

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*.

DECISION
Granting Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

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 submits 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.

CBM2017-00036

Patent 8,768,840 B2

Bozeman, III in support of its Sur-Reply. Paper 13 (“Second Bozeman Decl.”).

Under 35 U.S.C. § 324(a),¹ a covered business method patent review may not be instituted “unless . . . the information presented in the petition . . ., if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.” 35 U.S.C. § 324(a); *see* 37 C.F.R. § 42.208.

For reasons that follow, we determine that the challenged patent qualifies as a covered business method patent. We further determine, after taking into account Patent Owner’s Preliminary Response and Sur-Reply, that the information presented in the Petition sufficiently demonstrates on the present record that Petitioner has standing to bring this proceeding and at least one of the challenged claims is unpatentable. Accordingly, we institute a covered business method patent review of the challenged claims.

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 noninfringement of both the ’640 patent and ’840 patent—*Federal Reserve Bank of Atlanta et al. v. Bozeman Financial LLC*, Case No. 1:17-cv-00389 (N.D. Ga.). *Id.* at 2.

¹ *See* 37 C.F.R. § 42.300(a).

*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).

CBM2017-00036
Patent 8,768,840 B2

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

In this case, Patent Owner has not sued Petitioner for infringement. Instead, Petitioner contends that Patent Owner charged it with infringing the ’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 patent 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

CBM2017-00036

Patent 8,768,840 B2

Petitioner's conduct to the claims of the '840 patent. *Id.* at 38–39 (citing Ex. 1022, 000001-5).

In its Preliminary Response, Patent Owner contends that one of its principals, Mr. Bozeman, has “had a long relationship with the Federal Reserve in regard to [Mr. Bozeman's] inventions in this field since on or about the early 2000's when the '640 patent was filed.” Prelim. Resp. 6. Patent Owner claims that its discussions with Petitioner have only been about a “business collaboration” with Petitioner. *Id.* Patent Owner acknowledges that it contacted Petitioner and entered into a non-disclosure agreement (“NDA”) and held talks. *Id.* Patent Owner also acknowledges that it sent the infringement claim chart to Petitioner, but asserts that the claim chart was prepared at the request of Petitioner, and Patent Owner contends that Mr. Bozeman “made it clear that he had no intention of bringing infringement litigation and was primarily interested in the current and future payment systems and modernizations that [Petitioner] had recently announced.” *Id.* Patent Owner argues that not only did it have no intention of bringing infringement litigation, but “if [Mr. Bozeman] ever did contemplate any such infringement litigation that he would provide [Petitioner] with an ample opportunity to resolve any such issues before [Mr. Bozeman] would file an action with any court.” *Id.* at 7.

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 submits additional testimony from Mr. Fraher about the details of the discussions that took place before the parties signed their NDA. Ex. 1023 ¶¶ 2–7. Petitioner also submits testimony from Mr. Fraher

CBM2017-00036

Patent 8,768,840 B2

regarding the confidential discussions that took place between the parties, and detailing Patent Owner's actions through the course of those discussions. Reply 1–5 (citing Ex. 1023 ¶¶ 8–14).

In its Sur-Reply, Patent Owner argues that “any discussion of infringement” was “only provided in response to the solicitation by [Petitioner] in order to further evaluate a business agreement centered around future licensing and royalties and not past infringement.” Sur-Reply 2. Patent Owner asserts that “[b]ecause Bozeman was seeking only a future looking agreement, and . . . since any discussion of potential infringement claims was instituted only upon the request of [Petitioner] in evaluating a licensing and/or royalty arrangement,” Petitioner lacks standing to sue. *Id.*

We have reviewed Petitioner's and Patent Owner's submissions and supporting evidence, and we determine that, on this record, 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 and the parties entered into lengthy discussions regarding the potential licensing of the '640 and '840 patent. *See* Ex. 1008 ¶¶ 4–8; Ex. 1023 ¶¶ 3–7; First Bozeman Decl. ¶¶ 7–14. 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 (Prelim. Resp. 6–7; Sur-Reply 2–5), the email's statement that Patent Owner sought a “commercially reasonable treatment”

CBM2017-00036

Patent 8,768,840 B2

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. Moreover, Mr. Fraher has consistently testified that various representatives of Patent Owner contended that Petitioner was infringing the '640 and '840 patents and expected to receive licensing fees for this alleged infringement. Ex. 1008 ¶¶ 4–8; Ex. 1023 ¶¶ 3–7. Although Mr. Bozeman disputes Mr. Fraher’s recollection of these telephone calls, we must, at this stage, resolve such factual disputes in favor of Petitioner.² See 37 C.F.R. § 42.208(c).

As for Patent Owner’s arguments that the parties had a longstanding relationship, we do not find this materially changes our analysis. Based on the evidence presented, we are persuaded that, even assuming some sort of previous non-adversarial relationship did exist, it does not change the

² Although we do not need to reach the negotiations that occurred after the parties entered into their NDA because we determine the pre-NDA conduct of Patent Owner sufficient to confer standing, we note Patent Owner’s objections, *see* Sur-Reply 3–4, that these post-NDA discussions were ostensibly subject to Federal Rule of Evidence 408 and cannot be relied on is without merit. *See Rhoades v. Avon Prods., Inc.*, 504 F.3d 1151, 1160–62 (9th Cir. 2007) (“Here, DermaNew does not rely on the threats in an attempt to prove whose trademark is valid, or to impeach Avon. Instead, it uses the threats to satisfy the jurisdictional requirements of an action for declaratory relief. This is perfectly acceptable under Rule 408.” (footnote omitted)). As Petitioner establishes, the post-NDA conduct unambiguously show that Patent Owner objectively threatened to sue Petitioner for patent infringement under the '640 and '840 patents, if Patent Owner’s demand for a license was not met. *See* Ex. 1024, 1–28 (detailing demands and threatening to sue).

CBM2017-00036

Patent 8,768,840 B2

objective import of the documented interactions beginning in January 2016. Thus, we determine that these statements and actions, when considered objectively, and even when taking into consideration any past relationships, are more than sufficient to establish that there was a substantial controversy between the parties sufficient to establish standing under relevant case law. *See SanDisk*, 480 F.3d at 1382 (holding that demand for license fees and identification of specific allegedly infringing activity sufficient for jurisdiction); *see also Hewlett-Packard Co.*, 587 F.3d at 1364 (finding jurisdiction where patentee took affirmative step of twice contacting alleged infringer and made implied assertion of right against particular product).

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

CBM2017-00036

Patent 8,768,840 B2

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.

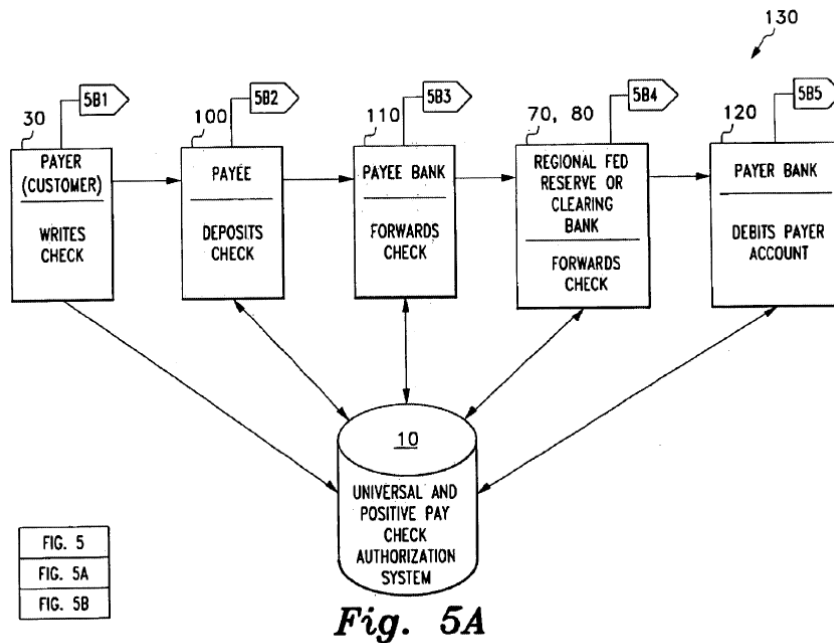


Figure 5A illustrates a flow diagram of the universal positive pay database method for checking accounts according to the claimed invention. *Id.* at 7:10–11. Figure 5A shows that “each participant in the check clearing process (payer customer 30, payee 100, payee bank 110, Federal Reserve 80, clearing 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,

The 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

CBM2017-00036
Patent 8,768,840 B2

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

CBM2017-00036
Patent 8,768,840 B2

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. Asserted Ground of Unpatentability

Petitioner asserts 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 (2015). Under the broadest reasonable construction standard, claim terms are generally presumed to be given their ordinary and customary meaning, as would be understood by one of ordinary skill in the art in the context of the entire disclosure. *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). To rebut this presumption by acting as a lexicographer, the patentee

CBM2017-00036

Patent 8,768,840 B2

must give the term a particular meaning in the specification with “reasonable clarity, deliberateness, and precision.” *In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

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. *Secure Access, LLC v. PNC Bank N.A.*, 848 F.3d 1370, 1379 (Fed. Cir. 2017) (“It is the claims, in the traditional patent law sense, properly understood in light of the written description, that identifies a CBM patent.”). One claim directed to a covered business method is sufficient to render the patent eligible for CBM patent review. *See id.* at 1381 (“[T]he statutory definition of a CBM patent requires that the patent have a claim that contains, however phrased, a financial activity element.”).

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.

At this time, 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. On this record, 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.

CBM2017-00036

Patent 8,768,840 B2

See, e.g., U.S. Bancorp v. Solutran, Inc., Case CBM2014-00076, slip op. 6 (PTAB Aug. 7, 2014) (Paper 16) (method of processing paper checks for payment); *Jack Henry & Assocs., Inc. v. DataTreasury Corp.*, Case CBM2014-00056, slip op. 8 (PTAB July 10, 2014) (Paper 17) (method and system for storage and verification of checks financial in nature).

Accordingly, the financial product or service requirement is satisfied.

2. *Exclusion for Technological Inventions*

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

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

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

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

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

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

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

CBM2017-00036
Patent 8,768,840 B2

Petitioner submits that no “technological feature” of 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.

At this stage, Patent Owner does not dispute Petitioner’s assertions.

We determine, based on the record before us, that the technological features of the claimed steps are directed to using known technologies. *See*

CBM2017-00036

Patent 8,768,840 B2

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 we do not discern that any of these components are used a non-conventional manner. At this stage, 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, on this record, 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”).

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*

CBM2017-00036

Patent 8,768,840 B2

Collaborative Servs. v. Prometheus Labs., Inc., 132 S. Ct. 1289, 1293–94 (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*, 132 S. Ct. at 1289, 1297). 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*, 132 S. Ct. at 1294) (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. At this time, Patent Owner does not dispute Petitioner’s assertions.

We agree with Petitioner that, on this record, it has shown sufficiently 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.

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, the method consists of collecting, storing, analyzing, and transmitting information.

The Specification reinforces the focus of claim 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

CBM2017-00036

Patent 8,768,840 B2

and documents.” 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 5:43–47. 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.

On this record, 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.

CBM2017-00036

Patent 8,768,840 B2

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); *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 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

CBM2017-00036

Patent 8,768,840 B2

information through a clearinghouse” for car loan applications is patent ineligible).

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 demonstrated adequately, at least for purposes of institution, that claims 1–20 of the challenged patent are directed to a patent-ineligible abstract idea under 35 U.S.C. § 101.

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. 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

CBM2017-00036

Patent 8,768,840 B2

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.

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*, 811 F.3d at 1324–25 (holding that generic computer components, such as an “interface,” “network,” and “database,” fail to satisfy the inventive concept requirement); *Intellectual Ventures I*, 792 F.3d at 1368 (“The recited elements, e.g., a database, a user profile . . . and a communication medium, are all generic computer elements.”); *Content Extraction*, 776 F.3d at 1347–48.

CBM2017-00036
Patent 8,768,840 B2

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*, 132 S. Ct. at 1294; *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). At this time, Patent Owner does not dispute Petitioner’s assertions.

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*, 132 S. Ct. at 1297–98). This weighs in favor of finding claims 1–20 are a patent-ineligible abstract idea.

4. Conclusion

Having considered the information provided in the Petition and Patent Owner's Preliminary Response, we determine that Petitioner has demonstrated that it is more likely than not that claims 1–20 are directed to patent-ineligible subject matter under 35 U.S.C. § 101.

III. CONCLUSION

We have reviewed the information in the Petition as well as Patent Owner's arguments and evidence as currently developed in its Preliminary Response. On this record and as discussed in this Decision, we have determined that, more likely than not, claims 1–20 are directed to patent-ineligible subject matter.

Any discussion of facts in this Decision is made only for the purposes of institution and is not dispositive of any issue related to any ground on which we institute review. The Board has not made a final determination under 35 U.S.C. § 328(a) with respect to the patentability of the challenged claims. Our final determination will be based on the record as fully developed during trial.

IV. ORDER

For the foregoing reasons, it is

ORDERED that pursuant to 35 U.S.C. § 324(a), a covered business method patent review is hereby instituted as to claims 1–20 of U.S. Patent No. 8,768,840 B2 for the following ground:

Whether Claims 1–20 are unpatentable as being directed to patent-ineligible subject matter under 35 U.S.C. § 101;

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial; the trial commencing on the entry date of this Order; and

FURTHER ORDERED that the trial is limited to the grounds identified above and no other grounds set forth in the Petition are authorized.

CBM2017-00036
Patent 8,768,840 B2
For PETITIONER:

Natasha H. Moffitt
Holmes J. Hawkins III
Abby L. Parsons
KING & SPALDING LLP
nmoffitt@kslaw.com
hhawkins@kslaw.com
aparsons@kslaw.com

For PATENT OWNER:

John W. Goldschmidt, Jr.
Thomas J. Maiorino
FERENCE AND ASSOCIATES
jgoldschmidt@ferencelaw.com
tmaiorinolaw@comcast.net