

2015 WL 780870 (Patent Tr. & App. Bd.)

Patent Trial and Appeal Board

Patent and Trademark Office (P.T.O.)

JP MORGAN CHASE & CO., AND JP MORGAN CHASE BANK, N.A., PETITIONER,

v.

MAXIM INTEGRATED PRODUCTS, INC., PATENT OWNER.

Case CBM2014-00180

[Patent 5,949,880](#)

February 20, 2015

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Before TREVOR M. JEFFERSON, MITCHELL G. WEATHERLY, and KERRY BEGLEY

Administrative Patent Judges

BEGLEY

Administrative Patent Judge

DECISION

Institution of Covered Business Method Patent Review

[37 C.F.R. § 42.208](#)

JP Morgan Chase & Co. and JP Morgan Chase Bank, N.A. (collectively, “Petitioner”) filed a Petition requesting covered business method patent review (“CBM review”) of claims 1-4 of [U.S. Patent No. 5,949,880](#) (Ex. 1001, “the ‘880 patent”). Paper 1 (“Pet.”). Maxim Integrated Products, Inc. (“Patent Owner”) filed a Preliminary Response. Paper 7 (“Prelim. Resp.”).

Pursuant to [35 U.S.C. § 324\(a\)](#), CBM 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.” For the reasons that follow, we determine that the Petition, taking into account the Preliminary Response, demonstrates that it is more likely than not that the challenged claims of the [‘880 patent](#) are unpatentable.

I. BACKGROUND

A. RELATED PROCEEDINGS

Patent Owner asserted the '[880 patent](#)' against Petitioner in the U.S. District Court for the Western District of Pennsylvania, *Maxim Integrated Products, Inc. v. JP Morgan Chase & Co.*, No. 2:12-cv-01641-JFC ("the District Court Case"). Pet. 4-6; Paper 6, 2. This case was consolidated, with many other cases involving the '[880 patent](#)' filed in various district courts, into a multidistrict litigation proceeding in the Western District of Pennsylvania, *In re: Maxim Integrated Products, Inc.*, MDL No. 2354, Misc. No. 12-244-JFC (W.D. Pa.) ("the MDL Proceeding"). Pet. 4-6; Paper 6, 2-4. On October 20, 2014, the district court dismissed with prejudice all claims against Petitioner involving the '[880 patent](#)' in the District Court Case, pursuant to the parties' stipulation and motion. *See* Ex. 1018.

*2 In addition, the '[880 patent](#)' was previously the subject of two petitions requesting CBM review: one petition filed by Branch Bank & Trust Co. ("BB&T") in CBM2013-00059, and another petition filed by Petitioner and PNC Bank, N.A. ("PNC") in CBM2014-00039. Pet. 1; Paper 6, 1-2. In both proceedings, the Board did not institute CBM review of the '[880 patent](#)', because institution was barred under [35 U.S.C. § 325\(a\)\(1\)](#). *PNC Bank v. Maxim Integrated Prods., Inc.*, Case CBM2014-00039 (PTAB June 3, 2014) (Paper 19) ("CBM2014-00039 Inst. Dec."); *Branch Banking & Trust Co. v. Maxim Integrated Prods., Inc.*, Case CBM2013-00059 (PTAB Mar. 20, 2014) (Paper 12) ("CBM2013-00059 Inst. Dec.").

B. THE '[880 PATENT](#)'

The '[880 patent](#)' is directed to a "system, apparatus, and method for communicating valuable data," more specifically, a "cash equivalent," to and from a "portable module." Ex. 1001, [57], 1:61-63. A consumer can carry the portable module, fill it with a cash equivalent at an "add-money station," and spend the stored cash equivalent "when buying products and services in the market place." *Id.* at [57], 1:63-2:4. For example, a consumer can "take cash out of an ATM" and "put the cash value into the portable module," and can use monetary value on the portable module to "pay for a train fare." *Id.* at 7:13-35, 8:30-37.

In a preferred embodiment, portable module 102 communicates to microprocessor based device 104, which is connected to secure microprocessor based module 108. *Id.* at 1:66-2:1, 2:33-35, 2:59-61. Portable module 102 is a "rugged read/write data carrier." *Id.* at 3:39-41; *see id.* 3:42-4:24. Microprocessor based device 104, in turn, "can be any of an unlimited number of devices," for example, "a personal computer, an add-a-fare machine at a train or bus station (similar to those in today's District of Columbia metro stations), a turn style, a toll booth, a bank's terminal, . . . or any device that controls access, or meters a monetary equivalent." *Id.* at 2:37-45. Finally, secure microprocessor based module 108 comprises "microprocessor 12, a real time clock 14, control circuitry 16, a math coprocessor 18, memory circuitry 20, input/output circuitry 26, and an energy circuit 34." *Id.* at 4:24-33.

C. ILLUSTRATIVE CLAIM

Claim 1, the sole independent claim of the '[880 patent](#)', is illustrative of the claimed subject matter:

*3 1. A method for electronically transferring units of exchange between a first module and a second module, comprising the steps of:

- a. initiating communication between said first module and an electronic device;
- b. passing a first value datum from said first module to said electronic device;
- c. passing said first value datum from said electronic device to said second module;
- d. performing a mathematical calculation on said first value datum thereby creating a second value datum;

- e. passing said second value datum from said second module to said electronic device;
- f. passing said second value datum from said electronic device to said first module;
- g. storing said second value datum in said first module; and
- h. discontinuing communication between said first module and said electronic device.

Ex. 1001, 24:47-67.

D. ASSERTED GROUNDS

Petitioner challenges the claims of the '880 patent on the following grounds. Pet. 22.

Challenged Claims	Basis	Reference[s]
1-4	§ 102	U.S. Patent No. 5,428,684 (issued June 27, 1995) (“Akiyama”)
1-4	§ 101	

II. ANALYSIS

A. REAL PARTY IN INTEREST -- ALLEGED § 325(A)(1) BAR

Petitioner and Patent Owner dispute whether PNC--who previously filed an action challenging the validity of claims of the '880 patent--is a real party in interest in this proceeding, such that institution of review is barred under 35 U.S.C. § 325(a)(1). Pet. 1-3; Prelim. Resp. 1-25.

1. Relevant Facts

On January 25, 2012, PNC filed *PNC Financial Services Group, Inc. v. Maxim Integrated Products, Inc.*, No. 2:12-cv-00089-JFC (W.D. Pa.) (“the PNC Case”), asserting that claims of the '880 patent were invalid. CBM2014-00039 Dec. Inst. 2-3. This case and the District Court Case in which Patent Owner asserted the '880 patent against Petitioner were consolidated into the MDL Proceeding. *See* Pet. 4; Paper 6, 2.

*4 On November 22, 2013, Petitioner and PNC jointly filed a petition for review of the '880 patent in CBM2014-00039 (“CBM2014-00039 Petition”). CBM2014-00039, Paper 3. On April 1, 2014, Petitioner and PNC filed a motion for adverse judgment against PNC. CBM2014-00039, Paper 11.

On May 21, 2014, PNC and Patent Owner stipulated to dismiss with prejudice all claims and counterclaims in the PNC Case. Ex. 1006. On the same day, PNC withdrew from the joint defense and common interest agreement in the MDL Proceeding, of which Petitioner is a signatory. Ex. 1009; *see* Pet. 2-3.

On June 3, 2014, the Board denied the CBM2014-00039 Petition and dismissed as moot the motion for adverse judgment. CBM2014-00039 Dec. Inst. 3-4. The Board concluded that § 325(a)(1) precluded institution of CBM review, because PNC, a

petitioner and real party in interest, had filed a civil action challenging claims of the '880 patent. *Id.* at 3. The Board, however, “express[ed] no opinion regarding the likelihood that any party other than PNC would prevail in establishing that any of the challenged claims are unpatentable for the reasons set forth in the Petition.” *Id.*

Petitioner retained new counsel to prepare the current Petition challenging the '880 patent, which it filed on August 21, 2014. Pet. 2.

2. Discussion

Petitioner argues that PNC is not a real party in interest in this proceeding, because “PNC has had no participation or control in the filing of this Petition” and “has no interest in the outcome of this proceeding.” *Id.* at 2-3. Petitioner emphasizes that PNC settled the PNC Case in May 2014 and therefore, PNC and Petitioner have not been co-signatories to any joint defense agreement since that time; Petitioner and PNC are “entirely separate and unrelated corporate entities with no common ownership . . . and no common control”; and counsel that prepared this Petition differs from the counsel that prepared the CBM2014-00039 Petition. *Id.*

Patent Owner, however, contends that PNC is a real party in interest because, under the clear language of § 325(a)(1) and the Board's decision denying institution in CBM2014-00039, PNC's status as a real party in interest cannot be altered by ceasing further participation in challenging the '880 patent or settling its dispute with Patent Owner. Prelim. Resp. 2, 12-14. In addition, Patent Owner argues that even if new facts could alter PNC's status as a real party in interest, PNC remains a real party in interest in this proceeding under the facts of this case. *Id.* at 3, 8, 14-25. Specifically, according to Patent Owner, the Petition is substantially similar to the CBM2014-00039 Petition that challenged the same patent, and is supported by a declaration from the same declarant. *Id.* at 3-4, 6-8, 14-25. Patent Owner, thus, argues that PNC's prior “funding, control, and other contributions” to the CBM2014-00039 Petition remain in this Petition. *Id.* Patent Owner also asserts that Petitioner and PNC jointly planned and announced to the Board in CBM2014-00039 that Petitioner would re-file a petition, and suggests this shows PNC has an ongoing understanding with Petitioner and a continued interest in the '880 patent. *Id.* at 3, 8, 10-11, 16, 22-25.

*5 As an initial matter, we are not persuaded by Patent Owner's argument that, regardless of *any* factual changes since the preparation and filing of the CBM2014-00039 Petition, PNC must be a real party in interest in this proceeding, under the language of § 325(a)(1) and the Board's prior decision in CBM2014-00039. As the Office Patent Trial Practice Guide explains, “[w]hether a party who is not a named participant in a given proceeding nonetheless constitutes a ‘real [party in interest]’ . . . to that proceeding is a highly fact-dependent question,” which must be addressed on a “case-by-case basis.” *Office Patent Trial Practice Guide*, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012) (“Trial Practice Guide”) (citing *Taylor v. Sturgell*, 553 U.S. 880, 893-95 & n.6 (2008)). Here, the facts relevant to whether PNC is a real party in interest, including PNC's participation in and interest in this proceeding, are significantly different than the facts presented in CBM2014-00039. Therefore, we address the issue of whether PNC is a real party in interest under the facts of this proceeding.

In general terms, a real party in interest is a “party that desires review of the patent” or “at whose behest the petition has been filed.” *Id.* (explaining these considerations apply to “IPR and PGR proceedings” and “similar considerations” apply to CBM review). Courts, which traditionally have invoked the term real party in interest to describe a relationship sufficient to justify applying conventional principles of estoppel and preclusion to non-parties, have identified multiple relevant factors, which inform our analysis. *Id.* at 48,759-60. Relevant factors include the nonparty's “relationship with the petitioner” and “relationship to the petition itself, including the nature and/or degree of involvement in the filing; and the nature of the entity filing the petition.” *Id.*

In *Taylor v. Sturgell*, the Supreme Court identified six categories of exceptions to the general rule that a non-party is not estopped, precluded, or otherwise bound by previous litigation, namely where: (1) the non-party “agrees to be bound by the determination of issues” in the proceeding; (2) a “pre-existing substantive legal relationship[]” with the named party justifies binding the non-party (e.g., “assignee and assignor”); (3) the non-party, “in certain limited circumstances,” is “adequately

represented” by a party with the same interests (e.g., class actions); (4) the non-party “assume[d] control” over the proceeding; (5) the non-party is bound by a prior decision and is attempting to rehear the matter through a proxy; and (6) a “special statutory scheme . . . expressly foreclos[es] successive” hearing by non-parties. 553 U.S. at 892-98 (citations and quotations omitted).

*6 A common focus of inquiry is the fourth category, namely whether the non-party exercised or could have exercised control over a party's participation in the proceeding. [Trial Practice Guide](#), at 48,759 (citing *Taylor*, 553 U.S. at 895). The concept of control generally means that “the non [-]party has the actual measure of control or opportunity to control that might reasonably be expected between two formal coparties.” *Id.* (citation omitted). In other words, the non-party “had the opportunity to present proofs and argument,” *Taylor*, 553 U.S. at 895 (citation omitted), or “to direct or control the content” of the filing, *In re Guan Inter Partes* Reexamination Proceeding, Control No. 95/001,045, Decision Vacating Filing Date, at 8 (Aug. 25, 2008). “The non[-]party's participation may be overt or covert, and the evidence may be direct or circumstantial--so long as the evidence as a whole shows that the non[-]party possessed effective control over a party's conduct of the [proceeding] as measured from a practical, as opposed to a purely theoretical standpoint.” *Gonzalez v. Banco Central Corp.*, 27 F.3d 751, 759 (1st Cir. 1994).

“[T]here is no bright-line test,” however, “for determining the necessary quantity or degree of participation to qualify as a ‘real [party in interest]’ . . . based on the control concept.” [Trial Practice Guide](#), at 48,759 (citing *Gonzalez*, 27 F.3d at 759). “[A] party that funds and directs and controls” a petition or proceeding constitutes a real party in interest, “[b]ut whether something less than complete funding and control” is sufficient depends on the facts. *Id.* at 48,760.

Here, on the present record, we are persuaded that PNC is not a real party in interest in this proceeding--the Petition was not filed at PNC's “behest,” PNC no longer “desires review” of the '880 patent, and the other factors and categories identified in the Office Patent Trial Practice Guide and *Taylor* do not warrant naming PNC as a real party in interest. Patent Owner's speculation regarding an ongoing common interest and understanding between PNC and Petitioner lacks any factual basis on the record before us. *See* Prelim. Resp. 3, 8, 10-11, 16, 22-25.

Rather, the evidence before us shows Petitioner and PNC are entirely separate corporate entities, with no identifiable ongoing relationship. Petitioner and PNC were once co-defendants and co-members of a joint defense agreement, and previously collaborated in filing the CBM2014-00039 Petition challenging the '880 Patent in November 2013. PNC, however, “expressly abandon[ed]” the CBM2014-00039 Petition in April 2014, and withdrew from the joint defense agreement it had co-signed with Petitioner in May 2014. CBM2014-00039, Paper 11, at 3; *see* Pet. 2-3, Ex. 1009. Further, Petitioner hired new counsel, different from the counsel that previously co-represented PNC and Petitioner in CBM2014-00039, to prepare and file this Petition. Therefore, based on the evidence before us, we determine that Petitioner and PNC have had no continuing relationship since at least the conclusion of CBM2014-00039 in June 2014.

*7 PNC also has no identifiable ongoing interest in a review of the '880 patent. All claims and counterclaims in the PNC Case, including those involving the '880 patent, were dismissed with prejudice in May 2014, Ex. 1009, and there is no evidence before us to suggest that PNC has had any interest in review of the '880 patent after this dismissal.

In addition, on the record before us, we are persuaded that PNC has not participated in or controlled the present Petition, as Petitioner expressly represents in the Petition. Pet. 2-3. Although Patent Owner contends that overlap in some of the prior art and arguments in the CBM2014-00039 Petition and the current Petition demonstrates PNC's control and contributions in this proceeding, Prelim. Resp. 3-4, 6-8, 14-25, such overlap is not sufficient to show that PNC had any opportunity to direct or control the arguments and evidence presented in the present Petition. The similarity is understandable because the '880 patent as well as the relevant prior art and potential unpatentability arguments have not changed. Nevertheless, the current Petition indisputably has differences from the CBM2014-00039 Petition. For example, the CBM2014-00039 Petition proposed different terms for construction and asserted a ground based on obviousness. *Compare* Pet., with CBM2014-00039, Paper 3. No evidence is before us to suggest that PNC had any involvement in directing such changes or the arguments and evidence presented in the Petition, which was prepared by new counsel retained by Petitioner alone.

Yet, because Petitioner supports the Petition with a declaration from Stephen D. Bristow, the same declarant as in CBM2014-00039, we agree with Patent Owner that the Petition “enjoys at least part of the benefit of” any payments PNC made to Mr. Bristow to prepare his declaration in CBM2014-00039, even though the declaration filed in this case is not the same as the one filed in CBM2014-00039. Prelim. Resp. 17-18; *see generally* Ex. 1011 (Decl. of Stephen Bristow); CBM2014-00039, Ex. 1005 (Decl. of Stephen D. Bristow). Nevertheless, even if we were to characterize these payments by PNC to Mr. Bristow as partial funding of the Petition, we are not persuaded that PNC had sufficient involvement in or direction of the Petition to be a real party in interest, in light of the other facts outlined above that strongly weigh against a finding of control.

Therefore, on this record, we are not persuaded that Petitioner had the opportunity to control this proceeding. Similarly, none of the other five categories of exceptions outlined by the Supreme Court in *Taylor* is applicable to the facts of this case. *See* 553 U.S. at 892-98.

Finally, we note that a petitioner and a non-party's status as codefendants and co-members of a joint defense group is not alone sufficient to render the non-party a real party in interest. [Trial Practice Guide](#), at 48,760; *see, e.g., Petroleum Geo-Servs. Inc. v. WesternGeco LLC*, Case IPR2014-00687, slip op. at 16 (PTAB Dec. 15, 2014) (Paper 33) (holding petitioner and non-party's shared interest in invalidating patent at issue, “collaborat[ion] together, and invo[cation of the] common interest privilege with respect to sharing potentially invalidating prior art references” was insufficient to render non-party a real party in interest). In our view, based on the facts before us, PNC and Petitioner's terminated collaboration in preparing the CBM2014-00039 Petition, while co-defendants and cosignatories of a joint defense agreement in the MDL Proceeding, is similar to such a situation. PNC's lack of involvement or control in the subsequent preparation and funding of this Petition, prepared by different counsel and presenting different prior art and arguments, persuades us that PNC is not a real party in interest in this case.

*8 Accordingly, based on the evidence before us at this stage of the proceeding, PNC is not a real party in interest in this case, and [§ 325\(a\)\(1\)](#) does not bar institution of review.

B. [SECTION 325\(D\)](#) -- DISCRETION TO DECLINE TO INSTITUTE

Patent Owner also urges us to exercise our discretion, under [35 U.S.C. § 325\(d\)](#), to decline to institute the Petition because the “same or substantially the same prior art or arguments” were presented in CBM2014-00039, filed by Petitioner and PNC, and CBM2013-00059, filed by BB&T. [Section 325\(d\)](#) provides: “[i]n determining whether to institute or order a proceeding . . . , the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.” [35 U.S.C. § 325\(d\)](#).

We need not address whether the petitions in CBM2013-00059 or CBM2014-00039 involved the same or substantially the same prior art or arguments as this Petition. Even if this requirement of [§ 325\(d\)](#) were met, we would not exercise our discretion to deny the Petition, given that the Board did not reach the merits of the unpatentability arguments in either case based on a determination that [§ 325\(a\)\(1\)](#) barred institution of review. *See* CBM2014-00039 Dec. Inst.; CBM2013-00059 Inst. Dec.

Relatedly, Patent Owner asks that we “disregard[]” “all arguments not found in” the previous CBM2014-00039 Petition, asserting that these arguments are “[w]aived” and unfairly bolster the Petition. Prelim. Resp. 26-28. Petitioner has not waived arguments absent from the previous petition it filed with PNC, the merits of which were never addressed by the Board. We consider and address all the arguments presented in the Petition presently before us.

C. PETITIONER'S STANDING

To have standing, 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. § 42.304\(a\)](#).

1. Requirements of [37 C.F.R. § 42.302](#)

Petitioner satisfies both requirements of 37 C.F.R. § 42.302. First, pursuant to Section 18(a)(1) of the Leahy-Smith American Invents Act (“AIA”), Pub. L. No. 112-29, § 18(a)(1)(B), 125 Stat. 284, 330 (2011), and 37 C.F.R. § 42.301(a), “a person may not file a petition” for CBM review unless the petitioner, its real party in interest, or its privy “has been sued for infringement of the patent or has been charged with infringement under that patent.” AIA, Pub. L. No. 112-29, § 18(a)(1)(B), 125 Stat. 284, 330 (2011); 37 C.F.R. § 42.302. Under the plain language of Section 18(a)(1), as well as its implementing rule, the relevant time for determining whether Petitioner “has been sued” is when Petitioner “file[s]” the Petition. See *eBay Enter., Inc. v. Lockwood*, Case CBM2014-00025, slip op. at 9-12 (PTAB May 20, 2014) (Paper 24); *SAP Am. Inc. v. Versata Dev. Grp. Inc.*, Case CBM2012-00001, slip op. at 18 (PTAB Jan. 9, 2013) (Paper 36); see also *Coach Servs., Inc. v. Triumph Learning LLC*, 668 F.3d 1356, 1376 (Fed. Cir. 2012) (“[F]or an agency, such as the PTO, standing is conferred by statute.”). Here, at the time the Petition was filed on August 21, 2014, Patent Owner had asserted the '880 patent against Petitioner in the District Court Case, as indicated in the Petition. Pet. 4; see Paper 11, at 1. The subsequent dismissal with prejudice of all claims against Petitioner involving the '880 patent in the District Court Case does not divest Petitioner of standing to pursue CBM review. See Ex. 1018; Prelim. Resp. 6 n.2.

*9 Second, we agree with Petitioner's representation, which Patent Owner does not dispute, that Petitioner is not estopped from pursuing CBM review under 35 U.S.C. § 325(e)(1) because the Board did not issue a final written decision in CBM2014-00039, in which Petitioner previously challenged the '880 patent. 37 C.F.R. § 42.302(b); Pet. 8-9.

2. Covered Business Method Patent

Petitioner argues that the '880 patent is a covered business method patent. Pet. 11-21. Patent Owner does not dispute this assertion. For the reasons explained below, we agree with Petitioner that the '880 patent qualifies as 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 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 review. *Id.*

a. Financial Product or Service

Petitioner argues that the '880 patent claims, particularly claim 2, are directed to a financial product or service, as confirmed by the specification of the '880 patent. See Pet. 12-15. 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)).

*10 Here, independent claim 1 recites a “method for electronically transferring units of exchange” in which a “first value datum” is passed between two “module[s],” one of which performs a “mathematical calculation” on the datum. Ex. 1001, 24:47-67. In claim 2, which depends from claim 1, the recited “first value datum represents a monetary equivalent.” *Id.* at 25:1-2. Accordingly, based on the claim language, the method recited in claim 2 involves electronically transferring monetary value and is, at a minimum, incidental or complementary to financial activities and services, such as electronic payments or cash transfers and withdrawals. See *Apple Inc. v. Sightsound Techs., LLC*, Case CBM2013-00020, slip op. at 11-12 (PTAB Oct. 8, 2013) (Paper 14) (“The electronic transfer of money is a financial activity, and allowing such a transfer amounts to providing

a financial service.”); *see also* *David W. Gillman v. Stoneeagle Servs., Inc.*, Case CBM2013-00047, slip op. at 7-8 (PTAB Feb. 18, 2014) (Paper 11) (holding claimed method to be financial in nature because processing payment is an “inherently financial activit[y]”).

The written description confirms that the '880 patent claims, particularly claim 2, involve financial activities. In the written description, the unit or data being exchanged between portable module 102 and secure microprocessor based module 108 is a “cash equivalent” (Ex. 1001, [57], 1:62), “electronic money” (*id.* at 2:2), or a “currency equivalent” (*id.* at 2:37). For example, a consumer can “take cash out of an ATM,” or “addmoney station,” and “put the cash value into the portable module.” *Id.* at 2:1-6, 8:34-37. The consumer then can use the monetary value stored on the portable module “when buying products or services in the market place” (*id.* at 1:63-65; *see id.* at 1:66-2:6), for example, “to pay for a train fare” (*id.* at 7:13-35, 8:30-37). Accordingly, the specification provides further evidence that the recited methods facilitate electronic financial activities and transactions, including transferring monetary value, and paying for goods and services.

Accordingly, on the record before us, we determine that the '880 patent claims are directed to “a method . . . 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).

b. Technological Invention Exception

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 “[r]eciting the use of known prior art technology to accomplish a process or method, even if that process or method is novel and non-obvious.” *Trial Practice Guide*, at 48,763-64. 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); 157 Cong. Rec. S1364 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer).

***11** Regarding the first prong--whether the subject matter as a whole recites a “technological feature that is novel and unobvious over the prior art”--Petitioner contends that each of the technological features recited in the '880 patent claims was generic, common, and conventional in 1996, the earliest effective filing date of the '880 patent. Pet. 16-20. Petitioner further argues that the combination of these features in the recited method merely achieves the normal, expected, and predictable result of the combination. *Id.* On this record, we are persuaded that the '880 patent claims do not recite a technological feature that is novel and nonobvious.

Independent claim 1 recites a “first module,” a “second module,” and an “electronic device.” Ex. 1001, 24:47-67. To the extent these are technological features, the only functionalities recited by the steps of the claim are that these modules and the electronic device “pass[]” data to one another; the first module and the electronic device “communicat[e]”; the first module “stor[e]” data; and the second module “perform[] a mathematical calculation” on data. *Id.* Petitioner proffers testimony from Mr. Bristow that these functionalities can be performed by generic computing structures. Ex. 1011 ¶¶ 32-34. Dependent claims 2-4 do not recite any additional functions for these features, or any other features that could be classified as technological. *See* Ex. 1001, 25:1-6.

The written description of the '880 patent refers to the components of the recited modules and electronic device generally by reference to their function, without any detail or particularity that would suggest, or that might be expected of, a disclosure of new technology. *See id.* at 3:1-27, 3:39-5:62. In addition, the specification discusses using known structures or devices. For example, microprocessor based device 104, which corresponds to the recited “electronic device,” is disclosed to be “any of an

unlimited number of devices,” for example, “a personal computer, an add-a-fare machine at a train or bus station (similar to those in today’s District of Columbia metro stations).” *Id.* at 2:36-45.

On the record before us, we are persuaded that the recited “module[s]” and “electronic device” were known in 1996, the earliest effective filing date of the '880 patent. Given that “[r]eciting the use of known prior art technology to accomplish a process or method, even if that process or method is novel and non-obvious” does not render a patent a technological invention, [Trial Practice Guide](#), at 48,763-64, we are persuaded that the '880 patent claims, including claim 2, are not directed to a technological invention.

***12** Because we have determined that the '880 patent does not satisfy the first prong of the analysis for the technological invention exception, the '880 patent does not fall within this exception. Therefore, we need not reach the second prong of the analysis, namely whether the subject matter “solves a technical problem using a technical solution.”

For the reasons given above, we determine that the '880 patent is eligible for review as a covered business method patent.

D. CLAIM CONSTRUCTION

We next address the meaning of the claims. The Board interprets claims using the “broadest reasonable construction in light of the specification of the patent in which [they] appear[.]” 37 C.F.R. § 42.300(b); see *In re Cuozzo Speed Techs., LLC*, No. 2014-1301, 2015 WL 448667, at *5-*8 (Fed. Cir. Feb. 4, 2015). We presume a claim term carries its “ordinary and customary meaning,” which is “the meaning that the term would have to a person of ordinary skill in the art in question” at the time of the invention. *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007).

Petitioner proffers proposed constructions for two terms: “module” and “mathematical operation.” Pet. 23-24. Patent Owner does not address Petitioner’s proposed constructions. “[M]athematical operation” does not appear in the '880 patent claims. See Ex. 1001, 24:46-26:8. Even assuming Petitioner intended to proffer a construction for the claim term “mathematical calculation,” we are not persuaded that a construction of either term is necessary at this stage of the proceeding. For purposes of this decision, we proceed on the basis that the ordinary and customary meaning of the terms in their common usage applies, taken in the context of the disclosure of the '880 patent.

E. ANTICIPATION BY AKIYAMA

Petitioner argues claims 1-4 of the '880 patent are anticipated under 35 U.S.C. § 102 by Akiyama. Pet. 36-58. Patent Owner elected not to address the merits of Petitioner’s anticipation arguments at this stage of the proceeding. Prelim Resp. 28-30, 42.

1. Akiyama

Akiyama discloses an “electronic cashless transaction system” with several components, including bank center 13, store transaction terminal 43, and IC card 42. Ex. 1004, [57]. Akiyama discusses six embodiments of this system. Certain aspects of the system discussed in the first embodiment are common to all embodiments. *Id.* at 19:6-9 (“Described below are embodiments of an electronic cashless transaction medium, whose outlines, including key controls, money transfers, and an updation of sales data and sales billing, have been described above.”).

***13** In the first embodiment, Akiyama discloses that store transaction terminal 43 has a card reader into which the holder of IC card 42 inserts the card. Specifically, Akiyama states: “The store transaction terminal can be a POS terminal with necessary functions, e.g. a card reading function, attached.” *Id.* at 6:20-23. The holder of IC card 42 “inserts . . . IC card 42 into a card reader of . . . store transaction terminal 43.” *Id.* at 7:4-7, 8:12-15; see *id.* at 10:56-58, 11:40-41.

The fourth embodiment involves IC card 42 updating data related to purchases. *Id.* at 25:10-11. In the embodiment, store transaction terminal 43 stores various data, including ordinary (or, uncoded) transaction total data 241 and coded transaction total data 242. *Id.* at 24:37-41. The holder of IC card 42 inserts the card into store transaction terminal 43. *Id.* at 25:50-55. “[I]nsertion of . . . IC card 42 causes” various data, including ordinary transaction total data 241 and coded transaction total data 242, “to be transmitted to . . . IC card 42.” *Id.* at 25:55-60. IC card 42 “receive[s] and decode[s]” coded transaction total data 242 and compares the decoded version with ordinary transaction total data 241. *Id.* at 25:60-26:3. If there is no discrepancy, IC card 42 updates the transaction total data and codes, using a stored key, the transaction total data, which results in coded data updatation data 243. *Id.* at 26:19-26. IC card 42 “sends . . . coded data updatation data 243 to . . . store transaction terminal 43.” *Id.* at 26:23-26.

Store transaction terminal 43 independently updates ordinary transaction total data 241 and compares it against the updated data received from IC card 42. If there is no discrepancy, store transaction terminal 43 “store[s] . . . coded updatation data 243.” *Id.* at 26:45-47.

IC card 42, after updating its own balances and transaction data, stores the updated result, “thereby consummating balance data updatation.” *Id.* at 26:64-66.

2. Akiyama's Disclosure of the Claim Limitations

Petitioner argues that Akiyama discloses each limitation of claims 1-4 of the '880 patent. Pet. 44-58. In particular, Petitioner contends that Akiyama's store transaction terminal 43 constitutes the “first module,” the card reader of store transaction terminal 43 constitutes the “electronic module,” and IC card 42 constitutes the “second module.” *Id.* In addition, according to Petitioner, coded transaction data 242 in Akiyama constitutes the “first value datum,” whereas coded data updatation data 243 constitutes the “second value datum.” *Id.*

We are not persuaded that Akiyama's disclosures regarding the card reader of store transaction terminal 43, which Petitioner equates to the recited “electronic device,” sufficiently disclose step h of independent claim 1—even accepting Petitioner's position that Akiyama's disclosures in the first embodiment regarding the card reader apply to all embodiments. *See* Pet. 37, 44-58; Ex. 1004, 19:6-9. Step h of claim 1 involves the “first module” and the “electronic device.” The step recites “discontinuing communication between said *first module* and said *electronic device*.” *Id.* at 24:66-67 (emphases added). Petitioner argues that Akiyama discloses this limitation in its discussion that “IC card 42 updates its own stored balance” and “store[s] the updated result, thereby consummating balance data updatation.” *Id.* at 26:58-66. But, according to Petitioner, IC card 42 corresponds to the “second module.” *See, e.g.*, Pet. 46, 52. The cited disclosure in Akiyama does not refer to either the “first module” (store transaction terminal 43) or the “electronic device” (the card reader of store transaction terminal 43) involved in step h. *See, e.g., id.* at 50. This disclosure regarding IC card 42 provides no evidence that communication between store transaction terminal 43 and its card reader has “discontinu[ed],” as recited in step h of claim 1.

***14** The testimony of Mr. Bristow regarding the card reader does not cure this deficiency. Mr. Bristow testifies that “[a] person of ordinary skill would understand that the ‘card reader’ refers to an electronic device that provides communication between the terminal and an IC card.” Ex. 1011 ¶ 43. This testimony, regarding the general purpose of the card reader, does not refer to any discontinuation or termination of communication between the card reader and store transaction terminal 43.

Petitioner has not argued that the limitation is disclosed inherently in Akiyama. Nor has Petitioner argued that the limitation would have been obvious.

Accordingly, we determine Petitioner has failed to demonstrate that it is more likely than not that claims 1-4 are anticipated by Akiyama.

F. PATENT-INELIGIBLE SUBJECT MATTER UNDER § 101

Petitioner argues claims 1-4 of the '880 patent are unpatentable under 35 U.S.C. § 101 because they are directed to a patent-ineligible abstract idea. Pet. 58-66. Patent Owner contests this assertion. Prelim. Resp. 30-38.

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.” There are, however, three limited, judicially created exceptions to the broad categories of patenteligible 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). 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.” *Alice*, 134 S. Ct. at 2354 (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.*

*15 The Supreme Court has established a two-step “framework for distinguishing patents that claim . . . abstract ideas from those that claim patent-eligible applications of” abstract ideas. *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).

1. Abstract Idea

Petitioner argues the challenged claims of the '880 patent are directed to the abstract idea of “transfer of value” or transfer of “units of exchange.” Pet. 58-59. According to Petitioner, “[t]he idea is to communicate some piece of information corresponding to a unit of exchange, such as a value datum, that is modified and then returned.” *Id.* at 59. Petitioner contends claim 1 of the '880 patent “provides for this transfer in extraordinarily broad terms, merely requiring that a first value datum is passed from a first module to a second module, the second module performs a mathematical operation on the value, and then returns it to the first module, which stores it.” *Id.* Further, Petitioner argues dependent claims 2-4 only shift the abstract idea slightly, with claim 2 adding “a gloss on the abstract idea” that the value datum being transferred be a monetary equivalent, and claims 3 and 4 adding that the value datum be encrypted. *Id.* at 65-66.

On this record, we are persuaded that the challenged claims are directed to an abstract idea of data transfer, modification, and storage. Claim 1, considered as a whole, involves transferring one datum, modifying it to create a second datum, transferring the second datum, and storing the second datum. Ex. 1001, 24:47-67. In claim 2, the datum is monetary value. *Id.* at 25:1-2. In claims 3 and 4, the datum is encrypted. *Id.* at 25:3-6. On this record, we are persuaded that this narrowing to particular types of datum in the dependent claims does not alter the abstract idea analysis.

*16 In addition, despite Patent Owner's arguments to the contrary, we are persuaded that the abstract idea of data transfer, modification, and storage is in line with ideas found to be abstract in controlling precedent. *See* Prelim. Resp. 35-36. For example, in a recent decision, the Federal Circuit affirmed a district court's determination that the relevant claims were “drawn to 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.” *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat'l Ass'n*, Nos. 2013-1588, 2013-1589,

2014-1112, 2014-1687, 2014 WL 7272219, at *3 (Fed. Cir. Dec. 23, 2014). The court reasoned that “humans have always performed” the functions of “data collection, recognition, and storage.” *Id.*

We also are not persuaded by Patent Owner's argument that characterizing the challenged claims as directed to an abstract idea requires distilling the claims at a level that is higher than warranted and contrary to the Supreme Court's caution against interpreting the abstract idea exception too broadly. Prelim. Resp. 32-33. Rather, at this stage of the proceeding, we are persuaded that the concept of data transfer, modification, and storage as claimed is sufficiently broad and lacking in particularity that the claims risk broadly preempting the idea.

Accordingly, on the record before us, we are persuaded that the challenged claims are directed to an abstract idea.

2. Inventive Concept

Turning to the second step of the framework, Petitioner argues that, under *Alice Corp. Pty. v. CLS Bank International*, 134 S. Ct. 2347 (2014), the generic computing structures and functions recited in the challenged claims do not amount to an inventive concept. *Id.* at 62-66. Rather, the recited steps “amount to nothing more than the abstract idea of a transfer of units of monetary value between two modules--here, generic computers performing conventional computer activities--through an electronic device that can be almost anything, including a part of one of the generic computers.” *Id.* at 64.

Patent Owner disputes Petitioner's characterization of the claim features as merely generic computer structure, which Patent Owner argues fails to properly analyze the invention as a whole. Prelim Resp. 36-38. Patent Owner argues that the claims instead are directed to a process with a distinct set of hardware components that interact together in a carefully limited matter. *Id.* Thus, according to Patent Owner, even if the claims are characterized as being directed to an abstract idea, the claims “do more than simply recite that idea as being performed in a computer.” *Id.* at 37.

*17 Under *Alice*, “the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.” 134 S. Ct. at 2358. Rather, “[f]or the role of a computer-implemented invention to be deemed meaningful, . . . it must involve more than performance of ‘well-understood, routine, [and] conventional activities previously known to the industry.’” *Content Extraction*, 2014 WL 7272219, at *3 (quoting *Alice*, 134 S. Ct. at 2359) (alteration in original).

Here, on the record before us, Petitioner has shown sufficiently that the functions of the recited “first module,” “second module,” and “electronic device” at each step of the method are well understood, routine, and conventional. *See, e.g.*, Ex. 1011 ¶¶ 32-34. These functions include communicating data, passing data, performing a mathematical calculation on data, and storing data. We are not persuaded by Patent Owner's attempts to classify these components as specific hardware performing a carefully limited method. Rather, as the Supreme Court explained in *Alice*, “[n]early every computer will include” components capable of performing “basic calculation, storage, and transmission functions.” 134 S. Ct. at 2360. Further, using a computer to “obtain data” and “adjust” that data are “generic computer functions.” *Id.* at 2359. Thus, Petitioner has demonstrated adequately that, to the extent the recited “module[s]” and “electronic device” are implemented on a computer, “each step does no more than require a generic computer to perform generic computer functions.” *Id.*

In addition, we are persuaded that when considering the recited steps “as an ordered combination,” the recited first module, second module, and electronic device “ad[d] nothing . . . that is not already present when the steps are considered separately.” *Id.* (citing *Mayo*, 132 S. Ct. at 1291, alteration in original). Similarly, we are persuaded that the additional limitations of dependent claims 2-4, in which the datum is monetary value or encrypted, do nothing to add an inventive concept that would transform the relevant claim into a patent-eligible application of the abstract idea.

Accordingly, based on our review of the arguments and evidence presently before us, we are persuaded that the challenged claims of the '880 patent are directed to an abstract idea with no inventive concept.

3. Board's Authority to Review § 101 Grounds

*18 Finally, Patent Owner contests the Board's statutory authority to review the '880 patent on § 101 grounds. Prelim. Resp. 38-42. Specifically, Patent Owner argues the Board cannot consider § 101 grounds because § 101 is not a "condition for patentability," such as those specified in 35 U.S.C. §§ 102-103. *Id.*

We disagree with Patent Owner's contentions. The Board has addressed this issue numerous times. *See, e.g., Jewelry Channel, Inc. v. America's Collectibles Network, Inc.*, Case CBM2014-00119, slip op. at 7-9 (PTAB Oct. 20, 2014) (Paper 10); *Regions Fin. Corp. v. Retirement Capital Access Mgmt. Co.*, Case CBM2014-00012, slip op. at 9-11 (PTAB Mar. 25, 2014) (Paper 16); *SAP Am.*, Case CBM2012-00001, Paper 36, at 32-36.

Under the AIA, any ground that could be raised under 35 U.S.C. § 282(b)(2) or (3) can be raised in a post-grant review or (with exceptions not relevant here) in a CBM review. 35 U.S.C. § 321(b). Section 282(b)(2) specifies the following ground: "Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability." Section 282(b)(3), in turn, lists the requirements of § 251 and § 112, with the exception of best mode. Accordingly, the issue becomes whether § 101 is a "condition for patentability" specified in part II of Title 35.

The final rules implementing post-grant review and CBM review in the Federal Register state that § 101 is available as a ground for review. Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents; Final Rule, 77 Fed. Reg. 48,680, 48,684 (Aug. 14, 2012). This interpretation is consistent with both relevant case law and the legislative history.

The Supreme Court and Federal Circuit have recognized § 101 as a condition for patentability. Specifically, the Supreme Court has stated that the 1952 Patent Act "set out the conditions for patentability in three sections," followed by discussion of §§ 101, 102, and 103. *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 12 (1966). More recently, the Supreme Court addressed invalidity under § 101 when it was raised as a defense to an infringement claim under 35 U.S.C. § 282. *See Mayo*, 132 S. Ct. at 1293. The Federal Circuit also has recognized that § 101 is a condition for patentability in stating: "It has long been understood that the Patent Act sets out the conditions for patentability in three sections: sections 101, 102, and 103." *Aristocrat Techs. Austl. PTY Ltd. v. Int'l Game Tech.*, 543 F.3d 657, 661 (Fed. Cir. 2008). Likewise, in *Dealertrack, Inc. v. Huber*, the majority rejected the dissent's contention that §101 is not a "condition for patentability," stating that "the 'defenses provided in the statute' § 282, include not only the conditions of patentability in §§ 102 and 103, but also those in § 101." 674 F.3d 1315, 330 n.3 (Fed. Cir. 2012) (citing *Aristocrat*, 543 F.3d at 661).

*19 The legislative history of the AIA also makes clear that Congress intended the Office to consider challenges brought under § 101 for post-grant reviews and CBM reviews. Specifically, the purpose of CBM review was to allow the Office to revisit business method patents post-*Bilski* and to evaluate whether the patents were too abstract to be patentable under § 101. *See* 157 Cong. Rec. S1367 (daily ed. Mar. 8, 2011); *see also* 157 Cong. Rec. S7413-4 (daily ed. Nov. 14, 2011) (letter from Hon. Lamar Smith, Chairman of the House Judiciary Committee, stating § 18 of the AIA allows review of business method patents, which the Supreme Court has acknowledged are often abstract and overly broad).

Accordingly, we are not persuaded by Patent Owner's argument that 35 U.S.C. § 101 is not a proper ground upon which a CBM review may be maintained. Based on the record before us, Petitioner has demonstrated that it is more likely than not that claims 1-4 are unpatentable under § 101.

III. ORDER

For the reasons given, it is:

ORDERED that pursuant to [35 U.S.C. § 324\(a\)](#), a covered business method patent review of the '880 patent is instituted for claims 1-4 as being directed to patent-ineligible subject matter under [§ 101](#);

FURTHER ORDERED that no other grounds set forth in the Petition are authorized; and

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 and the trial commences on the entry date of this decision.

2015 WL 780870 (Patent Tr. & App. Bd.)

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