment, but actually combine to create a technological improvement to financial transaction and paper check methods of the prior art.” *Id.* at 32. Patent Owner further cites various portions of the specification that it contends provide examples of “certain non-abstract, inventive concepts which are directed to technological improvements.” *Id.* at 32–35 (citing Ex. 1001, 20:41–58, 22:30–67, 23:1–11, Figs. 13, 14, 26E).

Patent Owner further responds that Petitioner merely cites references to “disparate and unrelated elements,” but none of the references taken individually or in combination teach or suggest all of the limitations claimed in the '840 patent. PO Resp. 38–39. In other words, Patent Owner argues that the claims '840 patent satisfy Step 2 of the *Alice* inquiry because they are novel and non-obvious. *Id.* at 35–37, 39.

We agree with Petitioner that the challenged claims fail to recite sufficient inventive concept to satisfy Step 2 of the *Alice* inquiry. First, the only recited technology in the claims of the '840 patent is a “computer,” a “database,” a “processor,” an “area of main memory,” a “storage device,” a “network device,” a “point-of-sale terminal,” a “portable electronic device,” and a “notification.” 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 financial transactions, 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 at 1096 (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, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1324–25 (Fed. Cir. 2016) (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 financial transaction 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*, 9:30–47; *see also Ex. 1007* ¶¶ 39–41 (explaining how the technologies are conventional and generic).

Patent Owner's arguments do not persuade us otherwise. To begin with, claim 1, which is the only claim that Patent Owner argues, does not recite all the steps of the check clearing process, nor does it recite the transfer of currency. Thus, Patent Owner's arguments regarding the complexity of the check clearing and currency transfer process have insufficient grounding in the claims, and, thus, are not persuasive. Instead, as we discussed above in our Step 1 analysis, the claims are merely directed to collecting, storing, analyzing, and outputting data. We also are unpersuaded that the '840 patent system are directed to "disparate databases" and "multi-factor authentication" to achieve "a more efficient, more accurate system" or "faster, more secure payments." PO Resp. 30. In particular, we determine not only Patent Owner has failed to point to where these concepts exist in the challenged claims, but, as best as we can ascertain, none of these concepts are recited anywhere in the claims. *See RecogniCorp, LLC v. Nintendo Co.*, 855 F.3d 1322, 1327 (Fed. Cir. 2017) ("To save a patent at step two, an inventive concept must be evident in the claims."). Patent Owner's citations to the specification (PO Resp. 32–37), suffer from the same problem. Namely, the problem that "the *claim*—as opposed to something purportedly described in the specification—is missing an inventive concept." *Two-Way Media, Ltd. v. Comcast Cable Commc'ns, LLC*, 874 F.3d 1329, 1338 (Fed. Cir. 2017); *see also Secured Mail Sols. LLC v. Universal Wilde, Inc.*, 873 F.3d 905, 912 (Fed. Cir. 2017) (finding "sender-generated identifier" was not an "inventive concept" because "[t]he

claim language does not provide any specific showing of what is inventive about the identifier or about the technology used to generate and process it”).

As for Patent Owner’s argument that Petitioner failed consider the claims as an ordered combination, we disagree. Instead, we agree with Petitioner that the claims only recite a logical sequence of steps for receiving and storing information, analyzing that information, and sending a notification upon completion of that analysis. At most, the claims require that these processes be executed on a generic computer, but this is insufficient. *See FairWarning*, 839 F.3d at 1097. Indeed, Patent Owner does not identify any particular inventive concept in the ordered combination, and we fail to discern any. *See Credit Acceptance*, 859 F.3d at 1057.

Finally, as for Patent Owner’s contention that the claims are novel and non-obvious, that is not the same as saying that they have inventive concept. *See Synopsys, Inc. v. Mentor Graphics Corp.*, 839 F.3d 1138, 1151 (Fed. Cir. 2016) (explaining that, although some overlap occurs, the analysis under § 101 differs from that under the other patent-validity statutes). Thus, the fact that the claims may be novel or non-obvious does not necessarily render them patent eligible. *See Bilski*, 561 U.S. at 610–11. As we explain above, we determine that there is nothing in the claims that elevates the claims beyond an abstract idea, so we are not persuaded by Patent Owner’s argument that the method as whole may be novel or non-obvious.

Based on our review, we further determine that the dependent claims add nothing that would transform the claims into patent-eligible subject matter either. *See* Pet. 65–67.

In view of the foregoing, based on the record before us, 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, storing, analyzing, and communicating information to reconcile financial information, 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*, 566 U.S. at 77–79). This weighs in favor of finding claims 1–20 are a patent-ineligible abstract idea.

4. Conclusion

Having considered the information and arguments of record, we determine that Petitioner has demonstrated, by a preponderance of the evidence, that claims 1–20 are directed to patent-ineligible subject matter under 35 U.S.C. § 101.

III. PATENT OWNER’S CONTINGENT MOTION TO AMEND

In a covered business method review, amended claims are not added to a patent as of right, but rather must be proposed as a part of a motion to amend. 35 U.S.C. § 326(d). We must assess the patentability of the proposed substitute claims “without placing the burden of persuasion on the patent owner.” *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1296 (Fed. Cir. 2017); *see also W. Digital Corp. v. SPEX Techs., Inc.*, Case IPR2018-00082,

slip op. at 3–4 (PTAB Apr. 25, 2018) (Paper 13) (informative). Thus, we determine whether the preponderance of the evidence based on the entirety of the record shows that the substitute claims are unpatentable. Patent Owner’s proposed substitute claims still must meet the statutory requirements of 35 U.S.C. § 326(d) and the regulatory requirements of 37 C.F.R. § 42.221. *See* “Guidance on Motions to Amend in view of *Aqua Products*” (Nov. 21, 2017).² Accordingly, Patent Owner must demonstrate (1) the amendment responds to a ground of unpatentability involved in the review; (2) the amendment does not seek to enlarge the scope of the claims of the patent or introduce new subject matter; (3) the amendment proposes a reasonable number of substitute claims; and (4) the original disclosure sets forth written description support for each proposed claim. *See* 35 U.S.C. § 326(d)(2), (3); 37 C.F.R. § 42.221.

A. Illustrative Proposed Amended Claims

Patent Owner proposes amended claims 21–40, which correspond to original claims 1–20. Patent Owner proposes amending independent claims 1, 8, and 15, and then correcting the corresponding dependencies for dependent claims 2–7, 9–14, and 16–20, which depend from claims 1, 8, and 15, respectively. In particular, claims 21, 28, and 35 are the amended versions of claims 1, 8, and 15, respectively. Claims 21, 28, and 35 are

² The guidance memorandum is publicly available at https://www.uspto.gov/sites/default/files/documents/guidance_on_motions_to_amend_11_2017.pdf

representative of the proposed amended claims, and are reproduced below (showing deletions and additions to the original claims).

21. A computer implemented method for detecting fraud in an electronic financial transaction at intermediate points during a payment clearing process of said electronic financial transactions—transaction, comprising a computerized system which comprises a Universal Positive Pay Database, said method comprising:

receiving through one of a payer, a payer bank, an online account, and a third party, a first record of an electronic financial transaction in Positive Pay File Format from at least one of the following group:

~~a payer, a point-of-sale terminal, an online account~~, and a portable electronic device;

storing on a computer usable medium in a database said Universal Positive Pay Database a first record in Issue File Format which is converted from and coincides with said Positive Pay File Format, said Universal Positive Pay Database contemporaneously accessible upon such storage to each party to said payment clearing process of said electronic financial transaction, said first record of said electronic financial transaction, said first record comprising more than one parameter;

receiving at said ~~database~~ Universal Positive Pay Database in a file format coinciding with said Issue File Format at least a second record of said electronic financial transaction from one or more of a payee bank and any other party to said payment clearing process as said electronic transaction moves along said payment clearing process, wherein said second record comprises at least one parameter which is the same as said more than one parameter of said first record;

each of said first and second records received at said Universal Positive Pay Database comprise at least two of the same said more than one parameters;

automatically determining by a said computer when there is a match between at least two of said parameters of said second record of said first financial transaction received at said database and the same parameters of said first record of said financial transaction stored in said database, and wherein any party to said payment clearing process is capable of verifying said parameters at each point along said financial transaction payment clearing process;

dynamically sending via at least one of said a point-of-sale terminal and said portable electronic device a notification to said payee bank participant with authorization to process said electronic financial transaction when said parameters match; ~~and~~

dynamically sending via at least one of said a point-of-sale terminal and said portable electronic device a notification to said payee bank participant to not process said electronic financial transaction when said parameters do not match; ~~and~~³

in response to said notification, either dynamically or selectively via said computerized system permitting or disallowing said transaction to proceed through said payment clearance process.

Mot. 4–5.

28. A computer implemented method for detecting fraud in ~~a check clearing process~~ an electronic check clearing process, at intermediate points during said check clearing process of said electronic financial transaction, comprising a computerized

³ There is no “and” following this clause in original claim 1, so it is unclear what Patent Owner intends. We reproduce it exactly as Patent Owner has written it in the Motion.

system which comprises a Universal Positive Pay Database, said method comprising:

providing ~~a computer having a~~ access to said Universal Positive Pay Database accessible by each participant to said check clearing process;

receiving at said ~~computer-computerized system~~ a first record of a check in Positive Pay File Format from a payer including check register information;

~~storing in said database~~ storing in said Universal Positive Pay Database in Issue File Format, which coincides with said Positive Pay File Format, said first record of said check received by said payer, said first record comprising at least two of the following parameters:

a check number, a date issued, a payee, a routing number, an account number, and an amount;

providing a network interface to said Universal Positive Pay Database accessed by one or more participants in said check clearing process selected from the group comprising:

a payee of said check, a payee bank, a payer bank, banking institutions intermediate said payee bank and said payer bank, a clearing bank, a Federal Reserve Bank, and a third party processor;

enabling said one or more participants in said check clearing process to electronically communicate separately with said Universal Positive Pay Database via said network interface as said check moves along said check clearing process;

receiving at said Universal Positive Pay Database from said at least one or more participants in said check clearing process a second record in a file format coinciding with said Issue File Format of said check, said second record comprising at least two of the following parameters:

a check number, a date issued, a payee, a routing number, an account number, and an amount, and wherein any participant

in said check clearing process is capable of verifying said parameters at each point along said check clearing process;

determining by said ~~computer~~computerized system correspondence between said parameters of said first record and said parameters of said second record of said check;

providing ~~an~~a dynamic electronic notification to said participant via said interface, wherein said notification includes results of said correspondence determination;

wherein said notification informs said participant via said interface to process said financial transaction when said first and second records correspond; ~~and~~

wherein said notification informs said participant via said interface to not process said financial transaction when said first and second records do not correspond; and

in response to said notification, either dynamically or selectively via said computerized system permitting or disallowing said transaction to proceed through said payment clearance process.

Mot. 6–8.

35. A computer implemented method for detecting errors in processing electronic financial transactions at intermediate points during a payment clearing process of said electronic financial transactions, comprising a computerized system which comprises a Universal Positive Pay Database, said method comprising:

providing at least one ~~computer~~computerized system comprising said Universal Positive Pay Database having a processor, an area of main memory, and a storage device having a database, wherein said database is accessible by each participant involved in said processing of said financial transactions;

storing in said database in Issue File Format which coincides with a Positive Pay File Format records of said

financial transactions relating to payments, ~~comprising wherein~~ each financial transaction comprises at least a first record of a ~~first~~ said financial transaction received from at least one participant to said processing of said financial transaction in said Positive Pay File Format, said first record received from a source selected from the following group:

a payer, a point of sale terminal, an online account, and a portable electronic device, each financial transaction record including more than one parameter;

receiving at said ~~computer~~ computerized system a second record of said ~~first~~ financial transaction in a format coinciding with said Issue File Format from a bank of first deposit as said first financial transaction moves through said error detection process, said second record including at least some of said more than one parameters that are in said first record of said first financial transaction;

determining by said ~~computer~~ computerized system whether there is a match between at least one of said parameters of said second record of said first financial transaction received at said computer and one of the same parameters in said first record of said first financial transaction stored in said database, and wherein any participant in said processing of said financial transaction is capable of verifying said parameters at each point along said error detection process;

providing a dynamic notification to said bank of first deposit with results from said matching of said parameters of said second record with said parameters of said first record; ~~and~~

providing a dynamic notification to said payer with results from said matching; and

in response to said notification. either dynamically or selectively via said computerized system permitting or

disallowing said transaction to proceed through said payment clearance process.

Mot. 9–10.

B. Compliance with the Motion to Amend Requirements

As we explained above, a Motion to Amend must meet four requirements: (1) the amendment must respond to a ground of unpatentability involved in the review; (2) the amendment must not seek to enlarge the scope of the claims of the patent or introduce new subject matter; (3) the amendment must propose a reasonable number of substitute claims; and (4) the original disclosure must set forth written description support for each proposed claim. Petitioner does not dispute, and we agree, that there are a reasonable number of substitute claims. Petitioner, however, disputes whether Patent Owner has complied with the remaining three requirements. Opp. 4–10; Pet. Sur-Reply 1–3.

We agree with Petitioner that Patent Owner’s proposed amendment should fail, at least, because it seeks to introduce new matter. Petitioner identifies several limitations that it contends are not supported by the original specification of the ’840 patent. We agree with Petitioner that these limitations introduce new matter.

1. *“dynamically sending . . . a notification”/ “dynamic electronic notification”/“dynamic notification”*

Proposed amended claim 21 recites the step of “dynamically sending . . . a notification.” Mot. 5. Proposed amended claims 28 and 35 require “providing a dynamic notification.” Mot. 8, 10. Petitioner argues that the addition of the terms “dynamically” and “dynamic” to the claims

introduces new matter. Opp. 6–8. In response, Patent Owner argues that “to the extent that ‘new matter’ as the term is traditionally understood, can be introduced in an amendment to a *claim*, Patent Owner has not introduced any such ‘new matter’ in the contingent amendments to the original claims.” PO Reply 6. Instead, Patent Owner asserts that “the contingent amended claims do not exceed the scope of the original claims, and in fact, recast without broadening or, at worst, limit the scope of the original claims.” *Id.* Patent Owner contends that “the proposed amended claims further clarify, narrow and/or limit but, by no reasonable reading, broaden the claims presented and therefore do not attempt to add ‘new matter,’ regardless of the definition used for that term.” *Id.* Patent Owner argues that “Petitioner attempts to shift this burden to the Patent Owner,” and that the amendments only include “additional clarifying language.” *Id.* Patent Owner argues that the amendments “*further clarify* the novel and non-obvious aspects of the database and file formats of the financial records which are transformed during the payment clearing process of the invention.” *Id.*

Patent Owner misses the point of the “new matter” objection to these amended claims. As our cases make clear, “[i]n determining whether claims introduce new matter, we look to whether the original application provides adequate written description support for the claims.” *Kapsch TrafficCom IVHS Inc. v. Neology, Inc.*, Case IPR2016-01763, slip op. at 47 (PTAB Mar. 20, 2018) (Paper 60). The test for determining compliance with the written description requirement is “whether the disclosure of the application [as originally filed] reasonably conveys to those skilled in the art that the

inventor had possession of the claimed subject matter as of the filing date.” *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (en banc). Because possession of the claimed invention is required, “a description that merely renders the invention obvious does not satisfy the requirement.” *Id.* at 1352. Thus, “[i]t is not necessary that the application describe the claim limitations exactly, but only so clearly that persons of ordinary skill in the art will recognize from the disclosure that appellants invented processes including those limitations.” *In re Wertheim*, 541 F.2d 257, 262 (CCPA 1976) (citation omitted).

Going back to the specific claim language, which consists of various permutations of “dynamic notification,” the specification of the ’840 patent does not use the term “dynamically,” and references “dynamic” only in the context of computer memory. *See* Ex. 1001, 9:16–17 (“volatile medium (e.g., dynamic RAM (DRAM) . . .”). Patent Owner cites Ex. 1001, 5:29–6:62 and 22:61–23:4 as supporting these amendments. However, none of the cited portions refer to a notification, let alone a notification sent “dynamically” or a “dynamic notification.” When we asked Patent Owner’s counsel at the oral hearing what was meant by “dynamically,” he stated:

MR. GOLDSCHMIDT: And then dynamically does actually -- it was intended to refer back to this dynamic RAM that’s supposed to be there which is it’s merely -- dynamic RAM is supposed to be – it’s a type of physical memory which is constantly being refreshed. And so in order to have a memory that actually is constantly refreshed, it means that the information that’s flowing in and out of it, it’s in and of itself dynamic. So that was the intent and the reasoning behind that.

JUDGE SAINDON: I guess then what is dynamically sending? So, I mean, if it had said automatically, I'd understand.

MR. GOLDSCHMIDT: I don't disagree with the reading that way. Yes, it very well could be automatically also.

JUDGE CHERRY: So there's more than one construction? So it could mean --

MR. GOLDSCHMIDT: In other words, I believe you could -- automatically is probably less restrictive than dynamic. Because if dynamic changing of a memory cell is something that's being constantly refreshed, you could still automatically refresh a memory, but not constantly. Okay. It could be longer durations and things like that and so we very well could and wouldn't be opposed to changing that term to automatically also, but dynamically would be in this context a more limiting term.

Tr. 67:12–68:5.

We do not agree that the mere disclosure of the word “dynamic” in the context of a computer memory provides adequate disclosure to support the concept of “dynamically” sending notifications or a “dynamic notification.” Although there is no requirement to set out the limitations *in haec verba*, we neither can discern from the cited passages, nor does Patent Owner explain, how a person of ordinary skill in the art would have recognized “dynamically sending” or “dynamic notifications” from these passages. Indeed, in the context of the proposed amended claims, it is unclear what “dynamically” or “dynamic” would mean. For example, in claim 21, the limitation already provided sending a notification when the parameters matched. It is not clear to us how “dynamically” or, accepting Patent Owner's proposed construction, “constantly,” would change that. As for claims 28 and 35, it is the notification itself that is “dynamic,” not the

sending, as in claim 21. There is no disclosure, either in the cited portions or based on our review of the remainder of the specification, that the notification itself would “constantly” change, as opposed to new notifications being sent.

Given the lack of disclosure, either expressly or implicitly, in the cited portions of the specification of “dynamically sending” or “dynamic notifications,” we agree with Petitioner that Patent Owner has failed to meet its burden of showing that the proposed amended claims do not introduce new matter.

2. *“in response to said notification, either dynamically or selectively . . . permitting or disallowing said transaction to proceed”*

In addition to the issues with “dynamically sending” and “dynamic notification[s]” discussed above, claims 21, 28, and 35 all require the step of “in response to said notification, either dynamically or selectively via said computerized system permitting or disallowing said transaction to proceed through said payment clearance process.” Mot. 5, 8, 10. We agree with Petitioner that there is no written description support for this limitation. Opp. 6–7. In particular, there is no support for the limitation that the permitting or disallowing occur “dynamically or selectively.” As with the “dynamically sending” limitation discussed above, there is no disclosure in the specification of the ’840 patent regarding any process occurring “dynamically.” As for the term “selectively,” it does not appear in the specification. When we asked Patent Owner at the oral hearing what this term meant, Patent Owner stated:

So, again, we talked about dynamics, so let's talk about selective. The selective portion is allowing — it's allowing the transaction to be — to proceed or not to proceed and it can be done in a selective manner and so —as opposed to dynamically which would be that it would be automatically or more routinely done without any particular selective process.

Tr. 68:9–17. However, the portions of the specification cited, Ex. 1001, 5:29–6:62 and 22:61–23:4, do not discuss notifications, they do not discuss permitting or disallowing a transaction to proceed in response to the notification, let alone doing so “in a selective manner.” Thus, for this additional reason, we agree with Petitioner that Patent Owner has failed to carry its burden of showing that the claims do not introduce new matter.

3. Summary

Based on the above and the entirety of the record before us, we determine that the amendments proposed in proposed substitute claims 21, 28, and 35 and proposed substitute claims 22–27, 29–34, and 36–40 depending therefrom, introduce new matter prohibited under 35 U.S.C. § 326(d) and 37 C.F.R. § 42.221(a)(2)(ii). Patent Owner has not shown, and we do not find, written description support in the original disclosure of the '840 patent for proposed substitute claims 21, 28, and 35, or proposed substitute claims 22–27, 29–34, and 36–40 depending therefrom.

C. Unpatentability of the Amended Claims

In addition to its failure to meet requirements for a motion to amend, we determine that Patent Owner's Motion to Amend should be denied because Petitioner has shown by a preponderance of the evidence that the

proposed amended claims are unpatentable as directed to patent-ineligible subject matter under § 101.

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

We agree with Petitioner that, like the original claims, the amended claims are directed to the abstract idea of financial transaction fraud or error detection, a fundamental economic practice that is not patent-eligible under Section 101. *See* Mot. 4 (“A computer implemented method for detecting fraud in an electronic financial transaction at intermediate points during a payment clearing process of said electronic financial transaction. . .”); 6 (“A computer implemented method for detecting fraud in an electronic check clearing process, at intermediate points during said check clearing process of said electronic financial transaction. . .”); 9 (“A computer implemented method for detecting errors in processing electronic financial transactions at intermediate points during a payment clearing process of said electronic financial transactions. . .”). We agree with Petitioner that proposed amended claim 21 is representative and merely recites steps directed to collecting and storing financial transaction information (collecting information), comparing received financial transaction information against the stored information (analyzing information), notifying interested parties of any matches or mismatches between the sets of financial transaction information (presenting information), and making a decision whether to proceed based on that determination (analyzing information). Mot. 4–5. Claims 28 and 35 recite substantively-identical corresponding limitations, adding only the step of providing, or providing

access to, a “Universal Positive Pay Database.” *See* Opp. App. A, Claim 28 (“providing access to said Universal Positive Pay Database”), Claim 35 (“providing at least one computerized system comprising said Universal Positive Pay Database”). Claim 28 also adds a network interface to the “Universal Positive Pay Database.” *See id.* at Claim 28 (“providing a network interface to said Universal Positive Pay Database”).

As we set out in detail above in our analysis of the original claims, claims directed to collecting, analyzing, and presenting information fall “into a familiar class of claims” that courts have routinely rejected as being “‘directed to’ a patent-ineligible concept.” *See Elec. Power*, 830 F.3d at 1353–54. Patent Owner’s new limitation directed to “permitting or disallowing said transaction to proceed through said payment clearing process” is also abstract, as it simply recites yet another analysis step. Patent Owner’s other proposed amendments do not save the original claims from abstractness. We agree with Petitioner that clarifying that the financial transaction is “electronic” is unnecessary, as the preambles make clear that the claims are directed to computer-implemented methods.

As for Patent Owner’s addition of Positive Pay File formats, Issue File formats, and a conversion between the two, to the extent we understand these limitations, we determine that converting electronic data from one format to another is abstract, and the specification provides no substantive details concerning these formats that suggest they are inventive. *See Digitech Image Techs., LLC v. Elecs. for Imaging, Inc.*, 758 F.3d 1344, 1351 (Fed. Cir. 2014) (finding that a process of transforming electronic data into

another form is not patent eligible). As for the limitations of “automatically determining,” “dynamically sending,” and “dynamic notification,” we agree with Petitioner that simply automating steps or making them more efficient does not make a claim less abstract. *See OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015) (“relying on a computer to perform routine tasks more quickly or more accurately is insufficient to render a claim patent eligible”). Patent Owner’s addition of certain generic computer components—a Universal Positive Pay Database, a point-of-sale terminal, and a portable electronic device (some of which were found in the dependent claims considered above)—do not make the claims any less abstract. Moreover, these components are only recited at the highest level of generality, without any description or explanation of how the particular functions are performed. *See, e.g.*, Ex. 1001, 5:29–34 (“[t]he present invention” includes a “UPPD database . . . configured to store thereon transaction records associated with financial transactions associated with customers of the UPPD database”); 9:4–29 (“While the UPPD database 20 is illustrated as a single database, the UPPD database 20 may be configured as a plurality of separate or disparate databases interconnected through a network system via any number of switches, such as a local area network (LAN), a wide area network (WAN), an intranet, an extranet, the Internet, etc. The UPPD system 10 includes a computer useable medium and a computer device with a processor . . .”); 10:20–25 (“A ‘transaction instrument’ . . . means . . . a point of sale (POS) terminal . . .”); 14:53–54

(“These include computerized devices such as personal computers, portable laptops and palmtops . . .”); *see also* Ex. 1007 ¶¶ 33–41.

We agree with Petitioner that while the ’840 patent appears to maintain that the claimed system is an advance over prior art systems, because it purportedly provides every participant in the payment clearing process access to the claimed Universal Positive Pay Database, the ’840 patent does not recite or disclose any novel way of providing such “universal” access. Instead, it merely describes that functionality without any explanation of how to technologically achieve it. *See* Ex. 1001, 5:49–53 (“The customer, payer, payee, payee bank, drawee bank, and banking institutions intermediate the payee bank and the drawee bank are able to access the correspondence determination at every point along a financial transaction clearing process.”), 13:34–41 (“system 10 may be accessed by customers, payers, payees, payee banks, drawee banks, and banking institutions intermediate the payee banks and the drawee banks for issuing and tracking transaction records associated with financial transactions at every point along the financial transaction clearing process . . .”), 15:42–45 (“This may be done by logging onto a web site associated with the UPPD system 10 over the Internet and simply accessing the desired transaction record in the UPPD database 20.”), 28:24–26 (“[T]he UPPD system can be accessed . . .”). This is insufficient to save the claims from abstractness. *See Credit Acceptance*, 859 F.3d at 1057 (“Significantly, the claims do not provide details as to any nonconventional software for enhancing the financing process.”); *Dealertrack*, 674 F.3d at 1333 (finding claims abstract

because the patent did “not specify how the computer hardware and database are specially programmed to perform the steps claimed in the patent”).

Patent Owner merely offers the exact same arguments, nearly verbatim, that were made in the Patent Owner Response for the original claims. For the reasons explained in detail above, we are unpersuaded by these arguments. Aside from these changes we have discussed to the independent claims, Patent Owner has made no substantive changes to the dependent claims. For the reasons discussed above, we determine that the limitations of these dependent claims do not alter this conclusion. In view of the foregoing, we determine that Petitioner has shown by a preponderance of the evidence that proposed amended claims 21–40 are directed to the abstract idea of collecting and analyzing information for financial transaction fraud or error detection.

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

We agree with Petitioner that the proposed amended claims lack sufficient “inventive concept” to transform the nature of the amended claims into a patent-eligible application of the abstract idea. The amended claims’ invocation of a computerized system, a “Universal Positive Pay Database,” a payer bank, an online account, a “Positive Pay File Format,” an “Issue File Format,” a computer usable medium, a point-of-sale terminal, a portable electronic device, and a dynamic notification adds no inventive concept to the generally claimed abstract idea of collecting and analyzing information and presenting the results. *See 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.”); *FairWarning*, 839 F.3d at 1096 (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, Inc.*, 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). Here, the claims are merely directed to implementing the abstract idea on a conventional computer using conventional computing technologies. *See* Mot. 4, Claim 21 (“A computer implemented method for detecting fraud in an electronic financial . . . transaction . . .”); *id.* at 6, Claim 28 (“A computer implemented method for detecting fraud in . . . an electronic check clearing process . . .”); *id.* at 9, Claim 35 (“A computer implemented method for detecting errors in processing electronic financial transactions . . .”). The specification confirms that the claimed computer device may be any type of computer device with a processor. *See* Ex. 1001, 9:30–47. We agree with Petitioner and its Declarant, Dr. Conte, that the specification does not provide any substantive technical details about the computer, beyond that it may include a processor, an area of main memory for executing code, a storage device for storing data and program code, and a bus connecting the processor, area of main memory, and storage device. *See id.*; *see also* Ex. 1007 ¶ 40. We also agree with Petitioner that the specification also fails to disclose any unconventional technical details about the design or configuration of the “Universal Positive Pay Database,” Issue

File format, or Positive Pay File format. *See* Ex. 1001, 5:29–34, 9:4–29, 10:20–25, 14:53–54, 27:27–41; Ex. 1007 ¶¶ 39–41.

We also agree with Petitioner that the functionality recited in the amended claims is equally conventional and generic: a computer receives and stores information in a database, determines whether there is a match between two records of received information, provides a notification of its determination, and makes a decision based on that determination. *See* Claims 21, 28, 35. Claim 28 also recites the computer enables access to the UPPD database via the network interface. *See id.* at Claim 28. We agree with Petitioner that there is nothing inventive about a computer receiving information, storing information, providing access to information, analyzing the information to determine whether there is a match between records, sending a notification of its determination, and making further decisions based on that determination. *See buySAFE*, 765 F.3d at 1355 (“That a computer receives and sends the information over a network—with no further specification—is not even arguably inventive.”); *see also Elec. Power*, 830 F.3d at 1355 (“Nothing in the claims, understood in light of the specification, requires anything other than off-the-shelf, conventional computer, network, and display technology for gathering, sending, and presenting the desired information.”).

Thus, we agree with Petitioner that the amended claims recite generic computer elements for performing generic computer tasks; the claims “consist[] of nothing more tha[n] the entry of data into a computer database, the breakdown and organization of that entered data according to some

criteria, . . . and the transmission of information derived from that entered data to a computer user, all through the use of conventional computer components, such as a database and processors, operating in a conventional manner.” *Intellectual Ventures I*, 792 F.3d at 1371 (quoting district court). “These elements do not confer patent eligibility.” *Id.*

Nor does the ordered combination of the steps of collecting and analyzing information and presenting the results similarly does not present an inventive concept. Here, we agree with Petitioner that the amended claims recite the most logical sequence of steps for receiving and storing information, analyzing that information, sending a notification upon completion of that analysis, and making further decisions based on that notification. This is insufficient to confer patent eligibility. *See TDE Petroleum Data Sols., Inc. v. AKM Enter., Inc.*, 657 F. App’x 991, 992–93 (Fed. Cir. 2016) (non-precedential) (finding that the ordered combination of storing state values, receiving sensor data, validating data, and determining the state of the oil well using that information was “the most ordinary of steps in data analysis and [that they] are recited in the ordinary order”).

Patent Owner merely offers the exact same arguments, nearly verbatim, that were made in the Patent Owner Response regarding the original claims. For the reasons explained in detail above, we do not find those arguments persuasive. Aside from the changes we have discussed to the independent claims, Patent Owner has made no substantive changes to the dependent claims. For the reasons discussed above, we determine that the limitations of these dependent claims do not alter this conclusion. In

view of the foregoing, we determine that Petitioner has shown by a preponderance of the evidence that proposed amended claims 21–40 do not recite any inventive concept sufficient to transform the nature of the proposed amended claims into a patent eligible invention.

3. Summary

Having considered the information and arguments of record, we determine that Petitioner has demonstrated, by a preponderance of the evidence, that proposed amended claims 21–40 are directed to patent-ineligible subject matter under 35 U.S.C. § 101.

IV. 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 claims 1–20 are directed to patent-ineligible subject matter. We further *deny* Patent Owner’s Motion to Amend because the proposed amended claims add new matter, and because Petitioner has shown, by a preponderance of the evidence, that the proposed amended claims are unpatentable.

V. ORDER

For the foregoing reasons, it is

ORDERED that, based on a preponderance of the evidence, claims 1–20 of the '840 patent are held unpatentable;

FURTHER ORDERED that Patent Owner's Motion to Amend is *denied*; 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.

CBM2017-00036
Patent 8,768,840 B2

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