

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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U.S. BANCORP

Petitioner v.

RETIREMENT CAPITAL ACCESS MANAGEMENT COMPANY LLC

Patent Owner

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Case CBM2013-00014

Patent 6,625,582

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**PATENT OWNER RETIREMENT CAPITAL ACCESS  
MANAGEMENT COMPANY LLC'S RESPONSE**

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Patent Trial and Appeal Board  
U.S. Patent & Trademark Office  
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## **EXHIBIT LIST**

The evidence supporting Patent Owner Retirement Capital Access Management Company LLC's Response is listed below:

**RCAMC Exhibit 2015:** Defendant U.S. Bancorp's First Supplemental Responses to Plaintiff Benefit Funding Systems LLC's First Set of Interrogatories (Selected excerpts, only).

**RCAMC Exhibit 2016:** *Regulators to Restrict Big Banks' Payday Lending*, Deal Book 1, The New York Times Company, 2013 WLNR 9953554 (April 23, 2013).

**RCAMC Exhibit 2017:** Regions Financial Corporation, et al. v. Retirement Capital Access Management Company LLC, Petition for Covered Business Method Patent Review, No. CBM2014-00012, Patent No. 6,625,582.

Pursuant to 37 C.F.R. § 42.200(a), Patent Owner, Retirement Capital Access Management Company LLC ("RCAMC" or "Patent Owner"), submits this Response in opposition to the Petition for Post-Grant Review of U.S. Patent No. 6,625,582 ("the '582 patent") filed by U.S. Bancorp ("Petitioner") and the Board's Decision – Institution of Covered Business Method Patent Review 37 C.F.R. § 42.208 (Paper 12) ("Institution Decision").

## **I. INTRODUCTION**

U.S. Bancorp contends that the claims of the '582 patent in this covered business methods review are invalid pursuant to 35 U.S.C. § 101 as they are directed to ineligible subject matter—a mere abstract concept. Based on the clear facts of this case and the law relating thereto, the Board should find in favor of Patent Owner.

“[A]ll inventions at some level embody ... [an] abstract idea,” and dissecting from a claim all of its concrete limitations is one step closer towards “eviscerat [ing] patent law.” *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S.Ct. 1289, 1293 (2012). Indeed, “[A]ny claim can be stripped down, simplified, generalized, or paraphrased to remove all of its concrete limitations, until at its core, something that could be characterized as an abstract idea is revealed. A court cannot go hunting for abstractions by ignoring the concrete, palpable, tangible limitations of the invention the patentee actually claims.” *Ulramercial, Inc. v. Hulu, LLC*, 722

F.3d 1335, 1344 (Fed.Cir. 2013) (*Ultramercial II*). Thus, any claim that is not so manifestly abstract as to preempt a fundamental concept or idea is patent eligible.

It is U.S. Bancorp's burden, not anyone else's, to prove by a preponderance of evidence that each of the challenged claims of the '582 Patent is directed to an unpatentable, abstract idea under 35 U.S.C. § 101.<sup>1</sup> U.S. Bancorp contends that the claims amount to a monopoly on the abstract concept of "advancing funds based on future retirement payments." It argues that all of the claim limitations are so insignificant, conventional, or routine that each of the claims effectively covers the abstract concept itself. It does so by improperly dissecting the claims, and without any evidence other than the '582 patent itself, which is plainly insufficient and wrong. U.S. Bancorp has failed to meet its burden of proof.

The claims of the '582 Patent encompass significantly less than the identified abstract idea of advancing funds based on future retirement payments. Indeed, each of the challenged claims of the '582 Patent includes significant, inventive limitations, including, for example, limitations that funds are advanced without encumbering the beneficiary's right to the future retirement payments and without violating legislative proscriptions in the United States against alienation of future retirement benefits. The Patent and Trademark Office determined that this claim limitation was both novel and nonobvious, and U.S. Bancorp does not point to even

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<sup>1</sup> U.S. Bancorp does not contend that any claim of the '582 patent fails to fit within

a scintilla of evidence that this limitation, or any other claim limitation, was routine or conventional.

Indeed, U.S. Bancorp does even actually argue that any of these limitations would have been or are routine or conventional. Instead, it improperly argues that some of them were not "new" or were already "known. Yet, it is now well settled law that a limitation that was known is not thereby routine or conventional. Novelty under § 102 and nonobviousness and § 103 are treated separate from subject matter eligibility under § 101.

Further, U.S. Bancorp could never show that, in practice, the claims cover the abstract concept itself. For example, in related litigation, U.S. Bancorp contends it is practicing the identified abstract concept of advancing funds based on future retirement payments while simultaneously arguing, based on unambiguous factual representations, that it is not infringing the '582 Patent. For this reason, U.S. Bancorp cannot credibly argue that the claims of the '582 Patent amount to a monopoly on the abstract concept itself.

In short, U.S. Bancorp has not and cannot meet its burden of proof.

## **II. STATEMENT OF THE PRECISE RELIEF REQUESTED**

RCAMC respectfully requests that the Board issue judgment that: (1) 35 U.S.C. § 101 is not a proper ground of review; or (2) claims 1, 13, 14, 18, 30, and 31 of the '582 patent are patent eligible under 35 U.S.C. § 101.

## **III. BACKGROUND OF THE INVENTION**

At the time of the claimed invention of the '582 patent, the inventors, who are RCAMC's sole owners, recognized that the fast growing ranks of retirement age individuals were, for various reasons, finding Social Security benefits or other retirement benefits, or the anticipated timing of receipts therefrom, often to be inadequate to meet their present and future financial needs, expectations, and objectives. However, considering the then existing and current legislated proscriptions in the United States against assigning or otherwise alienating future retirement benefits (e.g., as set forth in the Social Security Act, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the United States tax laws), Social Security benefits or other retirement benefits were not generally seen as an adequate source of current capital, particularly to support financing based upon future receipts. Thus, the inventors recognized a need for a financial program that allows a beneficiary of Social Security benefits or other retirement benefits to access, in a convenient, automated, and automatic manner, present value of future retirement benefits to meet current financial objectives while

complying with the United States laws and regulations governing the assignment of future Social Security or other retirement benefits. ('582 patent, Col. 1, ll. 23-49).

The inventors therefore conceived a system and method for a beneficiary of Social Security payments or other retirement payments to access present value of future benefits to meet current financial and other objectives. In the system and method pertaining to the claims at issue in this covered business method review, a financial institution is designated to be a direct depository and a disbursement agent for disbursing predetermined portions of a beneficiary's retirement payments to a funding source in exchange for access to capital by the beneficiary in an amount at least in part based on present value of a designated portion of future retirement payments. In the event that the beneficiary revokes participation, or such benefits are otherwise curtailed, before the funding source is reimbursed, the funding source may seek reimbursement of a specified amount relating to the capital it made available to the beneficiary, but not from subsequent retirement payments. In the event that the beneficiary dies prior to reimbursement, the funding source is precluded from looking to a surviving spouse's share of remaining retirement payments, or from the beneficiary's estate, for reimbursement of any sustained loss. ('582 patent, Abstract).

#### **IV. U.S. BANCORP CANNOT PREVAIL DUE TO ITS FAILURE TO SUBMIT REQUISITE EVIDENCE**

The test for abstractness consists of two steps: (1) identify the abstract concept; (2) evaluate whether the claims contain additional substantive non-routine, non-conventional limitations that narrow, confine, or otherwise tie down the claim so that, in practical terms, it does not cover the full abstract idea itself. *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1341 (Fed. Cir. 2013); *Ultramercial, II*, 722 F.3d at 1355 (concurring opinion of Lourie, J.); *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269, 1282-83 (Fed. Cir. 2013) (Lourie, Dyk, Prost, Reyna and Wallach, JJ., plurality opinion) (“*CLS Bank II*”) (citing *Prometheus*, 132 S. Ct. at 1300; *Bilski v. Kappos*, 130 S.Ct. 3218, 3231 (2010); *Diamond v. Diehr*, 450 U.S. 175, 187 (1981)). The analysis under § 101 “is rife with factual issues.” *Ultramercial II* at 1339. “Almost by definition, analyzing whether something was ‘conventional’ or ‘routine’ involves analyzing facts.” *Id.* “Likewise, any inquiry into the scope of preemption—how much of the field is ‘tied up’ by the claim—by definition will involve historic facts: identifying the ‘field,’ the available alternatives, and the preemptive impact in that field.” *Id.*

By statute, U.S. Bancorp—rather than the Patent Office or the patent owner—is burdened with proving by a preponderance of the evidence that a proposition of invalidity is true. Leahy-Smith American Invents Act, Pub. L. No. 112-29, § 18(a)(1), 125 Stat. 284, 331 (2011) (hereinafter “AIA Section 18(a)(1)”);

35 U.S.C. § 326(e); 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl. that "the petitioner, rather than the Office, bears the burden of showing unpatentability"). By statute, moreover, U.S. Bancorp is required to have identified in its petition, in writing and with particularity:

the evidence that supports the grounds for the challenge to each claim, including—(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and (B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on other factual evidence or on expert opinions . . .

AIA Section 18(a)(1); 35 U.S.C. § 322.

The only evidence identified in U.S. Bancorp's Petition is the following: (1) the '582 patent itself (Exhibit 1003); (2) patent owner's December 26, 2001 response to office action (Exhibit 1005); (3) patent owner's initial claim chart to Petitioner (Exhibit 1009); and (4) the document entitled, "A Guide for Checking Account Advance" (Exhibit 1010). No other evidence may be considered, and, to be clear, arguments of counsel cannot take the place of objective evidence. *See In re Hamilton*, 882 F.2d 1576, 1581-82 (Fed. Cir. 1989); *In re Pearson*, 494 F.2d 1399, 1405 (CCPA 1974).

As a matter of law, the above-identified evidence is insufficient for U.S. Bancorp to satisfy its burden of proof. There is no dispute that every claim in the



'582 patent at issue contains substantive limitations on what U.S. Bancorp has identified as the involved abstract concept. And, there is no evidence whatsoever from which a finding can be made that all of the substantive limitations to each claim would have been routine or conventional. In point of fact, **the only evidence cited anywhere in U.S. Bancorp's six pages of attorney argument that the claims are invalid is the '582 patent itself**. (Pet. 30-36). The '582 patent is not evidence of whether each of the indisputably substantive limitations on the abstract concept would have been routine or convention. The only other thing U.S. Bancorp can point to is attorney argument, which is tantamount to no evidence at all. Under the circumstances of this case, therefore, this petitioner cannot meet its burden of proving its proposition of invalidity.

A single example will suffice to demonstrate the significance of U.S. Bancorp's failure. One of the critical aspects of the invention of the '582 patent is the limitation that the benefit provider be reimbursed from resources other than future retirement or Social Security payments in the event transfer of those benefits from the depository to the benefit provider are curtailed, such as a result of the beneficiary's own choice to revoke participation. The entirety of U.S. Bancorp's "argument" directed to this limitation is the following:

The last limitation of claim 1 recites reimbursing the benefit provider from another source if the future retirement payments are curtailed. Thus, none of the

steps of claim 1 recite anything other than the abstract concept of providing funds based on the present value of future payments.

It is apparent from this text that U.S. Bancorp has not met its burden of proving that this last limitation is routine or conventional. The same is true with regard to the other claim limitations.

The fact that U.S. Bancorp cannot meet its burden is further underscored by the Board's following statement in its only final decision on the merits of a covered business method review to date: "We credit the testimony of Dr. Siegel over that of Dr. Liebich and find that the additionally claimed steps of storing, retrieving, sorting, eliminating and receiving are well-known, routine, and conventional steps." *SAP America, Inc. v. Versata Development Group, Inc.*, Case CBM2012-00001 (MPT), 2013 WL 3167735, \*19 (June 11, 2013). There is no expert testimony before the Board here, as U.S. Bancorp chose not to submit any. While RCAMC does not argue for a bright-line rule that expert testimony is required to be submitted in connection with every petition for covered business method review<sup>2</sup>, it is evident that such testimony or other evidence submitted pursuant to § 322 was necessary in this instance.

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<sup>2</sup> For example, determinations of validity under 35 U.S.C. § 102 clearly are capable of being resolving in many instances without the need for expert testimony.

U.S. Bancorp's petition should be denied for the simple reason that the '582 patent by itself is not sufficient evidence for U.S. Bancorp to satisfy its statutory burden of proof. The validity of the claims of the '582 patent should be affirmed.

## **V. SECTION 101 JURISPRUDENCE**

### **A. Only Claims That Monopolize An Abstract Idea – Without More – Are Unpatentable**

In determining whether patent claims preempt an abstract idea, "it is important at the outset to identify and define whatever fundamental concept appears wrapped up in the claim so that the subsequent analytical steps can proceed on consistent footing." *CLS II*, 717 F.3d at 1282. Once the abstract idea is identified, the claims must next be evaluated to determine whether they "contain additional substantive limitations that narrow, confine, or otherwise tie down the claim[s] so that, in practical terms, [they do] not cover the full abstract idea itself." *Ultramercial II*, 722 F.3d at 1355 (quoting *CLS Bank II*). Any otherwise patentable invention that is "not so manifestly abstract as to preempt a fundamental concept or idea is patent eligible." *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1331 (Fed. Cir. 2012) (emphasis in original).

The purpose underlying "abstract concept" jurisprudence is to ensure that a party does not patent the abstract concept itself. The Supreme Court and Federal Circuit have consistently approached the abstract-concept analysis with the goal of preventing a patent owner from obtaining a monopoly on or preempting others from

practicing an abstract idea:

"The mathematical formula involved here has no substantial practical application except in connection with a digital computer, which means that if the judgment below is affirmed, the patent would wholly pre-empt the mathematical formula and in practical effect would be a patent on the algorithm itself." *Gottschalk v. Benson*, 409 U.S. 63, 72 (1972) (emphasis added).

"Allowing petitioners to patent risk hedging would pre-empt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea." *Bilski v. Kappos*, 130 S.Ct. 3218, 3231 (2010) (emphasis added).

"[T]he animating concern is that claims should not be coextensive with a natural law, natural phenomenon, or abstract idea." *CLS Bank II*, 717 F.3d at 1281 (emphasis added).<sup>3</sup>

"What matters is whether a claim threatens to subsume the full scope of a fundamental concept, and when those concerns arise, we must look for meaningful limitations that prevent the claim as a whole from covering the concept's every practical application." *Id.* (emphasis added).

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<sup>3</sup> These words were presumably chosen carefully. Accepting that fact, it is notable that the term "coextensive" is defined as, "Having the same limits, boundaries, or scope." The American Heritage Dictionary of the English Language (4<sup>th</sup> ed. 2000) (emphasis added).

"With the pertinent abstract idea identified, the balance of the claim can be evaluated to determine whether it contains additional substantive limitations that narrow, confine, or otherwise tie down the claim so that, in practical terms, it does not cover the full abstract idea itself." *Id.* at 1282 (emphasis added).

"[A] claim is not patent eligible only if, instead of claiming an *application* of an abstract idea, the claim is instead *to* the abstract idea itself. The inquiry . . . is to determine on which side of the line the claim falls: does the claim cover only an abstract idea, or instead does the claim cover an application of an abstract idea?" *Ultramercial II*, 722 F.3d at 1343 (opinion of Rader, C.J.) (emphasis added).

"Pre-emption is only a subject matter eligibility problem when a claim pre-empts all practical uses of an abstract idea." *Id.* at 1346 (emphasis added).

"It is not the breadth or narrowness of the abstract idea that is relevant, but whether the claim covers every practical application of that abstract idea." *Id.* (emphasis added).

"Having identified the abstract idea of the claim, we proceed with a preemption analysis to determine whether 'additional substantive limitations . . . narrow, confine, or otherwise tie down the claim so that, in practical terms, it does not cover the full abstract idea itself.'" *Accenture*, 728 F.3d at 1345 (emphasis added) (quoting *CLS Bank II*).

The Board itself has acknowledged this policy as follows:

Standing alone, an abstract idea does not represent patent-eligible subject matter. Accordingly, we must further analyze Versata's claims to determine whether they incorporate sufficient meaningful limitations to ensure that the claims are more than just an abstract idea and not just a mere drafting effort designed to monopolize the abstract idea itself.

*SAP America, Inc. v. Versata Development Group, Inc.*, Case CBM2012-00001 (MPT), 2013 WL 3167735, \*15 (Patent Tr. & App. Bd. June 11, 2013) (emphasis added) (citing *Prometheus*, 132 S. Ct. at 1297).<sup>4</sup>

In other words, it is well settled that "the Supreme Court's foundational § 101 jurisprudence . . . turns primarily on the practical likelihood of a claim preempting a fundamental concept." *CLS Bank II*, 717 F.3d at 1277 (opinion of Lourie, J.). "Preemption is only a subject matter eligibility problem when a claim preempts all practical uses of an abstract idea." *Id.* at 1300 (opinion of Rader, C.J.). As a result,

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<sup>4</sup> In its decision to grant SAP's petition for CBM review, the Board stated that it is charged to "analyze a claim to determine whether the claim embodies a specific, practical application of an abstract idea, or merely nothing more than the abstract idea itself." *SAP America, Inc. v. Versata Development Group, Inc.*, Case CBM2012-00001 (MPT), Patent 6,553,350, (Patent Tr. & App. Bd. January 9, 2013), Paper 36 at 30 (emphasis added).

a patent claim cannot be cancelled as abstract under section 101 unless as a practical matter it completely monopolizes the abstract idea itself.<sup>5</sup>

To be clear, "a claim may be premised on an abstract idea and, indeed, the abstract idea may be of central importance to the invention—the question for patent eligibility is whether the claim contains limitations that meaningfully tie that abstract idea to an actual application of that idea through meaningful limitations." *Ultramercial II* at 1344. A claim is "limited meaningfully when, in addition to the abstract idea, the claim recites added limitations which are essential to the invention", i.e.:

In those instances, the added limitations do more than recite pre- or post-solution activity, they are central to the solution itself. And, in such circumstances, the abstract idea is not wholly preempted; it is only preempted when practiced in conjunction with the other necessary elements of the claimed invention.

*Id.* at 1347 (citing *Diamond v. Diehr*, 450 U.S. 175, 187 (1981)).

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<sup>5</sup> If the claim does not pose any risk of preempting an abstract idea, then the answer to the preliminary question is negative, and no further consideration of the § 101 issue is even necessary.

**B. Lack Of Abstractness Does Not Require Proof That Any Limitation On The Identified Abstract Concept Is Novel Or Nonobvious**

"The requirement for substantive claim limitations beyond the mere recitation of a disembodied fundamental concept has 'sometimes' been referred to as an 'inventive concept.'" *CLS Bank II*, 717 F.3d at 1282. However, the determination of an inventive concept is not "to be confused with novelty or nonobviousness analyses, which consider whether particular steps or physical components together constitute a new or nonobvious invention." *Id.* at 1284. Rather, the "inventive concept" refers to the issue of "whether steps combined with a natural law or abstract idea are so insignificant, conventional, or routine as to yield a claim that effectively covers the natural law or abstract idea itself." *Id.* As Chief Judge Rader puts it:

If, to implement the abstract concept, one *must* perform the additional step, or the step is a routine and conventional aspect of the abstract idea, then the step merely separately restates an element of the abstract idea, and thus does not further limit the abstract concepts to a practical application.

*Ultramercial II*, 722 F.3d at 1348 (emphasis in original) (citing *Prometheus*, 132 S.Ct. at 1298). Thus, the term "inventive concept" is nothing more than shorthand for examining claims to ensure that they include sufficient limitation to, as a practical matter, preclude a patent on the abstract concept itself.



**VI. U.S. BANCORP CONTENDS THE '582 PATENT IMPROPERLY PREEMPTS OTHERS FROM "ADVANCING FUNDS BASED ON FUTURE RETIREMENT PAYMENTS."**

U.S. Bancorp contends that the relevant claims of the '582 patent are "unpatentable because [they] claim[] advancing funds based on future retirement payments without any 'inventive concept' beyond this abstract idea." (Pet. at 30). Thus, it is U.S. Bancorp's burden to prove by a preponderance of the evidence that the '582 Patent improperly precludes others, as a practical matter, from:

- advancing funds based on future retirement payments.

It is abundantly clear that each of the challenged claims of the '582 Patent contains substantive limitations on this abstract concept, and that none of the claims amounts to a monopoly on the identified abstract concept.

**VII. U.S. BANCORP HAS NOT SHOWN THAT ANY CLAIM IS UNPATENTABLE UNDER 35 U.S.C. § 101**

**A. The Claims Of The '582 Patent Were Narrowed During Prosecution To Cover Less Than The Abstract Concept**

The claims of the '582 Patent include meaningful, substantive limitations that cause the claims to cover less than the identified abstract concept. One example is clearly evidenced by the prosecution history of the '582 patent.

During prosecution of the application leading to the '582 Patent, the Examiner cited U.S. Patent No. 5,933,815 to Golden (hereinafter "*Golden*") against all pending claims, contending that *Golden* disclosed "a method of providing

**present value to a beneficiary based on future retirement payments . . .,"** i.e., the very abstract concept that US Bancorp contends RCAMC has attempted to monopolize. *Office Action dated March 13, 2002* at 3 (emphasis added). In response, RCAMC'S inventor-owners<sup>6</sup> amended their claims to, among other things, include a substantive limitation that narrowed the claims to providing a benefit "without encumbering the beneficiary's right to the future retirement payments and without violating legislative proscriptions in the United States against alienation of future retirement benefits." (*Applicants' December 11, 2002 Response to Office Action* (Exh. 2006) at 12 and Appendix thereto). As a result of this substantive limitation, the Examiner allowed their claims, stating:

Applicant's [*sic*] have amended the Claims to recite a feature whereby part of a future retirement benefit can be used to realize a current benefit without alienating the beneficiary's access to future retirement payments. The best prior art of record, *Golden*, discloses elements of the claimed invention but neither discloses or fairly suggests this feature. References cited in connection with *Golden* or found in an updated search also do not address this feature.

(*Notice of Allowability* (Exh. 2007) at 4).

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<sup>6</sup> RCAMC is owned entirely by the inventors of the '582 patent.

The claims of the '582 Patent thus were narrowed relative to the concept of advancing funds based on future retirement payments. Moreover, it was neither disclosed nor even suggested by the best prior art of record. *Id.* In point of fact, the examiner attested that the limitation was not addressed in any reference cited in connection with *Golden*, numbering 23 patent citations and 17 non-patent citations, or found in an updated search.

As already noted, the inventive concept is not to be confused with the novelty and nonobvious conditions of patentability. *CLS Bank II*, 717 F.3d at 1284. This is because inventive concept involves whether a limitation on the purportedly abstract concept *must* be performed when implementing the abstract concept, or is so routine or conventional that it amounts to an element of practicing that concept. *Id.* Yet, it also is clear that if the limitation is not one that must be performed—there is no evidence whatsoever that it is—the recognition that no prior art even suggests the limitation is itself substantiation that the limitation was not routine or conventional. Given the circumstances under which the not encumbering limitation was added to all of the claims of the '582 patent, it is clear that the limitation is essential to the invention. For this reason alone, the claims are limited meaningfully and directed to eligible subject matter. *Ultramercial II*, 722 F.3d at 1347. Of course, there are a number of other meaningful limitations as well.

**B. U.S. Bancorp Does Not Even Contend That The Without Encumbering Or Without Violating Legal Proscriptions Limitations Were Merely Routine Or Conventional Limitations**

For six pages, U.S. Bancorp argues that none of the limitations of the claims constitute an "inventive concept". (Pet. 30-36). And for six pages, U.S. Bancorp does not even acknowledge the existence of the "encumbering" limitation that was added to overcome prior art cited by the Examiner.<sup>7</sup> This limitation is present in each and every one of the claims at issue in U.S. Bancorp's Petition. Moreover, the undisputed evidence establishes that the encumbering limitation was novel and nonobvious.

It is U.S. Bancorp's burden of proving by a preponderance of the evidence that claims of the '582 Patent are unpatentable due to abstractness. The Examiner of the '582 Patent noted that no prior art disclosed or even fairly suggested the encumbering limitation, and U.S. Bancorp did not address this limitation, much less offer any evidence that it would have been routine or conventional as of the priority date. Absent such evidence there is no basis for the Board to find that the encumbering limitation was so insignificant, conventional, or routine as to yield a

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<sup>7</sup> The only reference to encumbering in US Bancorp's 36-page Petition is in the first paragraph of its "Overview of the '582 patent" wherein it quotes from the specification of the '582 patent (Pet. 4), and when it reproduces claim 1 of the '582 patent in its entirety (Pet. 8-9).

claim that effectively covers the identified abstract idea. U.S. Bancorp has not and cannot meet its burden of proof for this reason as well.

**C. The Board's Argument On Behalf Of U.S. Bancorp That The Specification Of The '582 Patent Does Not Provide Sufficient Description As To Compliance With U.S. Law Is Irrelevant**

In its Institution Decision, the Board acknowledges RCAMC's argument "that the 'without encumbering' aspect of the amendment [to overcome *Golden*] narrowed the claims to something less than the concept of advancing funds based on future retirement payments. (Institution Decision 10). The Board then writes, "U.S. Bancorp disagrees and further argues that while the '582 patent purports to provide a financial scheme that complies with U.S. laws, the '582 patent fails to explain how it achieves such compliance," (*Id.* at 10-11) (citing Pet. 5) and contends "the claims of the '582 patent do not recite any limitations as to how the financial systems or methods comply with U.S. laws." (*Id.* 11).

To be clear, U.S. Bancorp made no such arguments, and any such argument is without basis. U.S. Bancorp's contentions concerning whether the '582 patent claims are directed to eligible subject matter are found at pages 30-36 of its Petition. There literally is no reference to the without encumbering or without violating the legal proscriptions against alienation of Social Security or other retirement benefits limitations. There were no such arguments for RCAMC to address, and no such arguments with which the Board could concur.

Of course, it is unsurprising that U.S. Bancorp made no such arguments. To begin with, despite the fact that it has served detailed invalidity contentions and stated that other limitations in the '582 patent fail to satisfy the patent laws' written description requirement, it never has even alleged that the without encumbering or without violating legal proscriptions limitations are invalid for that reason. *See U.S. Bancorp Initial Invalidity Contentions*. Also, U.S. Bancorp has identified specific facts<sup>8</sup> that it contends supports a finding that it does encumber future retirement benefits<sup>9</sup>—U.S. Bancorp, therefore, obviously has an idea regarding what not encumbering means. U.S. Bancorp's off-hand comment in its purported overview of the '582 patent (Pet. 5) that the specification allegedly does not explain how to achieve compliance with U.S. laws is simply not an argument that the patent fails to explain the separate issue of how to satisfy the without encumbering future benefits limitation.

Regardless, the specification of the '582 patent does in fact include written description concerning how a benefit provider can avoid encumbering future Social

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<sup>8</sup> Described in greater detail below in Section VII(D).

<sup>9</sup> RCAMC is not burdened in this proceeding with proving that U.S. Bancorp infringes the '582 patent. It does contend in the related patent infringement litigation in the United States District Court for the District of Delaware that U.S. Bancorp infringes all claims at issue in this review.

Security or other retirement payments, and achieve compliance. U.S. Bancorp's co-defendants in the related, consolidated infringement litigation contend in their own recently-filed petition for covered business method review of the '582 patent under § 101 that:

**"Without violating legislated proscriptions in the United States against alienation of [future retirement / Social Security] benefits"** – This term should be construed to mean "without violating U.S. laws or regulations governing the assignment of future retirement/Social Security benefits." The specification of the '582 patent states that one of the purported goals of the alleged invention is to provide a "financial program that allows a beneficiary of Social Security benefits or other retirement benefits to meet current financial objectives *while complying with the United States laws and regulations governing the assignment of future Social Security or other retirement benefits.*" ['582 patent], Col. 1:42-48 (emphasis added). The specification lists several exemplary laws and regulations, including the "Social Security Act, the Employment Retirement Income Security Act of 1974, and the United States tax laws."

(RCAMC Ex. 2017, at 16-17). They also propose a construction for the without encumbering limitations in the '582 patent:

**"Without encumbering said beneficiary's right to said future [retirement] payments"** – This term should be construed to mean "without limiting the beneficiary's right to receive future

retirement payments." This construction is consistent with the specification of the '582 patent, which states that in the event the financial program is terminated or revoked, "all (100%) of future retirement payments are freed up for the beneficiary's personal use." ['582 patent], Col. 4:49-51. The specification also states that "[i]n the event that the beneficiary dies prior to the end of the program term, the funding source or asset or service provider are precluded from seeking reimbursement of any outstanding amount owed by the beneficiary from a surviving spouse's share of remaining payment or from the beneficiary's estate. Nor would [they] have any remaining interest in any asset acquired by the beneficiary under the program." ['582 patent], Col. 4:1-8.

(*Id.*, at 15-16). In other words, no entity actually disputes that there is sufficient detail in the specification of the '582 patent to construe these limitations.

Besides, whether the specification of the '582 patent explains how not to encumber future benefits and achieve legal compliance<sup>10</sup> is irrelevant to determining whether these claims are directed to eligible subject matter anyway. As the Supreme Court has stated:

The § 101 patent-eligibility inquiry is only a threshold test. Even if an invention qualifies as a process, machine, manufacture, or composition of matter, in order to receive the Patent Act's protection the claimed invention must also satisfy "the conditions

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<sup>10</sup> Again, RCAMC disputes this conclusory allegation.



and requirements of this title." § 101. Those requirements include that the invention be novel, see § 102, nonobvious, see § 103, and fully and particularly described, see § 112.

*Bilski*, 130 S. Ct. at 3225. The Federal Circuit has likewise noted:

In the context of the statute, this court notes that an invention which is not so manifestly abstract as to override the statutory language of section 101 may nonetheless lack sufficient concrete disclosure to warrant a patent. In section 112, the Patent Act provides powerful tools to weed out claims that may present a vague or indefinite disclosure of the invention. Thus, a patent that presents a process sufficient to pass the coarse eligibility filter may nonetheless be invalid as indefinite because the invention would “not provide sufficient particularity and clarity to inform skilled artisans of the bounds of the claim.” *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1371 (Fed.Cir. 2008). That same subject matter might also be so conceptual that the written description does not enable a person of ordinary skill in the art to replicate the process.

*Research Corp. Technologies, Inc. v. Microsoft Corp.*, 627 F.3d 859, 869 (Fed. Cir. 2010).

Even if the '582 patent failed to satisfy the written description requirement—it does not—and failure to satisfy the written description requirement were relevant to subject matter eligibility, U.S. Bancorp expressly states in its Petition that it "is not pursuing invalidity based on 35 U.S.C. § 112 in this petition at this time." (Pet. 13). Thus, even if this covered business method review would have been a proper mechanism for evaluating whether the written description requirement is satisfied, U.S. Bancorp has waived the argument.

Finally, even if a detailed description were required, the issue would be whether there was sufficient information in the specification for one of ordinary skill in the pertinent art to make and use the claimed invention without undue experimentation. *See, e.g., United States v. Telectronics, Inc.*, 857 F.2d 778, 785 (Fed. Cir. 1988) ("The test of enablement is whether one reasonably skilled in the art could make or use the invention from the disclosures in the patent coupled with information known in the art without undue experimentation"). There is no evidence to satisfy what would be U.S. Bancorp's burden of proving lack of enablement.

In short, speculation that the '582 patent fails to explain how to comply with U.S. laws is not evidence, or even argument, that can support a finding that U.S. Bancorp has satisfied its burden of showing limitations on the allegedly abstract concept are merely routine and conventional.

**D. U.S. Bancorp's Non-Infringement Contentions Also Demonstrate That The Claims Of The '582 Patent Do Not Monopolize An Abstract Concept**

U.S. Bancorp's failure to address the encumbering limitation in the claims of the '582 patent is particularly notable because it actually forms the basis for one of its non-infringement contentions asserted by it in the related patent infringement litigation. U.S. Bancorp admits that it is practicing the abstract concept that it has identified in this proceeding<sup>11</sup> but contends that it is not practicing the very claim limitation identified above that was expressly added to secure allowance. In response to an interrogatory requiring it to identify which elements of the claims of the '582 Patent it is not practicing, U.S. Bancorp contends:

The accused CAA service also does not meet the claim limitation of "providing said monetary benefit to said beneficiary from said benefit provider . . . without encumbering said beneficiary's right to said future retirement payments." See Claim 1. As explained in response Interrogatory No. 2, the advanced amount and the associated fee are automatically paid when the next Direct Deposit of \$100 or more is received by U.S. Bank. In addition, if the advance is not paid by the 35th day following the advance, the bank will withdraw the outstanding balance from the

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<sup>11</sup> U.S. Bancorp notes in its Petition that the product accused of infringement in the related litigation permits customers "to obtain a short term line of credit that is repaid from the customer's next Direct Deposit." (Pet. 22).

checking account. U.S. Bank also retains a security interest in the checking account to secure payment of CAA obligations. **Therefore, the CAA service does not provide a monetary benefit "without encumbering said beneficiary's right to said future retirement payments."**

*(US Bancorp's First Supplemental Responses to Plaintiff Benefit Funding Systems LLC's First Set of Interrogatories, First Supplemental Response to Interrogatory No. 3 (Exh. 2016) 9-11 (emphasis added)).*

U.S. Bancorp also contends that it has implemented the abstract concept alleged to be involved in the '582 patent claims without practicing the "providing said monetary benefit from said benefit provider based at least in part on present value of a designated portion of said future payments" limitation. It states:

[U]nlike the claimed invention of the Patent-in-Suit, no prevent [*sic*] value calculation of a designated portion of the *future* retirement payment is performed by U.S. Bank. Instead, the credit limit for cash advances is the lesser of \$500 or half of the total Direct Deposit amounts from the *prior* month. Moreover, the CAA service is a short term loan (e.g. 35 days or less) and thus a present value calculation is irrelevant to determining the loan amount. Because present values of anticipated future retirement deposits are not used to calculate loan advances, the CAA service does not base cash advance or loan amount "at least in part on present value of a designated portion of said future

retirement payments" as required by claim 1 and the other asserted claims of the Patent-in-Suit.

(*Id.* 10).

U.S. Bancorp's contention that there exist non-infringing alternatives to the '582 patent's particular implementation of the abstract concept of advancing funds based on future retirement payments is not directed to a mere theoretical non-infringing alternative. It is directed to an actual service offered by U.S. Bancorp—one that is so important to U.S. Bancorp that it is willing to risk subjecting itself to a "crack down" on "big bank" payday loans by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. See, e.g., Regulators to Restrict Big Banks' Payday Lending, Deal Book 1, The New York Times Company, 2013 WLNR 9953554 (April 23, 2013) (RCAMC Ex. 2016).

U.S. Bancorp cannot have it both ways. It cannot meet its burden of proving (as it must) that the claims of the '582 Patent are coextensive with the concept of advancing funds based on future retirement payments, while at the same time identifying specific changes that can be made to RCAMC's patented methods and systems that do not infringe. U.S. Bancorp should be estopped from engaging in such gamesmanship. If a claim is abstract, it necessarily "subsume[s] the full scope of a fundamental concept . . . ." CLS Bank II, 717 F.3d at 1282. U.S. Bancorp's

non-infringement contentions foreclose a finding that it has met its burden of proving the challenged claims subsume the identified fundamental concept.

**E. None Of The '582 Patent Claims Involve Purely Mental Processes That Could Be Performed Without The Use Of A Computer**

RCAMC already has established above that the '582 patent claims pass the § 101 eligibility filter. No further showing is necessary to affirm the validity of the claims because this clearly is not an instance where a patentee is attempting to patent an otherwise patent-ineligible process simply for reciting a general-purpose computer.

Nevertheless, RCAMC is compelled to address the unsupportable contention that the claims of the '582 Patent are directed to "purely mental" processes that could be performed "without the use of a computer". System claim 13 requires "means for causing said future retirement payments to be deposited into said account". The specification, in turn, states:

Benefits source 12 of system 10 disburses retirement payments directly to an individual direct deposit account 14 in a designated depository 16. Preferably, this is accomplished utilizing the well-known technique of electronic funds transfer.

Col. 5:18-22. In other words, direct deposit via electronic funds transfer is the structure disclosed in the specification for causing retirement payments (or Social Security retirement benefits) to be deposited. Under 35 U.S.C. § 112, ¶ 6, any

element of a patent's claims that is drafted in "means-plus-function" format must be "construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof." 35 U.S.C. § 112, ¶ 6. Consequently, "means for causing . . . to be deposited into said account" should be interpreted as disclosing "electronic funds transfer" as the corresponding structure for this means-plus-function limitation.<sup>12</sup>

Likewise, method claim 1 requires the step of "causing said future retirement payments to be deposited into said account" immediately after identifying the step of requiring an account to receive future retirement payments payable from a source of said retirement payments. The direct tie between receiving from the source and depositing in the context of this patent shows that "deposited" as used in claim 1 should be interpreted to mean "deposited via direct deposit".<sup>13</sup>

This conclusion I underscored by the rule that terms must be given their broadest reasonable interpretation in light of the specification.<sup>14</sup> See Manual of

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<sup>12</sup> The same means-plus-function language is used in claims 13, 14, 30 and 31.

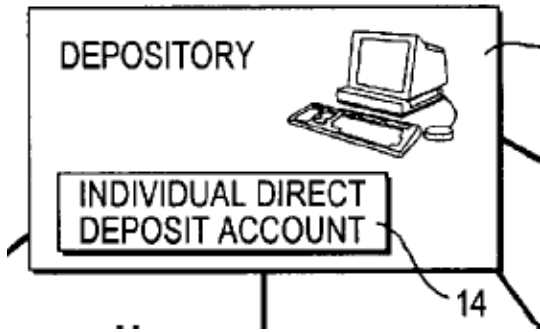
<sup>13</sup> "Deposited" as used in claims 1 and 18 should be given the same interpretation.

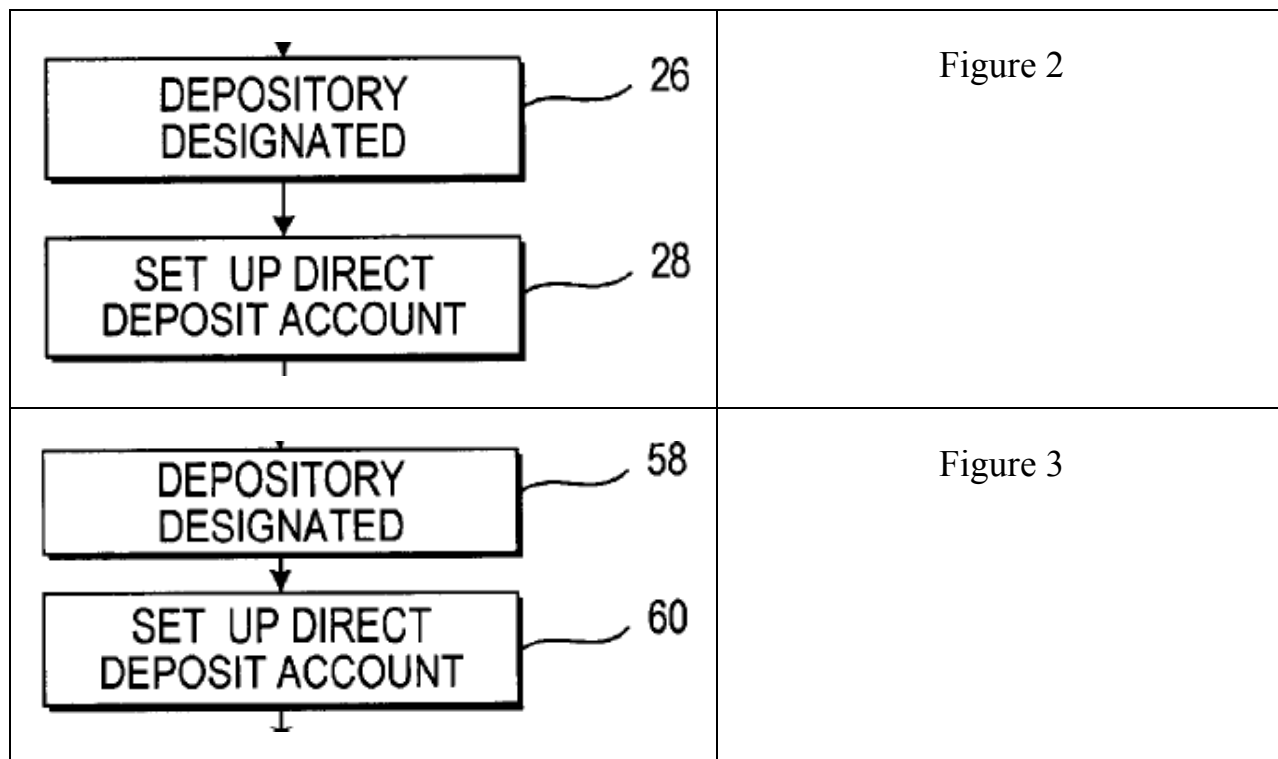
<sup>14</sup> Regarding claim construction, it is unnecessary for the Board to construe all of the limitations identified in U.S. Bancorp's Petition. Patent Owner therefore reserves the right to advocate different claim constructions before this Board at a later date and in any district court patent infringement litigation.

Patent Examining Procedure ("MPEP") § 2111; *In re American Academy of Science Tech Center*, 367 F.3d 1359, 1369 (Fed. Cir. 2004). And while it is improper to import claim limitations from the specification, "reading a claim in light of the specification, to thereby interpret limitations explicitly recited in the claim, is a quite different thing from 'reading limitations of the specification into a claim,' to thereby narrow the scope of the claim by implicitly adding disclosed limitations which have no express basis in the claim." MPEP § 2111 (quoting *In re Prater*, 415 F.2d 1393, 1404-05 (CCPA 1969)). Each and every time the specification discusses the designated account and (the means for) causing future retirement and Social Security payments to be deposited into the account, the specification clearly and explicitly describes a direct deposit account and the method of direct deposit:

A financial institution is designated to be a direct depository	Abstract
To participate in the inventive financial program, each recipient or "beneficiary" of retirement payments agrees to the designation of a specified financial institution to serve as (1) <b>the direct depository of the beneficiary's retirement payments</b> , and (2) the disbursement agent of a predetermined portion of such payments from the beneficiary's individual deposit account over the designated term of the program.	Summary, Col. 1: 60-67.



<p>Participation in the financial program according to the present invention begins when the beneficiary elects to become a party to a multi-party arrangement for a preselected period of time (e.g., five years) among the funding source, or the asset provider, or the service provider, and <b>a financial institution designated to act as both a direct depository for a beneficiary's retirement payments</b> and as a disbursement agent for transferring a predetermined portion of the retirement funds in the beneficiary's individual deposit account to the funding source or asset or service provider.</p>	<p>Col. 3: 29-38.</p>
<p>Benefits <b>source 12</b> of system <b>10</b> disburses retirement payments <b>directly</b> to an individual <b>direct deposit</b> account <b>14</b> in a designated depository <b>16</b>. Preferably, this is accomplished utilizing the well-known technique of <b>electronic funds transfer</b>.</p>	<p>Col. 5: 18-22.</p>
 <p>The diagram shows a rectangular box labeled "DEPOSITORY" at the top. Inside the box, there is a computer monitor and keyboard. Below the computer, there is a smaller rectangular box labeled "INDIVIDUAL DIRECT DEPOSIT ACCOUNT". A line points from the number "14" to this inner box. Below the main box, there are two short horizontal lines and a vertical line extending downwards.</p>	<p>Figure 1</p>



Moreover, as noted, method Claim 1 itself requires an account in a depository for a beneficiary to **receive** future retirement payments **payable to said beneficiary from a source** of said retirement payments. The broadest reasonable interpretation of "depositing" as used in the method claims is, therefore, "depositing via direct deposit". The claims of the '582 patent thus require that future retirement payments, including future Social Security retirement payments, be deposited via direct deposit into a beneficiary's account.

The only method of direct deposit disclosed in the specification of the '582 patent is electronic funds transfer, which obviously is not a purely mental process. The inventors of the '582 patent do not claim to have invented electronic funds transfer. It is therefore unsurprising that the specification of the '582 patent

discloses that the invention "utilizes known computer capabilities and electronic communication links to effect the automated implementation of various aspects of the inventive financial program, for example, to carry out the electronic transfer of funds into and out of the individual deposit account of a program participant." Col. 2:30-35. That electronic funds transfer was known is not, as U.S. Bancorp contends, evidence that a computer is not necessary to the claims of the '582 patent. The fact that electronic funds transfer technology was existing is no evidence that such technology does not require a computer and is not tied to a particular apparatus. For U.S. Bancorp to say otherwise is *ipse dixit*. To the contrary, direct deposit via electronic funds transfer cannot be accomplished but for the use of a computer, and electronic funds transfer is not an action that can be performed in the human mind or by a human using a pen and paper.

Particularly in view of the fact that U.S. Bancorp is burdened with actually proving its invalidity proposition, U.S. Bancorp's numerous unsubstantiated arguments concerning the integration of computers with the '582 patent claims are problematic. For example, the specification states, "system 10 utilizes existing computer capabilities, both hardware and software, and electronic communication links, for example, to effect electronic funds transfers to and from the beneficiary's individual deposit account." (Col. 5, ll. 1-5). Based only on this statement, U.S. Bancorp surmises, "The use of a computer in claim 1, if required at all, is solely to

expedite the transfer of funds and calculate the present value of future payments, which can be done manually." (Pet. 32). U.S. Bancorp's allegation is wholly unsubstantiated speculation, attorney argument that is entitled to no consideration whatsoever.

U.S. Bancorp also repeatedly, and improperly, argues that the '582 patent specification's references to "known" or "existing" capabilities necessarily means that nothing more than "any general purpose computer" will suffice. (E.g., Pet. 33). To begin with, the terms "known" and "existing" are in no way proof that "any general computer will suffice". U.S. Bancorp's contention is unsubstantiated, misleading attorney argument. The specification in fact states, for example: "[S]ystem utilizes existing computer capabilities, both hardware and software, and electronic communication links, for example, to effect electronic funds transfers to and from the beneficiary's individual deposit account." (Col. 5, ll. 1-5). A computer programmed with software to effect electronic funds transfers is totally inconsistent with U.S. Bancorp suggestion that "any general computer will suffice".<sup>15</sup>

U.S. Bancorp's argument that no computer is required to implement the '582

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<sup>15</sup> Of course, U.S. Bancorp failed to submit any expert testimony or other evidence relevant to the views of one of ordinary skill in the art to which RCAMC could respond.

patent claims is particularly egregious in view of the fact that it contends that "computer capabilities, both hardware and software, and electronic communication links" are the only structure disclosed in the specification of the '582 patent for accomplishing at least three means-plus-function limitations in each of the system claims. (Pet. 14-19). By U.S. Bancorp's own admission, therefore, at least the system claims require the use of a computer, for example, to deposit the future retirement or Social Security payments.

A computer is integral to the challenged claims. While "adding a 'computer aided' limitation to a claim covering an abstract concept, without more, is insufficient to render the claim patent eligible", *Dealertrack, Inc.*, 674 F.3d at 1333 (emphasis added), here there very clearly is "more"—the novel, nonobvious, not routine, and not conventional substantive limitations on creating a source of funds based on future retirement or Social Security payments. In addition, the claims here are not "silent as to how a computer aids the method, the extent to which a computer aids the method, or the significance of a computer to the performance of the method." *Id.* A computer is necessary to cause the direct deposit of future retirement and Social Security payments.

The § 101 eligibility filter is cleared by showing that the challenged '582 patent claims contain substantive limitations such that they do not monopolize the identified abstract concept. That test is satisfied in the case of the '582 patent

without regard to U.S. Bancorp's arguments concerning the involvement of a computer in the claims. Nevertheless, it is clear that is required to implement the challenged claims of the '582 patent.

### **VIII. SECTION 101 IS NOT A PROPER GROUND UPON WHICH A COVERED BUSINESS METHOD REVIEW MAY BE MAINTAINED**

As shown above, the claims of the '582 patent do satisfy § 101's eligible subject matter requirement. Nevertheless, Section 101 is not a proper basis for covered business method review. There is no statutory authority to review the '582 Patent under 35 U.S.C. § 101 because Section 101 is not a "condition of patentability" and therefore not a statutorily authorized ground for instituting a CBM Review proceeding. Indeed, neither the text of the Patent Act nor the legislative histories of the Patent Act or the America Invents Act supports a conclusion that Section 101 is an acceptable ground for instituting a CBM Review Proceeding. As a result, the PTAB lacks authority to adjudicate any rights relating to the '582 Patent on the basis of patent eligibility under Section 101.

#### **A. Challenges to the validity of a patent in CBM Review are limited to grounds specified in the Patent Act as "conditions for patentability."**

A petitioner in a post-grant review "may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of [35 U.S.C. 282(b)]." 35 U.S.C. § 321; *see also* AIA § 18(a)(1). Under subsection 2 of Section 282(b), a party may seek invalidity of a patent or any claim

"on any ground specified in part II *as a condition for patentability*." 35 U.S.C. § 282(b)(2) (emphasis added). Subsection 3 of Section 282(b) is inapplicable because it provides that a party may seek invalidity of a patent or any claim for failure to comply with: (a) any requirement of section 112 (excluding failure to disclose best mode); or (b) any requirement of section 251. *Id.* § 282(b)(3). Accordingly, Section 101 can constitute a basis for instituting a CBM Review proceeding only if it constitutes a "condition for patentability."

**B. The text of the Patent Act supports the conclusion that Section 101 is not a "condition for patentability."**

Section 282(b)(2) does not allow challenges on the basis of *patent eligibility* under 35 U.S.C. § 101. Of the 112 sections contained in Part II of the Patent Act, only Sections 102 and 103 are specified as "conditions for patentability." Section 101 "defines the subject matter that may be patented under the Patent Act." *Bilski*, 130 S. Ct. at 3225. The patent-eligibility inquiry under section 101 is only a threshold test. "Even if an invention qualifies as a process, machine, manufacture, or composition of matter, in order to receive the Patent Act's protection, the claimed invention must also satisfy 'the *conditions* and requirements of this title.'" *Id.* (emphasis added) (quoting 35 U.S.C. § 101). Section 101 "is a general statement of the type of subject matter that is eligible for patent protection...." *Diamond v. Diehr*, 450 U.S. 175, 189 (1981). "Specific *conditions* for patentability follow [in sections 102 and 103]." *Id.* at 189-90. Accordingly, the plain language of the


Patent Act precludes the PTAB from considering patent eligibility under section 101 during reexamination. *See* 35 U.S.C. §§ 282(b) and 321.

Even ignoring the titles of the relevant provisions, the substance of Sections 102 and 103 further confirm they are inarguably "conditions for patentability." Section 102 states "A person shall be entitled to a patent unless...." 35 U.S.C. § 102. Section 103 states "a patent for an invention may not be obtained... if the differences" would have been obvious at the time of the invention. 35 U.S.C. § 103. Section 102 conditions patentability on novelty; Section 103 conditions patentability on non-obviousness. In contrast, Section 101 permissively states that "[w]hoever invents or discovers any new and useful process... or any new and useful improvement thereof, may obtain a patent therefore," but doing so is "subject to the conditions and requirements of this title." 35 U.S.C. § 101 (emphasis added).




***The PTAB lacks statutory authority to institute a CBM Review on the basis of patent eligibility under 35 U.S.C. § 101.***


Section 18(a)(1) of the AIA provides that the "transitional proceeding [for CBM Review] implemented pursuant to this section shall be regarded as, and shall employ the standards and procedures of, a post-grant review..."




35 U.S.C. § 321 provides that a petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of 35 U.S.C. § 282(b).



In addition, under 37 C.F.R. § 42.304, a petition for CBM Review must set forth the specific statutory grounds permitted under paragraph (2) or (3) of 35 U.S.C. § 282(b)



35 U.S.C. § 282(b) provides that the following shall be defenses in any action involving the validity or infringement of a patent... (2) Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.



Part II of the Patent Act extends from Sections 100 to 212. Only Sections 102 and 103 are specified as "conditions for patentability."  
Section 101 is not a condition for patentability.

**C. The text of the AIA supports the conclusion that Section 101 is not a statutorily authorized basis for conducting a CBM Review.**

In enacting the CBM Review provisions, Congress expressly describes Section 101, not as establishing any condition for patentability, but as setting forth "categories of patent-eligible subject matter." AIA § 18(e). Moreover, Congress never mentions Section 101 as an express basis for invalidating a patent through the

CBM Review proceedings. *See* AIA § 18. To the contrary, Congress expressly identified prior art that could be asserted to invalidate a claim under Sections 102 or 103. AIA § 18(c). Nowhere in the AIA did Congress expressly grant the PTAB authority to reconsider patent eligibility under Section 101 in CBM Review proceedings.

**D. The legislative history of the AIA supports the conclusion that Section 101 is not a statutorily authorized basis for conducting a CBM Review.**

The CBM Review procedures enacted by Congress were adopted specifically to address the PTO's perceived inability to find prior art in the late 1990's:

A number of patent observers believe the issuance of poor business-method patents during the late 1990's through the early 2000's led to the patent "troll" lawsuits that compelled the Committee to launch the patent reform project 6 years ago. At the time, the *USPTO lacked a sufficient number of examiners with expertise in the relevant art area*. Compounding this problem, there was a *dearth of available prior art to assist examiners* as they reviewed business method applications. Critics also note that most countries do not grant patents for business methods.

*The Act responds to the problem* by creating a transitional program 1 year after enactment of the bill to implement a provisional post-grant proceeding for review of the validity of any business method patent. *In contrast to the era of the late*

*1990's-early 2000's, examiners will review the best prior art available....*

H. Rep. 112-98, at p. 54 (June 1, 2011) (emphasis added). And the express purpose of the amendments is consistent with the text. Indeed, a lack of access to prior art or lack of sufficient examiners with familiarity in the prior art in the late 1990's could not have had any impact on the PTO's ability to determine "laws of nature," "abstract ideas," or the like. Congress enacted the CBM Review procedures for the purpose of responding to the perceived difficulty in finding prior art and experts in the fields of business method patents – not to retroactively reconsider patent eligibility under Section 101.

**E. The PTAB's previous conclusion that Section 101 is a valid ground for instituting a CBM Review is misguided.**

In concluding it possessed authority to determine patent eligibility under Section 101 during CBM Review proceedings, the PTAB has misconstrued Supreme Court dicta and the statutory text of the Patent Act. *See SAP Am., Inc. v. Versata Dev. Group, Inc.*, CBM2012-00001, Paper 36, at 32-36 (Jan. 9, 2013). First, the PTAB's decision failed to address the text of the statute. *See id.* Second, the PTAB relied on dicta from the Supreme Court's opinion in *Graham v. John Deere Co.*, 383 U.S. 1 (1966). *Id.* at 33. But *Graham* was a Section 103 case. In discussing Sections 101 and 102, Justice Clark noted "that patentability is dependent upon three explicit conditions: novelty and utility as articulated and

defined in § 101 and § 102, and nonobviousness...." *Graham*, 383 U.S. at 12. Taken literally, Justice Clark's statement suggests that "eligible subject matter" is *not* a condition for patentability. Further, if *Graham* stands for the proposition that utility, "eligible subject matter," novelty, and non-obviousness are all conditions for patentability, then the Court's statement that there are "three conditions"<sup>16</sup> makes no sense, since if "eligible subject matter" is a condition for patentability, then there are four, not three, conditions. In other words, *Graham* actually suggests that only utility from Section 101 is a condition for patentability, and it does so repeatedly.

The PTAB's suggestion that the Supreme Court also addressed this issue in *Prometheus* also is misplaced. The issue of whether Section 282(b)(2) permitted a defendant to raise a defense related to subject matter eligibility under Section 101 was not before the Supreme Court. Thus, the decision in *Prometheus* also does not govern here. Indeed, as the Supreme Court often counsels, "'general expressions, in every opinion, are to be taken in connection with the case in which those expressions are used,' and that if they go 'beyond the case, they may be respected, but ought not to control the judgment in a subsequent suit when the very point is presented for decision . . . .'" *Wright v. United States*, 302 U.S. 583, 593-594 (1938) (quoting *Cohens v. Virginia*, 19 U.S. 264, 399 (1821)).<sup>17</sup>

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<sup>16</sup> 383 U.S. at 17.

<sup>17</sup> This point is equally applicable to *Graham*.

Finally, the PTAB's references to dicta in *Dealertrack, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012) and to dicta in a footnote in *Aristocrat Techs., Austl. PTY Ltd. v. Int'l Game Tech.*, 543 F.3d 657, 661 (Fed. Cir. 2008), are no more persuasive. Neither case decided whether Section 101 was a condition for patentability. Although the merits of a Section 101 issue was decided in *Dealertrack*, the patentee did not contend that Section 101 was not a statutory defense, and the court did not decide that issue. Further, dicta in both of those cases trace directly back to the dicta from *Graham*. But loose language can be found in other cases saying exactly the opposite. For example, the Federal Circuit has stated: “The two sections of part II that Congress has denominated ‘conditions of patentability’ are § 102 . . . and § 103 . . . .” *Myspace, Inc. v. GraphOn Corp.*, 672 F.3d 1250, 1260-61 (Fed. Cir. 2012). The Supreme Court made essentially the same observation in *Diamond v. Diehr*, 450 U.S. 175, 190-91 (1981).

The text of the Patent Act unambiguously defines Sections 102 and 103 as the only conditions for patentability. The legislative history of the Patent Act and AIA further clarifies that Congress did not authorize the PTAB to conduct CBM Review proceedings on the basis of patent eligibility under Section 101. As a result, the PTAB lacks statutory authority to cancel any claims of the '582 Patent on the basis of patent eligibility under Section 101.

## **IX. CONCLUSION**

For the foregoing reasons, RCAMC respectfully requests an order dismissing this covered business review on grounds that § 101 is an improper basis for review, or affirming the validity of claims 1, 13, 14, 18, 30, and 31 of the '582 patent.

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### **CERTIFICATE OF SERVICE**

I certify that a copy of the foregoing Patent Owner's Response Pursuant to 37 C.F.R. § 42.207 was served on November 20, 2013 by causing it to be sent by email to counsel for the Petitioner at the following email addresses:

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