UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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WALGREEN CO., AHOLD USA, INC., DELHAIZE AMERICA, LLC,
AND PUBLIX SUPER MARKETS, INC.,
Petitioner,

v.

ADVANCED MARKETING SYSTEMS, LLC,
Patent Owner.

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Case CBM2016-00012
Patent 8,219,445 B2

———————

Before THOMAS L. GIANNETTI, TREVOR M. JEFFERSON, and
MITCHELL G. WEATHERLY, *Administrative Patent Judges.*

WEATHERLY, *Administrative Patent Judge*.

DECISION
Instituting Covered Business Method Patent Review
35 U.S.C. § 324, 37 C.F.R. §§ 42.4, 42.208, 42.300

I.   INTRODUCTION

A. BACKGROUND

Walgreen Co., Ahold USA, Inc., Delhaize America, LLC, and Publix

Super Markets, Inc. (collectively "Petitioner") filed a petition (Paper 1,

"Pet.") requesting a covered business method patent review ("CBM patent

review") of claim 9 of U.S. Patent No. 8,219,445 B2 (Ex. 1001, "the '445 patent") pursuant to section 18 of the Leahy-Smith America Invents Act ("AIA"). Advanced Marketing Systems, LLC ("Patent Owner") timely filed a Preliminary Response. Paper 6 ("Prelim. Resp.").

We may not institute a CBM patent review "unless the Director determines that 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 also* 37 C.F.R. §§ 42.4(a), 42.208. Based on our review of the record, we conclude that Petitioner is more likely than not to prevail with respect to claim 9.

Petitioner contends that claim 9 is unpatentable under 35 U.S.C. §§ 101 and 102 based on the following grounds (Pet. 28–74):

Reference	Basis
U.S. Patent No. 4,882,675 (Ex. 1007, "Nichtberger")	§ 102(b)
International Patent Publication No. WO 96/30851 A1 (Ex. 1008, "Ovadia")	§ 102(b)
N/A	§ 101

For the reasons described below, we institute a CBM patent review of claim 9 on both anticipation challenges but do not institute a CBM patent review on the challenge to claim 9 under 35 U.S.C. § 101.

B. RELATED PROCEEDINGS

Patent Owner has asserted the '445 patent along with related U.S. Patent Nos. 8,370,199 B2 ("the '199 patent) and 8,538,805 B2 ("the '805 patent") against individual ones of the petitioners in the following

district court proceedings: *Advanced Mktg. Sys., LLC v. Walgreen Co.*, No. 6:15-cv-00137 (E.D. Tex.); *Advanced Mktg. Sys., LLC v. Ahold USA, Inc.*, No. 1:15-cv-221 (E.D. Va.); *Advanced Mktg. Sys., LLC v. Delhaize America, Inc.*, No. 2:15-cv-00074 (E.D. Va.); and *Advanced Mktg. Sys., LLC v. Publix Super Markets, Inc.*, No. 3:15-cv-00247 (M.D. Fla.). Pet. 1–2; Paper 5, 1. Patent Owner has also asserted the '445 patent, '199 patent, and '805 patent against other parties in the following district court proceedings: *Advanced Mktg. Sys., LLC v. The Kroger Co.*, No. 3:14-cv-02065 (N.D. Tex.); *Advanced Mktg. Sys., LLC v. Hy-Vee, Inc.*, No. 3:15-cv-00103 (W.D. Wis.); *Advanced Mktg. Sys., LLC v. CVS Pharmacy, Inc.*, No. 6:15-cv-00134 (E.D. Tex.); *Advanced Mktg. Sys., LLC v. Brookshire Grocery Co.*, No. 6:15-cv-00138 (E.D. Tex.); and *Advanced Mktg. Sys., LLC v. Ingles Markets Inc.*, No. 1:15-cv-00007 (W.D. Va.). Pet. 2; Paper 5, 2. Petitioner has concurrently filed a petition for CBM patent review of the '805 patent in CBM2016-00013 and petitions for CBM patent review of the '199 patent in CBM2016-00014 and -00015. Paper 5, 2.

C. THE '445 PATENT

The '445 patent issued from an application filed on January 28, 2009, and claims priority to a number of prior applications, the earliest of which was filed on February 19, 1998. Ex. 1001, 1:6–19. Two of the applications in the priority chain are described as continuations-in-part of prior applications. *See id.* Neither party addresses the priority date to which claim 9 is entitled. Nevertheless, Nichtberger and Ovadia are both prior art to claim 9 under 35 U.S.C. § 102(b) even if claim 9 were entitled to the priority date of February 19, 1998. *See* Ex. 1007 (issuing November 21, 1989); Ex. 1008 (publishing October 3, 1996).

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The '445 patent relates to "a data processing system and method for implementing a customer incentive promotional program for enhancing retail sales of select products, such as groceries and the like." Ex. 1001, 1:24–27.

Claim 9 recites:

> 9[a]. A distributed discount vehicle for use with a data processing system for tracking and processing a plurality of in-store discounts to potential purchasers of plural products during the checkout process, wherein said discounts are each associated with a specific one of said plural products, said discount vehicle comprising:
>
> [b] two or more of said discounts including descriptive material to provide information at least identifying the products and their associated discounts, wherein
>
> > [c] said vehicle is associated with exactly one select code that permits machine reading and tracking of said vehicle and of individual purchasers' purchased products and the prices thereof during checkout,
> >
> > said select code uniquely identifying all the discounts for all of the plural products associated with said vehicle and reflecting at least one of varying discounts unique to a potential purchaser and identical discounts common to all potential purchasers, and
> >
> > [d] said select code uniquely identifying said vehicle such that said select code can be selectively deactivated for only particular discounts, of the plurality of discounts, associated with the purchased products by redemption of the code associated with the vehicle such that the code remains active for future use with yet unused ones of the plurality of discounts associated with said plural products.

Id. at 11:46–12:3 (line breaks and subdivisions [a]–[d] used by Petitioner added for clarity).

The Specification describes one example of the claimed "discount vehicle" as a "multi-discount vehicle" ("MDV") in the form of freestanding insert 300 which is preferably distributed in a newspaper. *Id*. at 7:30–37. Freestanding insert 300 is illustrated in Figures 3A and 3B, which are reproduced below.
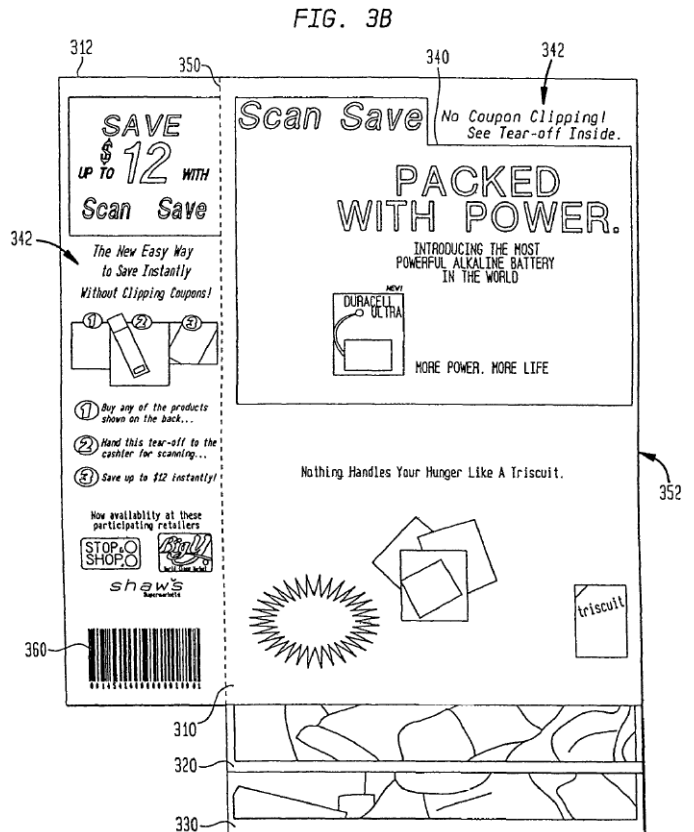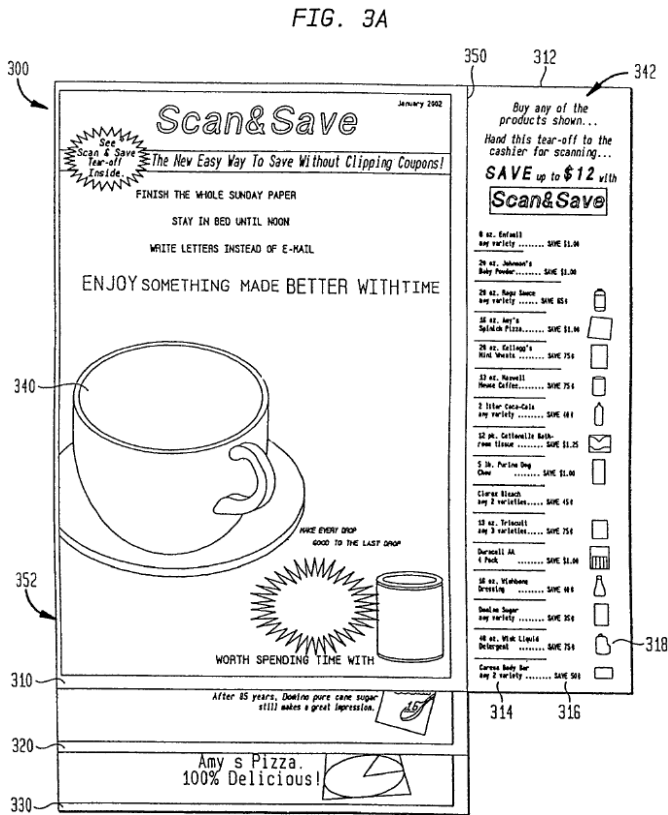

Figure 3A is a front view of an MDV according to claim 9 in the form of freestanding insert 300.

Figure 3B is a rear view of the freestanding insert 300 of Figure 3A.

The Specification describes freestanding insert 300 as follows:

> [O]ne embodiment of the MDV is provided in the form of a freestanding insert (FSI) 300. The FSI may generally take the form of a folded sheets 310, 320, 330 unattached to each other (FIGS. 3a-c). Each sheet presents graphically displayed information, is folded or creased 352, and may include at least one advertisement or commercial 340 of a discounted product.

FSI is preferably placed in a newspaper for dissemination to potential customers.

A redemption vehicle 312 is shown attached to one of the sheets, but may be attached to any of the sheets, in any position, may be printed on any portion, or may simply be loose and separate altogether. The redemption vehicle may include a barcode 360 or other readable medium, a description 314 of the discounted or sale-priced items, a picture or other representation 318 of the items, and/or the price or discount 316 of the items.

Id. at 7:30–44. The Specification also describes other physical forms of the "discount vehicle" as flat card 400, *id*. at 7:60, and folded card 500, *id*. at 8:16. Flat card 400 and folded card 500 also include "redemption vehicles" 412, 512 having barcodes 460, 560 and descriptions 414, 514. *Id*. at 7:59–8:36. But for the changes in reference numerals, the descriptions of the three embodiments of the "discount vehicle" are largely identical. *See id*. at 7:30–8:36.

II. ANALYSIS

A. CLAIM INTERPRETATION

"A claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." 37 C.F.R. § 42.200(b); *see also In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1279 (Fed. Cir. 2015) ("We conclude that Congress implicitly approved the broadest reasonable interpretation standard in enacting the AIA."), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016). When applying that standard, we interpret the claim language as it would be understood by one of ordinary skill in the art in light of the specification. *In re Suitco Surface, Inc.*, 603 F.3d 1255, 1260 (Fed. Cir.

2010). Thus, we give claim terms their ordinary and customary meaning.
See In re Translogic Tech., Inc., 504 F.3d 1249, 1257 (Fed. Cir. 2007) ("The ordinary and customary meaning 'is the meaning that the term would have to a person of ordinary skill in the art in question.'"). Only terms which are in controversy need to be construed, and then only to the extent necessary to resolve the controversy. *Vivid Techs., Inc. v. Am. Sci. & Eng'g, Inc*., 200 F.3d 795, 803 (Fed. Cir. 1999).

Petitioner proposes interpretations for "discount vehicle" and "select code [that] can be selectively deactivated for only particular discounts." Pet. 20–28. Patent Owner proposes different interpretations for these two phrases and also discusses numerous other phrases used in the claims, but characterizes all but one of these phrases as not requiring interpretation beyond their plain meaning. Prelim. Resp. 20–23. Patent Owner opposes, however, Petitioner's interpretation of "code" advanced in the district court litigation. *Id*. at 21.

1. Elements of the "discount vehicle"

At a high level, claim 9 affirmatively recites a "discount vehicle" (e.g., multi-discount vehicles ("MDV") 300, 400, 500) having only two physical elements. Namely, claim 9 recites "descriptive material" that provides information identifying products (e.g., descriptions 314, 414, 514 and pictures 318, 418, 518) and associated discounts (e.g., discounts 316, 416, 516) and a "select code" (e.g., barcodes 360, 460, 560). Among other things, the "select code" identifies "all the discounts" for all the products. Ex. 1001, 7:30–8:48. The claim also recites certain functional capabilities of the discount vehicle. For example, the "discount vehicle" is identified as being "for use with a data processing system" and the "select code"

appearing on the discount vehicle "permits machine reading." *Id*. at 11:46–12:3. Nevertheless, claim 9, by its plain terms, does not encompass the "data processing system" or "machine" that may read the select code. *Id*.

The parties' competing interpretations of "discount vehicle" focus on whether the claim narrowly covers only paper versions of the vehicle, like those explicitly described in the Specification, Pet. 20–26, or more broadly also covers "a website, or a mobile application," Prelim. Resp. 9–16. For reasons explained in part II.C.2 below, we find that Petitioner persuasively demonstrates that claim 9 is more likely than not anticipated by the paper discount vehicles described by each of Nichtberger and Ovadia. Because Petitioner's arguments for unpatentability under § 102(b) do not depend upon resolving whether "discount vehicle" also encompasses "a website or a mobile application," as Patent Owner contends, we need not resolve this interpretation issue at this stage of the proceeding.

2. *"select code can be selectively deactivated for only particular discounts"*

Claim 9 recites that the "select code can be selectively deactivated for only particular discounts, . . . by redemption of the code associated with the vehicle." Ex. 1001, 11:64–67. The claim also requires that after such selective deactivation of the select code, "the code remains active for future use with yet unused" discounts. *Id*. at 12:1–3. The claim does not expressly state (1) who or what selectively deactivates the select code or (2) that the select code is altered when it is "selectively deactivated." *Id*. at 11:46–12:3.

The Specification sheds light on the meaning of "selectively deactivated" when it describes the process of selectively deactivating the select code as follows:

At check-out, the super market employs conventional scanning equipment to read both the MDV and the products selected by the customer for purchase. The scanning equipment is connected to a computer that compares the purchases with a file storing information regarding the products promoted with the MDV. This comparison is facilitated by the unique identifier provided on the MDV, which comports the promotion to the stored file. As promoted items listed on the MDV are scanned during checkout, the system flags these items as purchased and applies the discount to the price provided to the customer. *The computer may thereafter deactivate the promotion for that product to insure that the MDV is not used again to duplicate the discount for the purchased items. The MDV, however, remains active to the extent promoted items were not purchased by the customer during this or previous shopping visits*, and the time period set for the promotion has not expired (typically 45 to 90 days). This, of course, allows the customer to return to the store with the MDV and to take advantage of the remaining promotions on the MDV that have not been used.

Id. at 10:13–32 (emphasis added). This passage indicates that the barcode (i.e., "select code") on the discount vehicle is not modified during the process of selectively deactivating the select code for only those products for which the customer has redeemed the code and received a discount. Instead, a computer modifies a "file storing information regarding the products promoted" with the discount vehicle to deactivate the code regarding the discount associated with a purchased item while leaving the code active for the discounts associated with the promoted items not yet purchased. Rather, claim 9 expressly covers only the discount vehicle itself. Accordingly, we determine that claim 9 neither: (1) encompasses the computer that modifies the file (i.e., the recited "data processing system") or the modified file itself, nor (2) requires that the select code on the discount vehicle be altered.

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We do not consider it necessary to state expressly any interpretation of other terms addressed by the parties beyond their ordinary and customary meaning to resolve issues presented by the parties at this stage of the proceeding.

B. PETITIONER'S ELIGIBILITY TO SEEK CBM PATENT REVIEW

To be eligible to seek CBM patent review, Petitioner must show that: (1) "the patent for which review is sought is a covered business method patent," and (2) Petitioner "meets the eligibility requirements of § 42.302." 37 C.F.R. § 304(a). Petitioner satisfies both requirements of 37 C.F.R. § 42.302.

1. Petitioner's Eligibility under 37 C.F.R. § 42.302

Under 37 C.F.R. § 42.302, Petitioner must demonstrate that it has been sued for or charged with infringement of the '445 patent; is not estopped from challenging the '445 patent; and has not filed a civil action in district court challenging validity of a claim in the '445 patent before filing the Petition. 37 C.F.R. § 42.302. Both parties represent that Patent Owner has asserted the '445 patent against Petitioner in district court. *See* Pet. 1–2; Paper 5, 1. Thus, Petitioner "has been sued for infringement" of the '445 patent. AIA § 18(a)(1)(B); 37 C.F.R. § 42.302. We accept Petitioner's representation, which is not currently contested by Patent Owner, that Petitioner is not estopped from pursuing CBM patent review. Pet. 13. Neither party asserts that Petitioner filed a civil action challenging the validity of any claim of the '445 patent. Accordingly, Petitioner has demonstrated that it meets the eligibility requirements of § 42.302.

2. *Whether the '445 Patent Is a Covered Business Method Patent*

A "covered business method patent," as defined in the AIA, is "a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions." AIA § 18(d)(1); *accord* 37 C.F.R. § 42.301(a). In determining whether a patent is eligible for CBM patent review, the focus is on the claims. *See* 37 C.F.R. § 42.301; Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) ("CBM Final Rules"). One claim directed to a covered business method is sufficient to render the patent eligible for CBM patent review. *Id.*

a) *Financial Product or Service*

The legislative history of the AIA indicates that "'financial product or service' should be interpreted broadly." CBM Final Rules at 48,735 (response to comment 1). Specifically, the legislative history "explains that the definition of covered business method patent was drafted to encompass patents 'claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.'" *Id.* (quoting 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

Petitioner contends that the '445 patent as a whole is directed to a financial product or service. Pet. 4–7. Petitioner argues, for example, that the "discount vehicle" of claim 9 is financial in nature because it is used during a retail transaction as part of "a customer incentive promotional

program for enhancing retail sales of select products, such as groceries and the like." Pet. 5 (quoting Ex. 1001, 1:23–36). Patent Owner does not contest Petitioner's argument on this issue. Rather, Patent Owner argues that claim 9 recites a technological invention that is exempt from CBM patent review.

b) *Technological Invention Exception*

Patents subject to CBM patent review "do[] not include patents for technological inventions." AIA § 18(d)(1); *accord* 37 C.F.R. § 42.301(a). The technological invention exception in the definition of a covered business method patent is not met by "[m]ere recitation of known technologies, such as computer hardware, . . . or specialized machines, such as an ATM or point of sale device," or "[c]ombining prior art structures to achieve the normal, expected, or predictable result of that combination." Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,763–64 (Aug. 14, 2012). To determine whether a patent is for a technological invention, we consider "whether the claimed subject matter as a whole": (1) "recites a technological feature that is novel and unobvious over the prior art;" and (2) "solves a technical problem using a technical solution." 37 C.F.R. § 42.301(b); *see* CBM Final Rules, at 48,736. Both the first and second prong must be met for the technological invention exception to apply. *Agilysys, Inc. v. Ameranth, Inc.*, Case CBM2014-00014, slip op. at 11 (PTAB Mar. 26, 2014) (Paper 19); *see Google Inc. v. Inventor Holdings, LLC*, Case CBM2014-00002, slip op. at 10 (PTAB Apr. 1, 2014) (Paper 16); 157 Cong. Rec. S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer).

Petitioner argues that because claim 9 encompasses a paper coupon as described in the Specification, claim 9 "is in no way technical." Pet. 13.

Patent Owner counters that claim 9, when "viewed as a whole," recites novel and unobvious technological features that solve a technical problem using a technical solution. Prelim. Resp. 4–8. Nevertheless, Patent Owner fails to identify how the recited "discount vehicle" encompasses a single feature that is "technological" or how the "discount vehicle" provides any technical solution to a technical problem. *Id.* Patent Owner contends that the inventors of the '445 patent "invented a solution rooted in computer technology to overcome a problem specifically arising in the realm of computer networks." *Id.* at 7. However, Patent Owner cites no particular part of claim 9 or evidentiary support for its contention that the "discount vehicle" of claim 9 recites anything other than the vehicle itself. *Id.* at 4–8.

As explained in part II.A.1 above, we preliminarily determine that claim 9 recites a "discount vehicle" bearing a "select code" that is intended to be read by scanning equipment and used by a "data processing system" to determine how to provide a discount to a potential purchaser of products "during the checkout process." Nevertheless, claim 9 encompasses none of the technological equipment used to scan and process the select code. Instead, claim 9 encompasses the discount vehicle *itself* and the markings that make it compatible with the unclaimed "data processing system" and the unclaimed "machine" that is able to read the select code. Accordingly, at this stage of the proceeding, Petitioner persuades us that the technological exception does not apply to the '445 patent, which renders the '445 patent subject to CBM patent review.

C. THE CHALLENGES TO THE CLAIMS

1. *Lack of Patentable Subject Matter under 35 U.S.C. § 101*

Petitioner challenges claim 9 as being directed to ineligible subject matter under 35 U.S.C. § 101. For the reasons expressed below, we do not institute a CBM review based on Petitioner's challenge to claim 9 under 35 U.S.C. § 101.

a) Legal Principles

Section 101 provides that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." "In choosing such expansive terms . . . modified by the comprehensive 'any,' Congress plainly contemplated that the patent laws would be given wide scope." *Bilski v. Kappos*, 561 U.S. 593, 601 (2010) (citations and quotations omitted).

There are, however, three limited, judicially created exceptions to the broad categories of patent-eligible subject matter in § 101: "[l]aws of nature, natural phenomena, and abstract ideas." *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012) (quoting *Diamond v. Diehr*, 450 U.S. 175, 185 (1981)). The concern underlying these exceptions is "one of pre-emption." *Alice Corp. Pty. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014). Specifically, given that "[l]aws of nature, natural phenomena, and abstract ideas are the basic tools of scientific and technological work," "[m]onopolization of those tools through the grant of a patent might tend to impede innovation more than it would tend to promote it, thereby thwarting the primary object of the patent laws." *Id.* (quotations and citations omitted). Yet we must "tread carefully in construing" these exceptions,

because "[a]t some level, all inventions . . . embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas." *Id.* (quoting *Mayo*, 566 U.S. at 1293) (quotations omitted). Thus, "an invention is not rendered [patent-]ineligible . . . simply because it involves an abstract concept." *Id.*

The Supreme Court has established a two-step "framework for distinguishing patents that claim . . . abstract ideas from those that claim patent-eligible applications of" the abstract idea. *Id.* at 2355. The first step is to "determine whether the claims at issue are directed to" an abstract idea. *Id.* If the claims are directed to an abstract idea, the second step is to consider the claim elements—"both individually and as an ordered combination"—to determine whether there are additional elements that "transform the nature of the claim into a patent-eligible application" of the abstract idea. *Id*. (citation and quotation omitted). 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 [abstract idea] itself." *Id*. (citation and quotation omitted).

b) *Abstract Idea*

No dispute exists that the "discount vehicle" of claim 9 is a "machine" or "manufacture," which are among the expressly stated forms of patentable subject matter under § 101. Petitioner argues, however, that because claim 9 is directed to the abstract idea of "offering, tracking, and processing discounts," the subject matter of claim 9 is ineligible for patent under § 101. Pet. 29.

Petitioner points out, for example, that the discount vehicle of claim 9 is expressly intended "for use with a data processing system for tracking and processing . . . discounts." *Id*. at 29–30 (citing Ex. 1001, 11:46–48) (emphasis omitted). The "discounts" recited in claim 9 are offered "to potential purchasers of plural products." Ex. 1001, 11:48. Petitioner also contends that "[o]ffering, tracking, and processing discounts is a long-standing business practice in the retail industry, and is thus not patent eligible." Pet. 31 (citing *Alice*, 134 S. Ct. at 2356).

Petitioner further argues that claim 9 covers an abstract idea because the Specification expressly describes how to use the claimed discount vehicle to offer, track, and process discounts, which use constitutes nothing more than performing a mental process "that can be performed by a human using pen and paper." *Id*. at 34–35 (citing Ex. 1001, 9:22–10:12, Fig. 6B). The Specification describes the discount vehicle as a paper article that "enables the consumer to track the discounts of the MDV which have been used and those which remain available" by marking various check boxes on the MDV with "an 'x' or 'check'." Ex. 1001, 9:22–35. Petitioner argues that the ease with which a consumer can use pen and paper to track redeemed and still active discounts demonstrates that a retailer can use the same pen-and-paper method to track the status of discounts. Pet. 35 (citing Ex. 1009 ¶ 45).

Patent Owner counters that Petitioner has "failed to analyze the claim as a whole" and "read[s] out the expressly recited feature of *selective deactivation* at *checkout*." Prelim. Resp. 27–28. Patent Owner also argues that the Specification's description of a consumer tracking discounts by marking the discount vehicle with a pen "is entirely unrelated to the

computer-based, retailer side checkout process where the invention is used and the claimed selective deactivation by a data processor takes place. Accordingly, claim 9 of the '445 patent cannot be performed mentally or with pen and paper." *Id*. at 29. Patent Owner also argues that claim 9 does not preempt any abstract idea, much less the allegedly abstract idea of "offering, tracking, and processing discounts." *Id*. at 31–32.

We agree with Patent Owner that claim 9 is not directed to an abstract idea that renders the claim ineligible for patent under § 101. The Supreme Court has cautioned against applying the exclusion of "abstract ideas" from subject matter eligible for patent under § 101 in a manner that might "swallow all of patent law." *Alice*, 134 S. Ct. at 2354. The Court described the "concern that drives this exclusionary principle as one of preemption." *Id*. (citations omitted). In the case before us, Petitioner fails to persuade us that claim 9 is directed to the abstract idea of offering, tracking, and processing discounts on goods or services in a manner that preempts the entire field from using such an idea.

We are not persuaded by Petitioner's argument that the ability to use a pen and paper to track discounts renders claim 9 so abstract as to be able to be "performed in the human mind." Pet. 29 (citing *Cybersource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1372 (Fed. Cir. 2011)). Petitioner's argument ignores that claim 9 is directed to an article, described in the Specification as made of paper, having certain physical characteristics,[1] rather than a method that can be performed mentally.

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[1] The parties should not misinterpret our statement as a finding that claim 9 fails to cover non-paper versions of a "discount vehicle." No dispute exists

Even though a consumer or retailer can use the claimed "discount vehicle" to track desired and redeemed discounts, claim 9 does not preempt the entire idea of offering, tracking, and processing discounts. Rather, claim 9 is directed to a tangible item with defined characteristics. For example, the claimed "discount vehicle" must include, among other limitations, "descriptive material to provide information at least identifying the products and their associated discounts," and "exactly one select code . . . uniquely identifying all the discounts for all of the plural products . . . and reflecting at least one of varying discounts unique to a potential purchaser and identical discounts common to all potential purchasers." *Id*. at 11:52–63. The Specification describes such a vehicle in physical terms: as a piece of paper bearing images and text describing multiple products with respective discounts and exactly one bar code that uniquely identifies the entire group of discounted products. *See*, *e.g.*, *id*. at 9:12–10:32, FIG. 6B.

We recognize that the multi-discount and selective deactivation features of the claimed "select code" are provided by information stored within the "data processing system" — referred to in the preamble but not positively recited in the body of the claim — rather than the "select code" on the discount vehicle. Accordingly, claim 9 is at least potentially broader in scope than a claim that also recites all the elements of such a "data processing system." Nevertheless, we determine claim 9 is sufficiently limited that it does not preempt the entire concept of offering, tracking, and

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that the proper interpretation of "discount vehicle" encompasses at least the paper versions described in the Specification.

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processing discounts.[2] *Alice*, 134 S. Ct. at 2354. Accordingly, we are not persuaded that more likely than not Petitioner will succeed on its challenge to claim 9 under 35 U.S.C. § 101. We, therefore, do not institute a CBM review based on this challenge.

2. Anticipation

Petitioner challenges claim 9 on the grounds that the claim is anticipated by each of Nichtberger and Ovadia. "A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference." *Verdegaal Bros. v. Union Oil Co. of Cal.*, 814 F.2d 628, 631 (Fed. Cir. 1987). With this standard in mind, we address each challenge below.

a) Nichtberger

Petitioner argues that Nichtberger anticipates claim 9 regardless of whether we accept Petitioner's or Patent Owner's proposed interpretation of "discount vehicle." Pet. 43–61. For the reasons expressed below, we determine that Petitioner has demonstrated that claim 9 is more likely than not anticipated by Nichtberger.

(1) Overview of Nichtberger

Nichtberger describes a system in which "[c]ents-off merchandise coupons are distributed and redeemed immediately and electronically." Ex. 1007, Abstract. The hub of Nichtberger's system is a "local coupon distribution and redemption (CDR) unit 20." *See*, *e.g.*, *id*. at 5:1–4, Figs. 1,

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[2] Because we are not persuaded that claim 9 is directed to an abstract idea, we need not address the parties' arguments relating to the second prong of analysis under *Alice,* which asks whether claim 9 recites an inventive concept.

5. CDR 20 is located in a store and presents information about available discounts to customers, who may select one or more of the discounts as being of interest. *E.g.*, *id*. at 5:4–16. After selection, CDR 20 prints a "selection list" or "reminder," which bears a description of the selected products/discounts and a number or UPC barcode representing the customer's account number or a receipt number that is associated in CDR 20 with the selections made by the customer. *E.g.*, *id*. at 11:51–63, 13:65–14:4. At checkout, the customer can present the selection list to the store personnel who scan the UPC barcode or use the receipt number to retrieve the customer's selected discounts and compares that selection of discounts to the products presented for purchase. *E.g.*, *id*. at 17:30–56. Any discounts redeemed during checkout are stored in a record in CDR 20. *E.g.*, *id*. at 17:59–61. Any discounts that are redeemed would not be "re-offered" by the system for at least a predetermined time period. *Id*. at 29:32–46. Nichtberger's system also deletes redeemed discounts from the customer's selected discounts. *Id*. at 19:31–51. FIG. 9.

(2) Petitioner's Arguments

Petitioner describes in detail, with citations to specific portions of Nichtberger, how Nichtberger describes a selection list printed by CDR 20 that constitutes the discount vehicle of claim 9, which list can be used with a data processing system. Pet. 43–61. Petitioner also relies upon testimony of Dr. Michael Lewis in which Dr. Lewis identifies specific portions of Nichtberger's disclosure corresponding to every element of claim 9. *Id*. (citing Ex. 1009 ¶¶ 71–80).

(3) Patent Owner's Arguments

Patent Owner argues that Nichtberger fails to describe how a select code on the discount vehicle can be "selectively deactivated for only particular discounts." Prelim. Resp. 43–48. Patent Owner contends that Nichtberger describes a paperless system that includes a customer card that bears a code that identifies the customer without identifying the discounts associated with the card as required by claim 9. *Id*. at 44 (citing Ex. 1007, 5:48).

Patent Owner also contends that Nichtberger describes an alternative system using a "special card" that fails to include the select code. *Id*. at 45–46. More specifically, Patent Owner contends that this "special card simply enables Nichtberger's system to check the number of previous uses of the card, which is not comparable to selective deactivation by redemption." *Id*. at 46. Patent Owner contends that Nichtberger's special card is deactivated in its entirety based on the expiration of all the discounts. *Id*. (citing Ex. 1007, 11:3–5, 11:41–43).

(4) Analysis and Conclusion

Petitioner persuasively relies on other portions of Nichtberger as teaching selective deactivation. Pet. 60 (citing Ex. 1007, 19:46–51; Ex. 1009 ¶ 79). For example, Nichtberger describes deactivation of previously redeemed discounts in connection with item 166 in the flow diagram of Figure 9, which is reproduced below right.
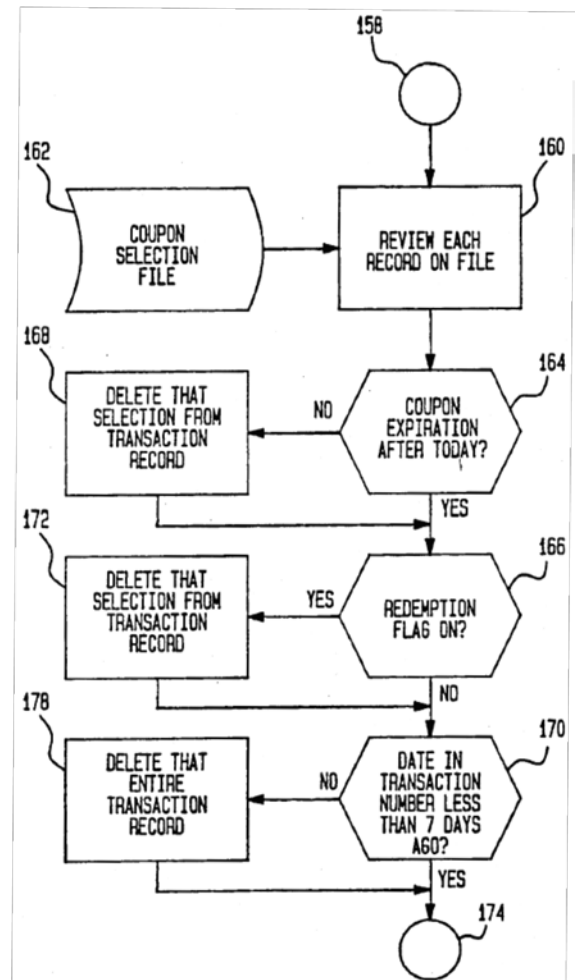
At step 166, a test is performed to see whether the redemption flag is on. If not, a test is performed immediately at step 170 as described below. If so, the CDR 20 first deletes that selection from the selection transaction record, as indicated at 172, and the program then proceeds to step 170.

Ex. 1007, 19:46–51.

Patent Owner fails to address these showings of selective deactivation in Nichtberger. At this stage of the proceeding, and on this record, Petitioner persuades us that Nichtberger describes selective deactivation of the select code by redemption of particular discounts. Petitioner also persuades us on this record that Nichtberger describes the other limitations recited in claim 9. Accordingly, we are persuaded that more likely than not Petitioner will succeed on this challenge. We, therefore, institute a CBM review of Petitioner's challenge that Nichtberger anticipates claim 9.

b) Ovadia

Petitioner cites in detail specific portions of Ovadia that allegedly teach all elements of claim 9. Pet. 61–74. Petitioner also relies upon Dr. Lewis's testimony to explain how a skilled artisan would conclude that Ovadia teaches every element of claim 9. *Id.* (citing Ex. 1009 ¶¶ 81–89). For example, Petitioner contends that Ovadia describes a system and method

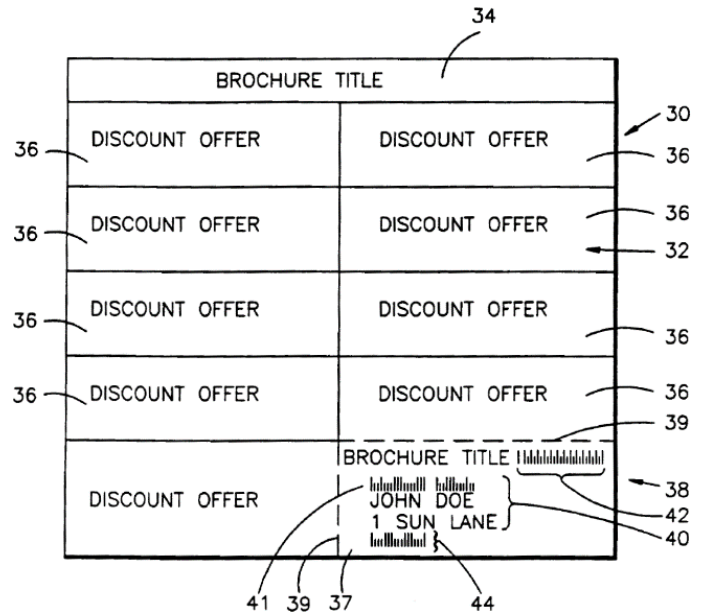for redeeming discount offers that
are distributed via a "vehicle."
Ex. 1008, 9:14–22. An example of
the "vehicle" by which Ovadia's
system distributes discount offers is
brochure 30 illustrated in Figure 2,
which is reproduced above right.
The advertising vehicle "can be a
single sheet or a multi-sheet item,
e.g. a brochure indicated generally
as 30, having a front page 32 on which is printed the brochure title 34 along
with various descriptions of discount offered items each separately displayed
in associated areas 36,36." *Id*. at 9:17–22.

As stated in Ovadia, indicia means 38 includes "bar code indicia 42
which identifies in machine readable code the brochure title." *E.g.*, *id*. at
9:22–30. Indicia 42 is preferably a UPC bar code that "identifies the flyer so
that the designated offers which are set forth on that flyer can be called up
by the computer 8 when the flyer is presented at the point of sale station."
E.g., *id*. at 10:15–30. Indicia means 38 could also include information that
identifies the recipient of the vehicle, which could be included as part of bar
code indicia 42, *e.g.*, *id*. at 10:21–26, provided as "a second barcode indicia
41 which is readable by the system 2 of the invention and which identifies
the address of the user," *e.g.*, *id*. at 9:22–34.

Ovadia indicates that individual discount offers on its brochure 30 can
be held invalid after redemption while allowing unredeemed offers on
brochure 30 to be used at a later time. *See*, *e.g.*, *id*. at 13:28–14:7. For

example, Ovadia states that "the POS terminal can be programmed to electronically void the offer(s) after crediting a discount." *Id*. at 14:1–2.

Patent Owner argues that Ovadia fails to describe the select code that is "selectively deactivated for only particular discounts . . . by redemption of the code." Prelim. Resp. 49–55. Patent Owner contends that Ovadia describes various methods of limiting "the number of times an incentive promotion offer can be redeemed" but fails to describe "selectively deactivating" a code on the discount vehicle. *Id*. at 53. Patent Owner argues that Ovadia describes "destroying the vehicle indicia," by marking, tearing, or otherwise destroying indicia 38. *Id*. (citing Ex. 1008, 13:33–38). Patent Owner contends that destruction of indicia 38 is not selective deactivation because such destruction would deactivate all discounts and fail to leave some of the discounts active for later use. *Id*. In response to Ovadia's teaching of "electronically void[ing] the offer(s) after crediting a discount," Patent Owner contends that Ovadia merely teaches voiding all discounts. *Id*. at 53–54.

Based on our review of the record at this stage of the proceeding, we disagree with Patent Owner. Ovadia states: "the POS terminal can be programmed to electronically void the offer(s) after crediting a discount." Ex. 1008, 14:1–2. Without citing any evidence to support its conclusion, Patent Owner narrowly reads "offer(s)" as used in the quoted passage as if it read "offers." At this stage of the proceeding, we determine that Ovadia uses "offer(s)" to refer to an "offer" or "offers" appearing on brochure 30, i.e., any number from one or more of those offers. Our reading comports with the customary usage of parentheses as indicating that the "s" in

"offer(s)" is optional. Additionally, Dr. Lewis's testimony supports the same conclusion. Ex. 1009 ¶ 88.

On the record before us at this stage of the proceeding, we are persuaded that Ovadia describes selectively deactivating a select code as recited in claim 9. Patent Owner argues no other basis for distinguishing claim 9 from Ovadia, and we are persuaded that on this record, Ovadia describes all other aspects of claim 9. Accordingly, we are persuaded that more likely than not Petitioner will prevail and therefore we institute a CBM review of Petitioner's challenge that Ovadia anticipates claim 9.

D. ALLEGEDLY IMPROPER INCORPORATION BY REFERENCE

Patent Owner argues that Petitioner violates Rule 42.6(a)(3) and impermissibly circumvents the 80-page limit on the Petition by incorporating extended portions of the Lewis Declaration by reference to make out its case for anticipation of claim 9. Prelim. Resp. 55–57. Patent Owner's argument rests upon Dr. Lewis's use of claim charts in his declaration and Petitioner's lack of such charts in the Petition.

Based on our review of the Petition and Dr. Lewis's declaration, we determine that Petitioner sets forth substantially the same position in both documents without relying solely upon any citation to the declaration to support its argument. In the Petition, Petitioner cites evidence in detail without using a claim chart. Dr. Lewis cites the same evidence in a claim chart. Patent Owner does not persuasively demonstrate how, if at all, any information is presented "only in the Lewis Declaration" or how incorporating any such material would lengthen the Petition beyond the 80-page limit. Accordingly, we determine that Petitioner has not improperly

incorporated argument into the Petition by reference to Dr. Lewis's declaration.

III. PETITIONER'S DESIGNATION OF LEAD COUNSEL

In the Petition, one lead counsel for Walgreen Co. is designated and a different lead counsel is designated for the other parties to the Petition. Pet. 2. Under our Rules, we consider multiple parties to a Petition to be one Petitioner. 37 C.F.R. § 42.2. Accordingly, Petitioner must designate a single lead counsel for all such parties by filing an updated mandatory notice designating one lead counsel within ten days of the entry of this Decision. 37 C.F.R § 42.8(b)(3).

IV. ORDER

For the reasons given, it is:

ORDERED that covered business method patent review is instituted with respect to Petitioner's challenge that Nichtberger anticipates claim 9;

FURTHER ORDERED that covered business method patent review is instituted with respect to Petitioner's challenge that Ovadia anticipates claim 9;

FURTHER ORDERED that covered business method patent review is not instituted with respect to any other grounds of unpatentability alleged in the Petition; and

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(a), covered business method patent review of the '445 patent is instituted commencing on the entry date of this Order, and pursuant to 35 U.S.C. § 324(c) and 37 C.F.R. § 42.4, notice is given of the institution of a trial; and

FURTHER ORDERED that, within ten days of the entry of this

Decision, Petitioner shall file an updated mandatory notice designating one

lead counsel to represent all parties to the Petition.

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PETITIONER:

Joseph E. Palys
Naveen Modi
Phillip Citroën
PAUL HASTINGS LLP
AMS-Walgreens-PH@paulhasting.com

Holly Hawkins Saporito
Joshua Weeks
ALSTON & BIRD LLP
holly.saporito@alston.com
joshua.weeks@alston.com

PATENT OWNER:

Michael A. Messina
Robert W. Molitors
MILES & STOCKBRIDGE P.C.
Messina-PTAB@milesstockbridge.com
Molitors-PTAB@milesstockbridge.com