

1                                   RECORD OF ORAL HEARING  
2                   UNITED STATES PATENT AND TRADEMARK OFFICE  
3  
4                   BEFORE THE PATENT TRIAL AND APPEAL BOARD  
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7                                   U.S. BANCORP  
8                                   Petitioner  
9                                   vs.  
10          RETIREMENT CAPITAL ACCESS MANAGEMENT COMPANY LLC  
11                                   Patent Owner  
12  
13  
14                                   Case CBM2013-00014  
15                                   Patent 6,625,582  
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19                                   Oral Hearing Held: April 1, 2014  
20  
21          Before: THOMAS L. GIANNETTI, GLENN PERRY, TRENTON  
22          WARD, Administrative Patent Judges.  
23          The above-entitled matter came on for hearing on  
24          Tuesday, April 1, 2014 at the U.S. Patent and Trademark  
25          Office, 600 Dulany Street, Alexandria, Virginia.

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1 PROCEEDINGS

2 (1:00 p.m.)

3 JUDGE GIANNETTI: So we have the final hearing  
4 today in Case CBM 2013-00014. Let's start by getting  
5 appearances of counsel. Let's start with the Petitioner.  
6 Who is appearing today for the Petitioner?

7 MR. SON: Thank you, Your Honor. Anthony Son  
8 on behalf of U.S. Bancorp, as lead counsel, joined here today  
9 with Matthew Dowd, with backup counsel.

10 JUDGE GIANNETTI: Okay.

11 MR. SON: Mr. Dowd will be presenting the  
12 argument for U.S. Bancorp.

13 JUDGE GIANNETTI: Okay. Fine. Welcome, Mr.  
14 Son. Welcome, Mr. Dowd.

15 And for the Patent Owner?

16 MR. GRIFFITH: Casey Griffith, Your Honor.

17 JUDGE GIANNETTI: Anyone else?

18 MR. GRIFFITH: No one else will be arguing.  
19 And I have no other attorneys here, Your Honor.

20 JUDGE GIANNETTI: Okay. So welcome, Mr.  
21 Griffith.

22 So you have one hour per side. The Petitioner  
23 may reserve time for rebuttal.

24 And are you ready to proceed, Petitioner?

25 MR. DOWD: Yes, Your Honor.

1 JUDGE GIANNETTI: Okay. Mr. Dowd, proceed when  
2 you are ready. We're starting a few minutes before 1:00.

3 Are you going to reserve any time for rebuttal?

4 MR. DOWD: Yes, Your Honor.

5 JUDGE GIANNETTI: How much time?

6 MR. DOWD: I would like to reserve 15 minutes.

7 JUDGE GIANNETTI: Okay. I will try to give you  
8 five minutes warning when your time is expiring, your initial  
9 time.

10 MR. DOWD: Thank you, Judge Giannetti.

11 Your Honors, we're here today for, as you said,  
12 the final hearing for the CBM review of the '582 patent. And  
13 as the Panel is well aware we have raised one issue with  
14 respect to the challenged claims.

15 We have asserted that all of the challenged  
16 claims are invalid under Section 35 U.S.C. 101 because none  
17 of the claims claim patentable subject matter.

18 There are a few issues that had been raised,  
19 one of which is the threshold issue that the Patent Owner has  
20 raised and that goes to whether the Board has the authority  
21 to rule on Section 101 subject matter patent eligibility in  
22 the context of a CBM review.

23 We have addressed that in our brief. We have  
24 -- we understand as well that the Board itself has ruled or  
25 granted review in a number of separate CBM reviews based on

1 Section 101.

2 So it is our understanding that it is a settled  
3 issue at this point with respect to whether the Board has  
4 authority to review Section 101 arguments in the CBM review.

5 I will add -- I won't address anything further  
6 beyond what is in the brief, unless the Board has questions,  
7 but I will add two -- well, one additional item, and that's  
8 the fact that both the Director of the PTO, the former  
9 Director of the PTO, Director Kappos, and the Solicitor  
10 General in their amicus brief in the CLS Bank case, which was  
11 argued yesterday, have both taken the view that the Board has  
12 authority to review subject matter of patent eligibility  
13 questions under Section 101 in the context of a CBM review.

14 So if there are no questions about that, I will  
15 focus on the merits of our argument and I will feel free to  
16 address any points that my opponent raises during his time  
17 during my rebuttal.

18 As to whether the challenged claims are patent  
19 eligible, as we have said in our brief, it is in our view  
20 clear that these claims must fall under Section 101 because  
21 they are directed to nothing more than business method  
22 claims, abstract ideas, that in some instances may attach as  
23 a post-solution activity, the use of a generalized computer.

24 We certainly acknowledge, and I think if anyone  
25 has listened or reviewed the transcript of the CLS argument

1 before the Supreme Court yesterday, there is a fair amount of

2 --

3 JUDGE GIANNETTI: We had two Judges from this panel that were  
4 there.

5 MR. DOWD: Unfortunately I couldn't make it,  
6 but I had some reports. And I have read the transcript. And  
7 I think probably everyone in this room will agree that there  
8 is a fair amount of uncertainty with respect to what types of  
9 inventions fall within Section 101 and what types fall  
10 without, particularly when it comes to software-related  
11 patents.

12 But what we also think is relatively certain is  
13 that when it comes to patenting a business method, so  
14 something that is nothing more than human activity, that  
15 claim is not patent eligible. That's Bilski, for example.

16 And the next extension from that is when you  
17 attach the use of a general computer with no specific  
18 technical programming, no specific software, no specific  
19 code, to implement that human interaction, then that also is  
20 subject matter ineligible.

21 Now, most recently we have had a number of  
22 Federal Circuit decisions that have made this clear. And  
23 what you see -- and I'm sure what the Board has done is  
24 reviewed those cases, not only in this case but in other  
25 cases before the Board, and before some of these members --

1 is when you read the context of those cases, and I can go  
2 through them this afternoon, you see a distinction as to what  
3 types of computer-implemented claims might be patent eligible  
4 and what types certainly are not.

5 JUDGE GIANNETTI: Mr. Dowd, let me just stop  
6 you. Is your view that Bilski said that under no  
7 circumstances would this patent's methods of doing  
8 business be patentable? Is that your reading of the case?

9 MR. DOWD: No, Judge Giannetti. When you read  
10 the opinion, the majority opinion, it is clear that the  
11 Supreme Court wasn't saying that in no instance is a business  
12 method not patentable.

13 But I think what comes through that opinion,  
14 and also what comes through further development of Bilski  
15 through either a Myriad, Mayo, and the Federal Circuit cases  
16 of more recent years, is that a general business proposition,  
17 a general business idea, for that to be patent eligible will  
18 be the exception.

19 And there has to be more than just capturing an  
20 abstract or a basic business context. And I think turning to  
21 the claims --

22 JUDGE PERRY: Counsel, isn't this process that  
23 is now claimed a bit more concrete in that you are moving  
24 funds into an account? You are disbursing from an account.  
25 It isn't just the raw abstract idea.

1           MR. DOWD: Judge Perry, I would have to --  
2   well, first, I disagree. And, second, I think I would direct  
3   your attention to the patent itself.

4           And I have additional copies, and this is  
5   Exhibit 1003. But it is column 8, line, around line 35. And  
6   this is where the patentee or the two inventors themselves  
7   explained the essence of what they are claiming.

8           And they write, and I quote: "In accordance  
9   with the foregoing, the present invention provides a system  
10   and method for enabling beneficiaries of retirement benefits  
11   to convert future benefits into current resources to meet  
12   current financial and other needs and objectives."

13          That, I will submit, is nothing more than  
14   getting an advance on your future retirement benefits. And  
15   in the briefing that I have seen, the Patent Owner doesn't  
16   dispute that.

17          Now, what the Patent Owner does try to do is  
18   they say, well, that might be an abstract idea but we're  
19   claiming something else and something more than that. And so  
20   we have narrowed it. So we have narrowed it, the field of  
21   that abstract idea.

22          JUDGE WARD: Mr. Dowd, let me ask you, in Judge  
23   Lourie's opinion in CLS, he stated that you must  
24   unambiguously identify the abstract idea.

25          Give us your terms and how do you unambiguously



1 identify this abstract idea?

2 MR. DOWD: Well, we set it forth in our brief,  
3 but I think that that sentence that I just read captures it.  
4 That's one way to phrase what the abstract idea is. We're  
5 taking the inventor's own words.

6 But, second, another way to put it essentially  
7 is that it is nothing more than getting an advance payment of  
8 your future retirement benefits, whether they are Social  
9 Security benefits or some other retirement benefit.

10 And the amount that you get is calculated to  
11 some extent, as the patent itself says, to some extent on the  
12 net present value. And the net present value is a standard  
13 accounting term that no one will dispute is well-known.

14 But going back to my point earlier in terms of  
15 what the Patent Owner says, how they have supposedly narrowed  
16 from claiming an abstract idea in their response, both in  
17 their preliminary response and their -- excuse me, in their  
18 main response, they have said that they have narrowed it by  
19 putting on this limitation -- and this is in the first claim  
20 -- "without encumbering said beneficiary's rights to said  
21 future retirement payments and without violating legislative  
22 prescriptions in the United States against alienation of  
23 future retirement benefits."

24 I will submit that that's nothing more than  
25 saying that we're going to follow the law. All right? We're

1 going to have a contract where I'm going to give you money in  
2 advance, you are going to get it later from a retirement  
3 benefit, and then you are going to pay me back, but I won't  
4 encumber what you owe me or what you have if it is in  
5 violation of U.S. law.

6 That addition doesn't add anything beyond the  
7 abstract idea. Now, we can also argue that if you follow  
8 some of the Supreme Court's language of how they address  
9 abstractness in Mayo, you could see how the Supreme Court  
10 incorporates concepts of novelty or obviousness into whether  
11 something is preempting a field.

12 And just simply by adding an express limitation  
13 of saying that you will comply with whatever the law is out  
14 there, that doesn't narrow the field. So that's one thing.

15 And, second of all, and this is repeated in the  
16 Mayo case, in the Mayo case, and also it goes back to Benson  
17 and Flook, is that simply narrowing an abstract idea to one  
18 particular field doesn't necessarily make it any more  
19 abstract in the context of 101.

20 And that gets to the idea of what you are doing  
21 is you are sort of adding an arbitrary limitation to the  
22 claim. And adding an arbitrary limitation doesn't make it  
23 any less abstract for purposes of 101. And we see that in  
24 some of the Federal Circuit decisions in the past few years.

25 JUDGE GIANNETTI: Counsel, does your argument

1 distinguish between the system and the method aspects of this  
2 patent?

3 MR. DOWD: It does, although I don't think it  
4 necessarily has to. If you look, for example, in the  
5 Accenture case and the Bancorp case from the Federal Circuit  
6 in the past couple of years, you can see language in those  
7 cases where the Court has said, if there really is no  
8 substantial difference between the system claim and the  
9 method claim being claimed, the claims can rise and fall  
10 together. All right?

11 So that's one argument where we could say that,  
12 if you find the method claims here ineligible, simply  
13 reciting the use of a computer in the preamble of the claim  
14 doesn't make that method any less patent ineligible.

15 Now, the second aspect of it goes to, well, if  
16 you want to look at how the Federal Circuit analyzed systems  
17 claims in both CLS Bank, in Ultramercial versus Hulu, and  
18 Sirf Technologies, what you look at is whether the computer  
19 actually adds something to the claim.

20 And we will submit that, again, going back to  
21 the way the inventors described their own invention, they  
22 essentially -- and this is at column 5, the top of column  
23 5 -- the inventors say that desirably, and where appropriate,  
24 the system "utilizes existing computer capabilities, both  
25 hardware and software, and electronic communication links,

1 for example, to effect electronic funds transfer to and from  
2 the beneficiary's individual deposit account."

3 So, again, what the Patent Owner is saying is  
4 that, okay, we have a method. Our method is essentially a  
5 way to advance money, and you will pay us back later on. But  
6 if you don't want to do it in person, you could do it through  
7 a computer. But, now, you don't need to have any special  
8 expertise about the computer.

9 You don't have to have a special, you know,  
10 silicon graphics or whatever the advanced computer is these  
11 days, and you don't have to have any special code or  
12 algorithm here. And, in fact, the patent itself doesn't  
13 describe any particular code or algorithm with respect to the  
14 means limitations that are in the claims.

15 So the understanding must be that all you do is  
16 you take that generic abstract idea of advancing monies and  
17 you put a computer in the preamble.

18 Now, I think that a fair reading of both Bilski  
19 in combination with Mayo leads you to the conclusion that  
20 simply appending the language "a computerized method" doesn't  
21 make the method any less patent ineligible.

22 JUDGE GIANNETTI: What about a system, where it  
23 talks about a system, just in the section that you were  
24 reading: System 10 may be arranged and constructed without a  
25 significant investment in system architecture, design, and

1 software. And this is referring back to the previous  
2 sentence which talked about hardware and software, electronic  
3 communications link.

4 What is abstract about that?

5 MR. DOWD: Your Honor, the question goes -- and  
6 this, I think, follows from the analysis that the split  
7 decision in CLS Bank followed. All right? You had half the  
8 Judges saying that the system claims failed there, they were  
9 patent ineligible, simply because they are exactly like what  
10 we have here.

11 Now, a number of the other Judges say, well,  
12 the method claims will fail but the system claims are okay  
13 because they are tied to a computer. But there are key  
14 distinctions in that case.

15 And this is in Judge Rader's concurring opinion  
16 where the Panel goes through in detail, or the plurality goes  
17 through in detail describing the claim, and this is Claim 26  
18 in the CLS Bank case, where -- and this is typical of the  
19 "Alice's systems claims" but the system is described as a  
20 data processing system.

21 And it goes: "A communications controller, a  
22 first-party device, a data storage unit, a computer coupled  
23 to said data storage unit, generating an instruction." So it  
24 goes and it provides specific detail.

25 And even in that method, that method by far is

1     arguably more complex than the method that's described here.  
2     And I think that when you listened to Carter Phillips  
3     describe it yesterday, you could hear his explanation of what  
4     the method was there.

5             And they have a much stronger argument than the  
6     Patent Owner does here that that method is something that  
7     might be a patent-eligible business method under Bilski,  
8     right, because that is something where, as I understand it,  
9     it is this multi-party process for dealing with multiple,  
10    multiple trades across different time zones done at  
11    lightning-fast speed. In fact, it sounds like something that  
12    could only be done by a computer.

13            And that's another distinction that you get in  
14    a lot of the -- a number of the cases. I think if you look  
15    at Sirf Technologies, for example, and this was a --

16            JUDGE WARD: Mr. Dowd, let me ask, before you  
17    leave that point. I want to ask you about the  
18    means-plus-function claims on 13 and Claim 30.

19            MR. DOWD: Yes.

20            JUDGE WARD: A number of means for limitations  
21    are recited in those claims and, of course, we need to look  
22    to the structure in the specification to provide support for  
23    those means for limitations.

24            MR. DOWD: Yes.

25            JUDGE WARD: Why is that structure not

1 sufficient enough for 101 eligibility?

2 MR. DOWD: Because, again, the analysis doesn't  
3 change just because it is a means-plus-function. I think  
4 there it gets into the question of, well, have you satisfied  
5 the specificity required of 112(6) or 112(f) as it is now.

6 But in terms of a structure, simply because you  
7 -- and this goes back to Benson and Flook and it goes back to  
8 Mayo -- simply because you carry out a process using some  
9 device, if you will, some general device, that doesn't make  
10 an otherwise patent-ineligible method now eligible for  
11 patentability.

12 And that gets to the whole point of Mayo. This  
13 post-solution activity, post-solution appending of a  
14 computer.

15 JUDGE PERRY: Why do you refer to it as  
16 post-solution when the computer itself is carrying out the  
17 steps of the method? It isn't as if the method happens and  
18 then something else happens.

19 MR. DOWD: Well, I think in the Supreme Court's  
20 use of the term, I think the idea gets to the point that  
21 what's the essence of the invention?

22 The essence of this invention isn't some new  
23 computer system. We get that from the language of the patent  
24 itself.

25 The essence of the invention is actually just

1 the payday advance or the advance of funds and promise to pay  
2 back later on. And then once -- that's the solution. And  
3 once you have that solution, anything that's added after that  
4 is the post-solution addition.

5 JUDGE PERRY: Putting the computer aside for a  
6 moment, can you imagine any level of complexity that this  
7 invention might have talked about that would make it  
8 sufficiently concrete that it is no longer claiming an  
9 abstract idea?

10 Let's say the disbursement could only occur on  
11 a Tuesday if it is raining and the sky was pink. You know,  
12 how concrete does a business method claim have to get before  
13 it is no longer abstract?

14 MR. DOWD: Judge Perry, that's a difficult  
15 question, and I hate to answer that way, but I think that's  
16 one of those areas right now that it is an unsettled area.  
17 Right? How far do you have to go?

18 And I think the Solicitor General was pressed  
19 to answer something similar to that yesterday. And he was --  
20 I think his initial response was it's difficult for me to  
21 give an answer.

22 So to the extent I'm following his footsteps,  
23 you know, I feel a little safe, but I think he did answer  
24 something to the effect that, well, if you are using some  
25 method to address complex credit card transactions, and you



1 are implementing a complex encryption technology, right, then  
2 that might be a business method that satisfies it.

3 But underlying that -- and this is also what  
4 underlines, I think, the decision or the outcome in  
5 Ultramercial -- is the idea that for those business methods  
6 it is almost as if you need the computer to accomplish what  
7 the essence of the invention is, what the abstract idea is,  
8 if you will.

9 And that also comes through in Sirf Technology,  
10 which is an opinion written by or primarily authored by Judge  
11 Dyk. And I think the Board will recognize that, at least at  
12 the Federal Circuit, there is a split, you know, some Judges  
13 are more willing to let a claim be patent eligible and other  
14 Judges have different philosophical views on it.

15 Judge Dyk, as you see in some of the cases that  
16 we have cited, he is generally on the view that business  
17 methods shouldn't be patented generally. Right? I mean, he  
18 might take the extreme view.

19 He was the author, for example, of In Re  
20 Comiskey. In Re Comiskey is a similar case I think to ours,  
21 right, because what was at issue in Comiskey? Comiskey dealt  
22 with supposedly a method dealing with mandatory arbitration.

23 So that concept of just human interaction,  
24 right, that's a general abstract idea that can't be patented.

25 Now, he made the distinction when he authored

1 the decision in Sirf Technologies because that was an  
2 invention dealing with GPS technology. And towards the end  
3 of his opinion he writes, well, it is essentially something  
4 that could not be done with the -- without the GPS devices  
5 and without this system.

6 And so the distinction, although I don't think  
7 cases say this expressly, but the underlying assumption or  
8 understanding is that if you want to -- if you want to patent  
9 some general human interaction, business interaction, it has  
10 to involve something that's so complex that it has to be done  
11 with computer technology. And that's not what is in the '582  
12 patent.

13 And the Patent Owner has never said that.  
14 Right? The Patent Owner has never come out and said, well,  
15 this is something that has to be done on a computer.

16 Now, what they do argue is that the way the  
17 claims are drafted it has to be done. And they use  
18 computerized. And I think we win whether you come to the  
19 conclusion that the claims require a computer or not. I  
20 think we win regardless of the argument about the distinction  
21 between direct deposit versus depositing.

22 As I understand it, the argument is, well, does  
23 depositing as used in the claim require direct deposit and  
24 otherwise electronic transfer of funds?

25 Even if it does we win because that's I think

1 well accepted that that's just a general computer, well-known  
2 way of transferring money electronically. They don't say  
3 that that's a new part of their invention.

4 JUDGE WARD: Mr. Dowd, is it your argument that  
5 a practical application of this claim when we look at Claim 1  
6 particularly could be done with pencil and paper, i.e., your  
7 client could execute this with pencil and paper in a  
8 practical way?

9 MR. DOWD: If you -- yes. Yes, I believe  
10 that's right. Because if you look at the claim, let's step  
11 back for a second and we will take the computerized language  
12 out of the preamble, and then accept the argument that direct  
13 deposit might be -- I mean, depositing as used in the claim  
14 might be something other than direct deposit. Okay?

15 There is nothing in that claim that wouldn't  
16 let you and I do that. All right? If I have Social Security  
17 benefits coming in, and I have, you know, I have a big  
18 weekend planned this weekend where I need additional money,  
19 well, you can advance me some money, right, and then I will  
20 say, okay, I will pay you next week, plus interest, but if I  
21 can't pay you back you agree not to encumber my future Social  
22 Security benefits.

23 That is their invention. And unfortunately,  
24 you know, under the case law, that doesn't amount to  
25 something that is patent eligible under Section 101.

1           Now, there is another case that is similar. It  
2 is In Re Schrader. And I believe it is one that we did not  
3 cite but it is a 1994 Federal Circuit case, and I could get  
4 the cite for you in a moment. That case dealt with a  
5 business -- a method of controlling an auction.

6           And it was just, again, human interaction. So  
7 this is a case that goes to 1994. It is pre-Bilski. All  
8 right. So it is just an example that the Federal Circuit has  
9 long held to the idea that if you are just trying to capture  
10 an abstract concept of the way people create contracts,  
11 create legal obligations, create sales, without any complex  
12 technology, then that's something that was never intended to  
13 be protected by the patent system.

14           It was something that was just meant to be  
15 advanced through general competition, maybe antitrust law,  
16 and that's Justice Breyer's point in a number of cases over  
17 the past several years.

18           JUDGE GIANNETTI: Counsel, what is your  
19 position on the In re Allappat case?

20           MR. DOWD: The Allappat case? Well, again, I  
21 think Allappat is different. Allappat dealt with an  
22 oscilloscope, all right, an invention that was directly -- it  
23 was a rasterizer that dealt with modifying an electrical  
24 signal and it did output an image.

25           And so although it dealt with modifying

1   electrical signals, there is one way to look at it, okay,  
2   well, the electrical signals are actually something physical,  
3   something tangible, but it also had a real world technical  
4   underpinning.

5           And I think the Supreme Court has been able to  
6   recognize that, well, even if it involves some mathematical  
7   function, even if it involves some general formula, if there  
8   is a real world concrete precise application of it, then it  
9   becomes or it is permitted to become patent eligible. And  
10   that's the distinction that you see in Diehr versus Benson  
11   and Flook.

12           JUDGE GIANNETTI: Isn't there a broader lesson  
13   or teaching in Allappat and, that is, if you take a general  
14   purpose computer and you program it, it becomes a special  
15   purpose computer? Do you subscribe to that theory?

16           MR. DOWD: In some instances perhaps that's the  
17   case. But I think that's the thing that is the great unknown  
18   right now, right? You saw the argument yesterday with CLS  
19   Bank. You could see the Court almost stepping away and  
20   saying, well, we don't have to decide that software patent  
21   issue, right? That might be the way they come out.

22           Now, whether I subscribe to that, yeah, there  
23   are strong policy concerns about allowing patents on it but  
24   there are also good reasons to permit it, if it truly does  
25   advance innovation in computer technology.

1           But, again, you have to get to the point where  
2   you are actually doing something other than just slapping the  
3   name computerized method onto an abstract idea. And that's  
4   not what we have in this case.

5           JUDGE GIANNETTI: Let me just return to a  
6   question that Judge Ward, line of questions that Judge Ward  
7   was posing that relates to the means-plus-function  
8   claims.

9           MR. DOWD: Yes.

10          JUDGE GIANNETTI: You are not making any  
11   Section 112 challenges to these claims, at least not in this  
12   proceeding, are you?

13          MR. DOWD: That's correct, Judge Giannetti.

14          JUDGE GIANNETTI: Just 101?

15          MR. DOWD: Yes, Judge Giannetti.

16          JUDGE GIANNETTI: So in terms of the  
17   means-plus-function claims, aren't you basically admitting  
18   that there is sufficient structure in the specification to  
19   support those claims?

20          MR. DOWD: I don't know if we're admitting that  
21   there is sufficient structure.

22          JUDGE GIANNETTI: You are not challenging that?

23          MR. DOWD: We're not challenging it, yes.

24          JUDGE GIANNETTI: Let's assume for the purposes  
25   of this discussion that there is sufficient structure. We

1 have to take that because you are not challenging it on that  
2 basis. We're not being asked to decide that.

3 So the question before us then is, if that is  
4 true, does that conflict with your theory that this is an  
5 abstract idea that has been claimed here?

6 MR. DOWD: No, Judge Giannetti, it doesn't.

7 JUDGE GIANNETTI: Why is that?

8 MR. DOWD: Again, it goes back to what the  
9 Supreme Court said in Mayo most recently, where simply taking  
10 an abstract concept or an abstract business method and saying  
11 that it can be a computerized method doesn't make it  
12 patentable. And that's all that the '582 patent has done  
13 with respect to the computer method.

14 Now, there is the issue of whether those  
15 means-plus-function claims are sufficiently definitive or  
16 definite under 112-6. Though we haven't raised that in here,  
17 I believe we raised it in the District Court proceeding.

18 And then we are aware of the recent BlackBerry  
19 case that was issued by the Board, I think, March 7th,  
20 perhaps, where it appeared that the Board independently  
21 decided that particular means-plus-function claims were  
22 indefinite and, therefore, terminated the proceeding based on  
23 that conclusion.

24 But there is also the case that In Re Katz, an  
25 earlier Federal Circuit case, that says, well, if all that is

1 needed, if all that is needed to accomplish whatever method  
2 is being claimed is just some general purpose computer, then  
3 it may satisfy 112-6 requirements.

4 But, again, those are all issues that are  
5 separate and apart from whether a general purpose computer  
6 simply combined with an abstract business method satisfies  
7 101.

8 And I go back to the point of the Supreme  
9 Court, and even the Federal Circuit has come to the same  
10 conclusion.

11 JUDGE GIANNETTI: So your view, even if it were  
12 a specialty programmed general purpose computer, that  
13 wouldn't save this patent?

14 MR. DOWD: It would depend on the type of  
15 special program that's required. And I think this goes along  
16 the lines of what the Solicitor General mentioned yesterday  
17 with respect to data encryption technology.

18 You can have a data encryption technology as a  
19 method, and perhaps that's sufficient to satisfy 101. And I  
20 think it is consistent with what Ultramercial decided.

21 JUDGE GIANNETTI: Let's assume that the  
22 specification has an extremely detailed disclosure of the  
23 computer program, a very detailed flow chart or perhaps even  
24 computer code.

25 Would that be enough for you to say that this



1 is not abstract?

2 MR. DOWD: That's a tough question. Again, it  
3 all goes back to the context and the specificity. It is a  
4 hard -- again, I hate to not answer a question from a Judge,  
5 but it is a very difficult question because the Federal  
6 Circuit and the Supreme Court case law has made it clear that  
7 you have to look at these 101 inquiries in the context of the  
8 specific claim and the specific subject matter being claimed.

9 There will -- I'm sure there will be instances  
10 where a system or a method claim that has specific coding and  
11 specific flow charts in the application or the patent  
12 application satisfy 101.

13 I think Ultramercial is similar. You see Judge  
14 Rader in writing the opinion in Ultramercial, you see some of  
15 the things that he outlined or pointed to for that claim to  
16 satisfy 101.

17 But to answer a question in the abstract of,  
18 well, if you have a lot of code, if you have a lot of  
19 specificity, it is a tough question.

20 JUDGE GIANNETTI: So you would see no  
21 inconsistency in concluding that there was sufficient  
22 disclosure to satisfy Section 112, paragraph 6, but yet there  
23 was still claiming an abstract idea; is that true?

24 MR. DOWD: Yes, Judge Giannetti.

25 JUDGE GIANNETTI: You do not see that as a

1 conflict?

2 MR. DOWD: No, I do not see that as a conflict.

3 JUDGE GIANNETTI: Maybe you could explain why  
4 that would not be a conflict?

5 MR. DOWD: Well, I mean, let me try and see if  
6 I can find -- I will have to pull that up in a second, but it  
7 goes along with the idea that -- let's take it back to  
8 Benson, for example. I am tracking my time. Benson, for  
9 example --

10 JUDGE GIANNETTI: I am watching the clock just  
11 so you know.

12 MR. DOWD: Benson was about converting one type  
13 of number to another type of number, right, from a certain  
14 type of binary numbers to pure binary numbers, okay,  
15 something higher level math that I think I knew at one time  
16 but not any more.

17 That could have been done with a general  
18 purpose computer. Right? So the Supreme Court acknowledged  
19 that. And yet the Court found that that doesn't satisfy 101  
20 because it preempts or occupies that entire space in terms of  
21 using that relationship between one type of numbers to  
22 another type of numbers.

23 And the same thing with Flook as well. Right?

24 So Flook dealt with resetting alarm limits in a process  
25 related to catalytic conversion of chemicals. As the claim

1 was drafted in that case, right, there was not a tie-in  
2 specific enough to a specific process.

3 There is two, I think, salient points in Flook  
4 that are helpful here to us. And one goes directly to your  
5 question. There is no doubt, right, that describing a  
6 general computer could accomplish the task described in  
7 Flook. Right?

8 So in the context of if that were a 112-6  
9 claim, that would have been satisfied in terms of the  
10 structure. But, again, it goes back to the question of  
11 whether you are preempting the entire field of using that  
12 relationship. And the Supreme Court said yes.

13 Now, the other important -- the other important  
14 point on that decision of Flook is that the application  
15 itself, and the way the claim itself, was related to using  
16 that relationship in the process of catalytic conversion of  
17 chemicals.

18 So it was certainly narrower than, you know,  
19 the broader concept of the relationship, the mathematical  
20 relationship, but the Court still found that narrowing to be  
21 insufficient for patent eligibility. And that's similar to  
22 what we have here in terms of what the Patent Owner has  
23 argued.

24 The Patent Owner has argued that by adding  
25 these subsequent limitations of not encumbering future

1     benefit rights and not violating the law, we have narrowed it  
2     sufficiently to get it within the confines of 101. Flook  
3     says that's not enough here.

4             JUDGE WARD: Mr. Dowd, I want to ask you about  
5     preemption. You mentioned preemption and I wanted to ask you  
6     about the preemption analysis here.

7             MR. DOWD: Yes, Judge Ward.

8             JUDGE WARD: One of the things that we are to  
9     look at is whether or not the claim subsumed the full scope  
10    of the abstract idea.

11            I want to go back to your pen and paper example  
12    and you talked about the without encumbering limitation in  
13    Claim 1.

14            You needed money for the weekend. You asked me  
15    for an advancement. And as one of those conditions it had to  
16    be that I would not encumber future payments to your account.

17            MR. DOWD: Yes.

18            JUDGE WARD: Why is that not a specific  
19    limitation that takes it -- that is narrower than the full  
20    scope of the abstract idea?

21            MR. DOWD: A couple of reasons, I think, Judge  
22    Ward. One, basically what that limitation is saying is that  
23    you are just going to agree to not violate the law. Right?

24            I haven't seen a case that says that including  
25    an express limitation that you will comply with U.S. law

1 makes something patent eligible.

2 And second is that I think if you look at the  
3 PTO's guidance which was issued in July of 2010 in response  
4 to Bilski, one of the points that the PTO noted as general  
5 concepts that most likely are not patent eligible, or two of  
6 them, two relevant ones, basic economic practices or  
7 theories, hedging, all right, hedging we had in Bilski, and  
8 basic legal theories, contracts, dispute resolution, rules of  
9 law.

10 You can't make something patent eligible simply  
11 by reciting what the law is. And that's what the Patent  
12 Owner here has done. And so in terms of doing the field  
13 preemption analysis, yes, in a way you could say that you  
14 have narrowed it by saying we're only claiming that which is  
15 legal. But, again, there is no case that says that is  
16 sufficient for patent eligibility.

17 And it goes back to my earlier points, and some  
18 of these are in the Federal Circuit decisions, I think Fort  
19 Properties is one we cite. And that's one that was written  
20 by Judge Prost, for example, where simply adding a narrowing  
21 limitation doesn't necessarily get you past the preemption  
22 analysis.

23 JUDGE GIANNETTI: Those limitations were added  
24 to avoid prior art, weren't they? I think that's the reason  
25 that they were added during prosecution.

1 MR. DOWD: Yes, Judge Giannetti, that is  
2 correct.

3 JUDGE GIANNETTI: It wasn't a 101 issue in  
4 prosecution I don't believe.

5 MR. DOWD: No, that is correct. But, you know,  
6 the prosecution of this application, I believe it was filed  
7 in 1999 originally, and it issued --

8 JUDGE GIANNETTI: Pre-Bilski.

9 MR. DOWD: Let me refresh my memory. It issued  
10 in 2003. And with due respect to the Patent Office's work,  
11 as you will know, back in that time frame everyone was  
12 working under the State Street paradigm, right, where  
13 anything under the sun was patentable.

14 Clearly the Supreme Court has since said and  
15 the Federal Circuit has since said that that paradigm is not  
16 correct.

17 So I would submit that at that time 101 issues  
18 were not at the front of the list for examiners dealing with  
19 these types of inventions. So simply because the examiner  
20 didn't make that rejection doesn't necessarily mean it was  
21 relevant.

22 And also simply because there is some other  
23 patent out there that is very, very closely related to what  
24 is being claimed here is not sufficient to say that what's  
25 being claimed here is patent eligible.

1           The Supreme Court and the Federal Circuit,  
2   again, they have never done that analysis where they say,  
3   okay, well, is there another patent out there that has been  
4   issued by the Patent Office?

5           And in a way that is legally irrelevant because  
6   you don't judge the validity of one patent simply by saying  
7   another patent was also duly issued, right? It is like  
8   saying, you know, one wrong -- two wrongs make a right.

9           Now, I am not saying that the prior patent was  
10   invalid. I haven't cited that. We haven't looked at it.  
11   But that's the logic that's behind that.

12          Let me turn to --

13          JUDGE WARD: Mr. Dowd, a quick question about  
14   the record in this case.

15          MR. DOWD: Yes.

16          JUDGE WARD: Have you provided us with any  
17   evidence outside of the '582 patent or its application as to  
18   the ineligibility of these claims?

19          MR. DOWD: Judge Ward, if you are asking  
20   whether we have submitted an expert declaration or something  
21   to that extent, no, we have not.

22          We haven't submitted any prior art, I believe.  
23   I believe we do have a couple of things in the record. But  
24   to the extent that additional evidence is required, our  
25   position is that the Federal Circuit and the Supreme Court

1 has made it clear that you don't necessarily need an expert  
2 declaration to judge validity, particularly in a case like  
3 this where the technology is relatively non-complex.

4 The second thing is, if you look at the way the  
5 Supreme Court handled the Bilski case, Bilski was decided and  
6 Bilski, instead of just reversing the Federal Circuit, the  
7 Supreme Court said, no, those claims are invalid as a matter  
8 of law.

9 And so this Board can do the same thing simply  
10 by looking at the disclosure in the patent and the claims  
11 that are asserted and the statements that are in the patent  
12 itself with respect to not needing any special computer and  
13 with respect to the general idea of what's being claimed.

14 Now, I will also add that, you know, a Patent  
15 Owner was certainly free to come in with some evidence to  
16 rebut the Board's initial conclusion that these claims are  
17 more likely than not invalid. And the Patent Owner didn't.  
18 The Patent Owner didn't submit a declaration to say that any  
19 of this was known or unknown at the time or any of this would  
20 not have been routine.

21 And so, you know, we're working from the  
22 presumption that once that Board, once the Board makes that  
23 initial determination, it is almost as if the burden of  
24 production shifts over to the Patent Owner.

25 Now, the burden of persuasion stays the same,



1 right, because as always we have to prove that it is more  
2 likely than not that the claims are invalid. Right?

3 And we have done that by presenting our  
4 argument, letting the Board examine the claims, examine the  
5 patent, and examine the inventor's own language. And the  
6 Board has come to the initial conclusion that these claims  
7 are most likely invalid under 101.

8 Now, from that standpoint I would submit that  
9 the Patent Owner should come in and do something other than  
10 simply just repeat the arguments that the Patent Owner put in  
11 the preliminary response.

12 And as far as I can tell, their main response,  
13 after the Board decided to institute a proceeding here, was  
14 to simply repeat what they had in their preliminary response.  
15 And the Board rejected that as well.

16 JUDGE GIANNETTI: You are five minutes from the  
17 end of your initial time.

18 MR. DOWD: Okay.

19 JUDGE GIANNETTI: And then you're into your  
20 rebuttal time. You have five minutes left.

21 MR. DOWD: Well, with that I will reserve the  
22 remainder of my time, unless you have any additional  
23 questions.

24 JUDGE WARD: Let me ask one additional  
25 question.

1 MR. DOWD: Absolutely.

2 JUDGE WARD: And this is with respect to the  
3 different opinions in CLS. You mentioned that there were  
4 multiple outcomes with respect to the system claim.

5 If the Supreme Court were to find favor with  
6 Judge Moore's opinion, her opinion with respect to the system  
7 claims, and that were the new rule given to us by the Supreme  
8 Court, would the system claims at issue in this case still be  
9 ineligible?

10 MR. DOWD: So, Judge Ward, you are asking  
11 specifically about Judge Moore's approach to the system  
12 claims?

13 JUDGE WARD: Judge Moore's approach, if the  
14 Supreme Court adopts her approach, do these claims survive  
15 101, the system claims?

16 MR. DOWD: I think if that's the case we have a  
17 more difficult position. And that would be a tougher  
18 decision for the Board to make.

19 As you know, Judge Moore takes a firmer  
20 position saying, well, if they are tied to a computer, a  
21 machine in any way, that almost per se makes it patent  
22 eligible.

23 I personally do not think that the Supreme  
24 Court will come out that way. But there is also, again, the  
25 distinction underlying that the analysis there is that it has

1 to be more than something that you are just simply adding a  
2 computer to.

3 And I will read this part from Judge Moore's  
4 opinion. I have a pin cite. It is on 1314 at 717 F.3d 1314.

5 So this is from her dissenting in part opinion  
6 by Judge Moore, joined by Rader, Lynn, and O'Malley. She  
7 writes: "It is true that if the machine is mere  
8 insignificant post-solution activity or data gathering,  
9 antecedent to performance of a claimed method, then its  
10 incorporation into a claim to an otherwise patent-ineligible  
11 abstract idea would not be sufficient to avoid the abstract  
12 idea exception to patent eligibility."

13 So even in her dissent she is acknowledging and  
14 accepting, and she is citing Mayo. So she is acknowledging  
15 that if you are simply appending the term "computerized  
16 method" onto an otherwise patent-ineligible method, then most  
17 likely it is not patent eligible.

18 And so, again, to answer your question, Judge  
19 Ward, I think it becomes a tougher question or tougher issue  
20 for us. It may be that the Supreme Court goes so far as to  
21 say that anything that is claiming a computer or a system is  
22 patent-eligible. I highly doubt the Supreme Court will do  
23 that.

24 But we have Judge Moore and the Supreme Court  
25 in Mayo saying that just appending that, putting that into a

1 system claim, doesn't make it patent eligible.

2 If there are any other questions, otherwise I  
3 will reserve my time.

4 JUDGE GIANNETTI: Thank you, Mr. Dowd.

5 MR. DOWD: Thank you.

6 JUDGE GIANNETTI: Mr. Griffith, you may proceed  
7 when you are ready.

8 MR. GRIFFITH: Thank you, Your Honor.

9 Before I start I just wanted to mention that I  
10 am honored to have here with me today Mr. Craig Singer, who  
11 is one of the two named inventors on the patent that is the  
12 subject of this hearing today, and is one of the co-owners,  
13 along with the other inventor, Richard Richman of Retirement  
14 Capital Access Management Company.

15 The first thing I would like to address right  
16 out of the gate is counsel stood up here this afternoon and  
17 argued that the without encumbering limitation merely  
18 requires complying with the law.

19 I'm highly disturbed by this argument by  
20 Petitioner's counsel because in the Delaware court they have,  
21 in fact, sworn that they are encumbering the future Social  
22 Security benefits.

23 So how -- it is essentially as if to hear today  
24 Mr. Dowd is admitting that his client is violating the law  
25 and that the application that they are engaged in that's the

1 subject of the suit in Delaware is itself a violation of the  
2 law.

3 And that goes to show that the argument that  
4 without encumbering is merely requiring compliance with the  
5 law is not true. The limitations added contains two  
6 elements. It is without encumbering and without violating  
7 the laws against alienation of future retirement benefits.  
8 Those are two separate statements.

9 The law could change at some future time, for  
10 example, and encumbering may be different.

11 JUDGE GIANNETTI: Well, Mr. Griffith, since you  
12 raised this point, I was wondering myself how would one know  
13 if one is infringing this claim, without having a criminal  
14 trial or some sort of expert evidence on what criminal law  
15 is, how would one know that one was infringing this claim?

16 MR. GRIFFITH: Well, Your Honor --

17 JUDGE GIANNETTI: I know this isn't an  
18 infringement trial but since you have raised this point the  
19 thought did occur to me.

20 MR. GRIFFITH: Sure. Well, you would -- well,  
21 first of all, let me just refer to the petition for CBM  
22 review filed by the other parties that have been sued by the  
23 Patent Owner.

24 And in that case they construed the claims  
25 without encumbering and without violating the legal

1 prescriptions against alienation of benefits. And they  
2 referred to portions of the specification that identified the  
3 Social Security Act.

4 And so it would be a matter of going -- I mean,  
5 it is no different than having a claim limitation that  
6 requires you to determine whether some chemical compound is  
7 present and material. You have to go in and analyze that  
8 further and figure that out.

9 JUDGE GIANNETTI: That's a technical fact,  
10 though, isn't it? What would you do? Go to a law library  
11 and look up the criminal law and try to decide whether you  
12 are in violation of the law or not?

13 MR. GRIFFITH: Well, Your Honor, you would  
14 refer to legal texts. You would refer to your in-house  
15 lawyers. The bottom line is whether, you know, whether we  
16 have provided enough disclosure so that one could ascertain  
17 whether they were violating the law.

18 JUDGE GIANNETTI: You really wouldn't know  
19 until you were convicted?

20 MR. GRIFFITH: That's not true, Your Honor.  
21 You would know ahead of time. For example, I'm sure that  
22 U.S. Bankcorp knows -- well, I presume that they knew they  
23 weren't violating the law in offering the accused service,  
24 but they have now come here and said that, in fact, they are  
25 encumbering those benefits and they are violating the law.

1           But they have never raised an issue of the  
2   limitation without violating the legal prescriptions against  
3   alienation of benefits. They haven't argued they don't know  
4   how to do that. No one has argued they don't know how to  
5   ascertain whether they are satisfying that claim limitation.

6           JUDGE GIANNETTI: Well, we don't have a 112  
7   issue before us in this proceeding, and so maybe we're  
8   getting a little far afield. But the thought did occur to  
9   me. And since you raised it, I wanted to get that clarified.  
10   You can proceed with your argument.

11          MR. GRIFFITH: Thank you, Judge Giannetti. So  
12   the issue is that the argument that without encumbering is  
13   simply requiring compliance with the law is not credible in  
14   view of their sworn statements before another court that they  
15   are encumbering the benefits.

16          We would have to presume as a matter of  
17   evidence that they themselves are not doing what they know to  
18   be a violation of the law. That just wouldn't be a  
19   reasonable position, particularly in the lack of evidence in  
20   this record.

21          JUDGE GIANNETTI: Well, why does that help you  
22   on 101?

23          MR. GRIFFITH: Your Honor, the reason that  
24   helps us is that it shows that they contend that you can  
25   implement this system in this method and encumber the

1    benefits without violating the law, and, therefore, that is  
2    an alternative practical application of the abstract idea  
3    that they have identified.

4            JUDGE GIANNETTI: Why does it make it less  
5    abstract, though? It seems to me it is still an abstract  
6    notion as to whether you are violating the law or not.  
7    That's something that lawyers argue about in court.

8            MR. GRIFFITH: Sure, Your Honor, but the issue  
9    is that -- and this is something that the Petitioner has  
10   engaged in throughout the briefing. They are dissecting the  
11   claims. It is not about whether a limitation is abstract.

12           It is whether -- they chose the abstract  
13   concept. Now, Mr. Dowd earlier here today may have  
14   identified a new abstract concept, I believe in response to a  
15   question from Judge Ward, but the fact is in their petition  
16   they identified the abstract concept as essentially advancing  
17   money against future retirement payments, advancing funds  
18   based on future retirement payments.

19           JUDGE WARD: How do you identify that abstract?

20           MR. GRIFFITH: Your Honor, for the purposes of  
21   this proceeding, I am happy to accept what they claim is the  
22   abstract concept because, and this gets to my point, is that  
23   you can't dissect the claims. You can't say this limitation  
24   is abstract, that limitation is abstract.

25           They have chosen the abstract concept. And the



1 fact is there are numerous limitations on that abstract  
2 concept. And they even contend in related litigation, they  
3 swear in interrogatory responses, that there are practical  
4 non-infringing alternatives. And the significance of that is  
5 that preemption ultimately is the issue.

6 If we're not preempting an abstract concept,  
7 these claims are not invalid. And if you look at what they  
8 have identified as the abstract concept, they chose that.  
9 They are stuck with that.

10 You can't possibly -- they can't possibly  
11 contend that there aren't any limitations on that abstract  
12 concept in all of our claims.

13 JUDGE WARD: Mr. Griffith, you talk about there  
14 are lots of limitations here. And, in fact, in the response  
15 you identify, in addition to, we're aware of your arguments  
16 about without encumbering and without violating any  
17 prescriptions, but you tell us at page 18 of your response  
18 there are a number of other meaningful limitations as well.

19 What are those other meaningful limitations?

20 MR. GRIFFITH: Well, Your Honor, this gets back  
21 to the fact that -- and I will say this: Let me clear up one  
22 thing there may be some confusion on.

23 The term "deposit" is used in the method  
24 claims. We certainly insist that that claim should be  
25 determined, interpreted in this case to mean direct deposit.

1 I have not asked the Court and we have not  
2 asked the Tribunal to interpret that claim to require direct  
3 deposit via electronic funds transfer. It is clear based on  
4 all of the evidence and argument that I set forth in our  
5 response brief.

6 There is numerous references in the  
7 specification to the fact that it is a direct deposit  
8 account. The funds have to be received directly from the  
9 source of the retirement benefits. And so that is a further  
10 limitation.

11 And really this invention, getting back to your  
12 example, Your Honor, of somebody, you know, the weekend is  
13 coming and they need \$500 and they have a Social Security  
14 check coming. This invention doesn't make sense unless there  
15 is direct deposit.

16 And the reason is with the direct deposit the  
17 only way the future direct deposit doesn't go into the  
18 account is if the owner of those retirement benefits  
19 affirmatively revokes the deposit into that account or dies,  
20 otherwise the person providing the funds to the owner of the  
21 benefits is going to be paid back.

22 And that's why direct deposit is a critical  
23 aspect of this invention. It is material now.

24 JUDGE WARD: Mr. Griffith, let me ask you about  
25 that particularly. I want to look at Claim 1 and I would

1 like for you to identify for me where in that claim I should  
2 read direct deposit?

3 MR. GRIFFITH: It is designating an account in  
4 a depository, Your Honor. It is a direct deposit account.  
5 It is not just an account. It has to be a direct deposit  
6 account because the claim talks about the fact that the  
7 future retirement payments come from, that go into the  
8 account, from the source of the future retirement payments.  
9 And that's where the direct deposit tie-in comes in on the  
10 claims.

11 JUDGE GIANNETTI: Why is that direct? Why does  
12 it have to be direct?

13 MR. GRIFFITH: Your Honor, because, A, it makes  
14 no sense for it not to be direct deposit, but, more  
15 importantly, there are numerous other references in the  
16 specification and the diagrams that show that the source of  
17 the retirement funds are going straight from the source of  
18 the retirement funds into that deposit account. They are not  
19 going to the recipient of the Social Security funds.

20 There are diagrams that show the direct  
21 connection. There is repeated descriptions to direct deposit  
22 accounts. And while that term doesn't appear expressly in  
23 the claims, which is why you are asking me that question, it  
24 is clear in our mind that under the rule that should be  
25 applied to interpret this claim that deposit has to mean

1 direct deposit, and the account has to be a direct deposit  
2 account.

3 JUDGE WARD: Sorry, Judge Giannetti. Let me  
4 just ask specifically because you now told me that  
5 designating an account, so the gerund verb designating,  
6 meaning that I am identifying a direct deposit account.

7 But you are saying that nowhere within Claim 1  
8 is there the act of, the step of making a direct deposit,  
9 simply that a direct deposit account be designated?

10 MR. GRIFFITH: Your Honor, if you go to  
11 subparagraph E, it says "causing said future retirement  
12 payments to be deposited into said account."

13 And deposited there would be directly deposited  
14 as well. I apologize for not referencing that earlier.

15 JUDGE WARD: While we're on Claim 1 here,  
16 another question I had for you, Mr. Griffith, is looking at  
17 this particularly, and let's say that I don't read direct  
18 deposit into this claim. Assume that as the hypothetical.

19 What portions of this claim could not be  
20 performed on pencil and paper?

21 MR. GRIFFITH: Well, Your Honor, causing said  
22 deposit in order to transfer a portion of said retirement  
23 payments. If you are taking funds out of an account, even if  
24 it is not electronic funds transfer, for example, there is  
25 going to have to be something that prints a hand check and

1 somebody has to, you know, it has got to be printed.

2           You can't just say, hey, I hereby say that you  
3 have \$500. There has to be some physical product there.

4           So it either has to be computerized electronic  
5 funds transfer or a physical check would be the only other  
6 way that could work. Either way it can't be performed on pen  
7 and paper.

8           JUDGE PERRY: A human couldn't carry a bag of  
9 cash to the bank?

10          MR. GRIFFITH: Well, there is no human carrying  
11 cash to the bank because the only cash going into the bank  
12 is, I believe, is from the source of the retirement benefits,  
13 which, again, you know, there is just -- that's not -- Social  
14 Security in 1999 was not cash payments from the U.S.  
15 Government delivered to the bank.

16          JUDGE WARD: Right. But your claim does not  
17 claim Social Security. Your claim says retirement payments.  
18 There are lots of different retirement payments. Agreed?

19          MR. GRIFFITH: Claim 1 is not limited to Social  
20 Security payments, that is true. There are other method  
21 claims that are limited to Social Security payments.

22          JUDGE WARD: So if, in fact, retirement  
23 payments were made by hand, let's say someone retired from a  
24 small business and received retirement payments by a bag of  
25 cash, could not a portion of those be caused to transfer a

1 portion of the retirement payments deposited to the benefit  
2 provider?

3 MR. GRIFFITH: Well, but, Your Honor, when you  
4 cause it to be deposited, the -- the cash is not deposited in  
5 the bank. There has to be some sort of record of where that  
6 cash is going.

7 And if you look at the specification, there is  
8 just no discussion of cash. This is just not an issue here.  
9 It is not -- I mean, even if broadest reasonable  
10 interpretation is the proper claim construction standard in  
11 this proceeding, that's just not a reasonable interpretation  
12 in my opinion based on this specification. And there is just  
13 under no circumstances would it involve cash.

14 JUDGE GIANNETTI: It wouldn't or it couldn't?

15 MR. GRIFFITH: It couldn't involve cash and be  
16 within the scope of these claims because, again, our position  
17 is that the funds have to be received directly from the  
18 source of the retirement benefits.

19 JUDGE GIANNETTI: It is more than just direct  
20 receipt, though, isn't it? It is the way in which the  
21 transfer occurs that you are focusing on?

22 MR. GRIFFITH: Well, yes, Your Honor. And  
23 certainly when it comes to the system claims, that is an  
24 important point, because in the system claims, as I believe  
25 Judge Ward may have noted, that there is structure in the

1 specification that refers to, you know, the only structure in  
2 the specification that describes how those funds are  
3 deposited in the deposit account is through electronic funds  
4 transfer.

5 And so there is no question that for the system  
6 claims that is the limitation. It is a narrowing limitation  
7 on the abstract concept. And so that is another example of a  
8 way in which there is no risk that this claim preempts the  
9 abstract concept the Petitioner has identified.

10 JUDGE GIANNETTI: I think we were talking about  
11 the method claim, though, sir. Do you distinguish between  
12 the method claim in that respect?

13 MR. GRIFFITH: And the system claim, Judge  
14 Giannetti, I do, yes, because I -- well, I believe Judge Ward  
15 wrote in his institution decision that he noted that the  
16 specification says that direct deposit would be performed  
17 preferably by electronic funds transfer.

18 And so one distinction would be, with regard to  
19 the system claims, there is no other way that's described in  
20 the patent for how direct deposit could occur.

21 So it definitely is limited to electronic funds  
22 transfer, even if somebody could make an argument or present  
23 evidence that there is some other way to directly deposit  
24 funds other than through electronic funds transfer.

25 JUDGE GIANNETTI: The question is, isn't that

1 just standard technology, though? I mean, most people's  
2 paychecks now are electronically transferred.

3 What is it about that that elevates something  
4 that might otherwise be abstract?

5 MR. GRIFFITH: Well, Your Honor, first of all,  
6 I would take the position that it doesn't matter what people  
7 do now, that the important point is what people were doing in  
8 1999.

9 And this gets back to that issue that we have  
10 no evidence of what was going on in 1999. The Petitioner  
11 didn't cite any prior art patents to explain the relationship  
12 of direct deposit. There was, you know, there is no -- they  
13 have presented no evidence that any of these limitations  
14 would have been routine and conventional as of 1999.

15 And, in my opinion, I believe the law supports  
16 it. That's the relevant time period. And I think even some  
17 of the oral argument yesterday before the Supreme Court,  
18 either the Judges or the parties were noting that what would  
19 be routine and conventional could change over time. And what  
20 was non-routine in '99, 1999, may, in fact, eventually become  
21 routine.

22 But when you are talking about inventive step  
23 and whether the limitations on the claims would have been  
24 routine and conventional, I think you need to look at when  
25 the party was applying for their patent. That's the relevant



1 time frame.

2 JUDGE GIANNETTI: And neither party relies on  
3 any expert testimony in this case; is that correct?

4 MR. GRIFFITH: That's correct, Your Honor.

5 And I will tell you candidly the reason we did  
6 not is in our initial conference with the Board, we believed  
7 that the Petitioner's petition was lacking because of the  
8 lack of evidence that they included, expert or otherwise.

9 And we were informed that, if we included  
10 expert testimony, they essentially were going to be able to  
11 back-door in what was missing in their original petition.  
12 And so we made the decision that we shouldn't have to do  
13 that, given the lack of evidence that they presented in their  
14 initial petition.

15 And that is -- it is their burden. They are  
16 fond of citing to the legislative history. And I believe  
17 that it is clear from the legislative history that the intent  
18 of this procedure is for the Petitioner to have all their  
19 evidence and arguments in that initial petition. They can't  
20 come in later and include other stuff.

21 And it is important, I believe, for the Board  
22 to hold them to that as well because, if you don't do that,  
23 you are going to have to deal with more and more petitions  
24 like this where perhaps, perhaps it would be an easier  
25 decision if the Petitioner had included evidence.

1           And, more importantly, Your Honor, if you -- I  
2   have reviewed the decisions that have been rendered to date  
3   by the PTAB on this 101 issue. And I think in each of those  
4   cases there was expert testimony, I believe, in two, if not  
5   all three of them, going to the issue of routine and  
6   conventionality.

7           In other words, the Board decision, the final  
8   decision said that they were relying upon expert testimony in  
9   finding that any limitations on the abstract concept were  
10   routine and conventional.

11          And I believe in the third case, there was  
12   awful inventor testimony, probably from the litigation in an  
13   earlier case, where the inventor essentially said that, yes,  
14   what is involved in these claims is the exact appraisal  
15   process that a manual appraiser would engage in and simply  
16   applied on a computer.

17          And we don't have that here. There is just no  
18   evidence like that that would suggest that any of the  
19   limitations in the claims were routine and conventional at  
20   the time we applied for the patent.

21          JUDGE GIANNETTI: The Petitioner says that  
22   patentability here is an issue of law and raises issues of  
23   law. Do you agree with that?

24          MR. GRIFFITH: Well, I think based on the case  
25   law, Your Honor, I believe that there are certainly legal

1 issues involved.

2 But if you look at the CLS case, and the  
3 Ultramercial, actually the Ultramercial case, Judge Rader, I  
4 believe, noted that these issues are rife with factual  
5 issues, whenever you are doing this analysis, there is all  
6 sorts of factual issues you have to consider.

7 And so it is not just purely a matter of law.  
8 There is facts that have to be resolved. And the facts that  
9 have to be resolved is whether the limitations on the  
10 abstract concept would have been routine and conventional  
11 because that gets to the heart of whether there is  
12 preemption.

13 If you have limitations on the abstract  
14 concept, you have to know whether those would have been  
15 routine and conventional because that's the only way it tells  
16 you whether the patent holder is effectively monopolizing the  
17 abstract concept.

18 JUDGE GIANNETTI: Now, one of the things that  
19 you pointed to earlier in your argument was the denial of  
20 infringement, I take it the denial of infringement in the  
21 District Court litigation, is that what you were talking  
22 about earlier?

23 MR. GRIFFITH: Yes, Your Honor. It was an  
24 interrogatory response.

25 JUDGE GIANNETTI: It was an interrogatory

1 response directed to the infringement issue?

2 MR. GRIFFITH: Yes, Your Honor.

3 JUDGE GIANNETTI: And as I understand your  
4 argument, correct me if I am wrong, you were saying, well,  
5 they basically are denying infringement on the grounds that  
6 they are not within this claim and so, therefore, there is an  
7 alternative and so there can't be preemption.

8 Am I oversimplifying it?

9 MR. GRIFFITH: I think that's the gist of it,  
10 Your Honor, yes. I think that position is supported by Judge  
11 Rader, for example, in the Ultramercial case.

12 JUDGE GIANNETTI: So aren't you saying that any  
13 time someone denies infringement they are precluded from  
14 raising preemption?

15 MR. GRIFFITH: Well, Your Honor, actually I  
16 believe that if you are, you know, you have an obligation  
17 when you are making sworn statements to a Court to tell the  
18 truth.

19 And so it is not, you know, it would depend on  
20 the circumstances. For example, if you qualified your  
21 non-infringement contention with depending on how the Court  
22 interprets the term "encumbering," for example, we don't  
23 infringe.

24 But the difference here, Your Honor, is that  
25 there was absolutely no lack of certainty whatsoever. They

1    were taking a position on a factual issue, we do not encumber  
2    these future benefits.

3           And they also took the position, and this is  
4    something well within their own knowledge, they took the  
5    position that we do not base the amount of the loan we make  
6    in any way based upon the present value of those future  
7    benefits.

8           That's a factual issue. They are taking the  
9    position they don't do that and, therefore, they don't  
10   infringe. And that would be under, by their own admission, a  
11   non-infringing alternative.

12          JUDGE GIANNETTI: The Federal Rules allow you  
13   to plead in the alternative, don't they?

14          MR. GRIFFITH: They do, Your Honor.

15          JUDGE GIANNETTI: Why wouldn't that cover this  
16   situation?

17          MR. GRIFFITH: Because I think it is one thing  
18   to plead, for example, you know, pleading in the alternative  
19   is not intended to encompass submitting a sworn interrogatory  
20   response where you contend that you are not doing something  
21   that is a fact.

22          That's just not -- I mean, you are not allowed,  
23   for example, Your Honor, when you answer a complaint, you  
24   have allegations, you have an obligation to conduct an  
25   investigation and you have an obligation if what is alleged

1 in that complaint in that paragraph number 4, you are not --  
2 you have to say, unless you have a good faith basis for not  
3 doing so, that that factual allegation is true.

4 And so I think that the, you know, I know that  
5 -- I think they have cited to a case where in some prior case  
6 one of the Judges made mention of the fact that, you know,  
7 you are allowed to plead in the alternative. And I  
8 understand that concept, but I don't have the details, and I  
9 don't believe those details were contained in that case.

10 Here you have not just pleading in the  
11 alternative, you have sworn interrogatory responses where a  
12 party is saying we absolutely -- our system does not do these  
13 things. We do not do these things.

14 And that in my opinion, even if -- that is  
15 evidence that there are non-infringing alternatives. The  
16 burden is on them. It is their admission. And they haven't  
17 come in here and explained why that isn't evidence of  
18 non-infringing alternatives.

19 Now, they have said, again, that, well, without  
20 encumbering merely implies compliance with the law, but then  
21 how is it that they are contending they are encumbering?  
22 That from a credibility standpoint should be weighed as well  
23 and that's a factual issue, I suppose, that has to be  
24 resolved.

25 JUDGE GIANNETTI: Well, aren't you saying that

1 they have to choose between admitting infringement or  
2 dropping their 101 defense?

3 MR. GRIFFITH: Well, Your Honor --

4 JUDGE GIANNETTI: And don't you think that is  
5 harsh?

6 MR. GRIFFITH: You know, Your Honor, actually I  
7 don't think it is harsh, and here is why. If you look at all  
8 of the case law regarding this 101 issue, the theme that runs  
9 throughout is preemption.

10 It is whether you are monopolizing the abstract  
11 concept. And, you know, as logic says, that if somebody is  
12 for all practical purposes monopolizing an abstract concept,  
13 there should be no non-infringement defense. I mean, to me  
14 that's logical.

15 You are going to have to go at it from another  
16 direction. You are going to have to attack the Patent Owner  
17 on 102 or 103. It might be a little more difficult for you.

18 But you can't credibly argue that a party is  
19 practically monopolizing the abstract concept entirely, for  
20 all practical purposes, while out of the other side of your  
21 mouth identifying multiple ways on which you don't infringe  
22 because there can't be multiple non-infringement defenses if  
23 there is monopolization and preemption of the abstract  
24 concept.

25 JUDGE WARD: Mr. Griffith, can you give us

1 other examples, I mean, obviously there is a dispute between  
2 the parties because there is District Court litigation as to  
3 infringement. Let's put that to the side.

4 Can you give us other examples of ways that you  
5 could lawfully advance funds based on future retirement  
6 payments with a computer program and not be within the scope  
7 of the challenged claims?

8 MR. GRIFFITH: Not be within the scope of our  
9 challenged claims?

10 JUDGE WARD: Yes. Are there products on the  
11 market?

12 MR. GRIFFITH: Your Honor, with all due  
13 respect, I guess I am going to have to -- I would almost be  
14 afraid to answer that question, Your Honor, because I am  
15 afraid that anything that I say would be used against me in  
16 future patent infringement litigation.

17 And I understand that's a risk I am going to  
18 have to take, but I just -- well, I mean, one example would  
19 be if you are not directly depositing the retirement  
20 payments, you know, it is our position that direct deposit is  
21 required by these claims.

22 And so if you are making the loan and the  
23 source of the retirement payments is not directly deposited,  
24 then I don't believe that would be an infringement.

25 JUDGE GIANNETTI: So in Judge Perry's



1 hypothetical with the big bag of cash, that wouldn't be an  
2 infringement in your opinion? Well, I won't use the word  
3 infringement since I understand that's maybe a sensitive  
4 topic. But that wouldn't be something that would be within  
5 these claims, at least as you view their scope?

6 MR. GRIFFITH: Cash deposit?

7 JUDGE GIANNETTI: Yes.

8 MR. GRIFFITH: No, Your Honor.

9 JUDGE GIANNETTI: How about a check?

10 MR. GRIFFITH: Well, from our position a check  
11 is still not directly deposited, so that would not be part of  
12 the claims as well.

13 I mean, again, from our perspective, the reason  
14 this works is it is not simply for the weekend, please loan  
15 me \$500. I promise I will pay you with the future Social  
16 Security check I have.

17 Here you have the direct deposit agreement in  
18 place, and so you are much more likely to receive that future  
19 retirement payment if there is direct deposit involved. And  
20 that's why we believe it is limited to that.

21 JUDGE GIANNETTI: Why do you believe that  
22 Bilski does not control in this case?

23 MR. GRIFFITH: Well, Your Honor, if I --  
24 Bilski, I believe, does not control because in that case, as  
25 I understand it, the Patent Owner basically conceded here is

1 the abstract concept, that's fine, but, you know, it is a  
2 computerized method, we're applying it on a computer,  
3 therefore, we're good to go. And that's just not the case  
4 here, because there are multiple ways in which you get to the  
5 point that we have narrowed the claims to something less than  
6 the abstract concept.

7           It is not just the direct deposit. It is not  
8 just the, by their own admission, the encumbering. It is not  
9 just whether net or present value of future retirement  
10 payments is considered. It is, particularly with respect to  
11 the system claims, it is electronic funds transfer. It is a  
12 specific system. It is not just a computerized method.

13           And on top of that you also have, in my  
14 opinion, the important aspect, which is the Golden reference,  
15 where the -- it has nothing to do with whether Golden is  
16 valid. That doesn't matter. I agree with Mr. Dowd on that.

17           But the fact is that you have a patent, a prior  
18 art patent that the examiner found disclosed the abstract  
19 concept.

20           And the Patent Owner was required to amend  
21 their claims to narrow their claims relative to that abstract  
22 concept in order to obtain allowance. And so when you add  
23 all those together, and you consider the claim as a whole,  
24 there is many reasons why these claims are not -- there is no  
25 risk of preempting an abstract concept.

1           There is just -- there is just -- as when  
2   considered as a whole, and not taking these things  
3   one-by-one, there is numerous reasons there is no risk of  
4   preemption.

5           JUDGE GIANNETTI: Is there anything in the  
6   Patent Office record for this patent indicating that the  
7   examiner took notice of the 101 issue? Is there any  
8   discussion in -- let me rephrase that.

9           Was there any discussion in the prosecution  
10   history of the 101 issue?

11          MR. GRIFFITH: Of our patent, Your Honor, or  
12   the Golden patent?

13          JUDGE GIANNETTI: Of your patent.

14          MR. GRIFFITH: I don't know the answer to that,  
15   Your Honor. There may have been, but I am not 100 percent  
16   certain, so I would be afraid to take a position on that.

17          JUDGE GIANNETTI: And the Golden patent was  
18   cited as prior art and there was an amendment to avoid prior  
19   art rejection; is that correct?

20          MR. GRIFFITH: Correct, yes.

21          JUDGE GIANNETTI: It was not a 101 rejection?

22          MR. GRIFFITH: Correct, Your Honor, that's  
23   correct.

24          JUDGE GIANNETTI: Okay.

25          MR. GRIFFITH: So in sum, Your Honor, on this

1 issue of what we believe are the number of limitations on the  
2 abstract concept that cause this to not have any risk of  
3 preemption, there is an easy way for the Board to decide in  
4 favor of the Patent Owner in this case without opening the  
5 flood gates to other cases.

6 This is a unique set of circumstances based  
7 upon the prosecution history, based upon the Petitioner's own  
8 admissions in related litigation, based upon the Petitioner's  
9 failure to include any evidence outside of the patent.

10 This is a unique case that can easily be  
11 affirmed without having to worry about, you know, opening the  
12 flood gates to business method patents and inconsistent  
13 application of law here before the Board.

14 Your Honor, my client just reminded me of other  
15 limitations on the abstract concept that I didn't bring up  
16 before. Some of the ones, if you turn to claims, there is  
17 issues of the fact that the preselected period of time that  
18 the --

19 JUDGE WARD: I'm sorry, where is that?

20 MR. GRIFFITH: I will go to Claim 1 and pull  
21 that up, Your Honor.

22 JUDGE WARD: Okay. Yeah, it is in the first  
23 designating clause, a preselected period of time?

24 MR. GRIFFITH: Yes, under subparagraph C:  
25 "Authorizing said depository to periodically disburse a

1 predetermined portion of said retirement payments, deposited  
2 in said account to said benefit provider during said  
3 preselected period of time."

4           And another one is subparagraph G, and this is  
5 also another limitation that the Petitioners in the other  
6 case, one of them, contends they do not practice, which is  
7 "reimbursing said benefit provider from resources other than  
8 said future retirement payments, if said transferred portion  
9 of said retirement payments from said depository to said  
10 benefit provider are curtailed prior to said end of said  
11 preselected period of time and making said retirement  
12 payments available for the exclusive use of said  
13 beneficiary."

14           The only other issue that I definitely want to  
15 cover is the distinction -- I want to make clear that we take  
16 the position that the method claims in the system claims do  
17 not rise or fall together.

18           We believe the method claims are valid under  
19 the law, but we believe that the system claims have to be  
20 treated differently.

21           And the reason for that is the Petitioner is  
22 contending -- if the Petitioner is contending that the method  
23 claims are not limited to electronic funds transfer and,  
24 therefore, that's one of the reasons that they are invalid  
25 under 101, since they are not disputing here before this

1 Tribunal, before this Board, that the system claims are so  
2 limited to electronic funds transfer, it is totally  
3 unreasonable for them to take the position that the claims  
4 should be treated the same. There has to be an additional  
5 analysis engaged in. And they have not done so.

6 The only other thing that I want to note is I'm  
7 aware of the Board's prior decisions on whether 101 is a  
8 proper ground for CBM review, and obviously respectfully  
9 disagree. I am not going to spend any time here today going  
10 through that because I know we don't see eye-to-eye, unless  
11 any of you have questions about that.

12 JUDGE GIANNETTI: You can rely on your brief  
13 for that.

14 MR. GRIFFITH: Thank you, Your Honor. Unless  
15 you have any further questions, I have nothing further.

16 JUDGE GIANNETTI: Thank you, Mr. Griffith.

17 MR. GRIFFITH: Thank you.

18 JUDGE GIANNETTI: Mr. Dowd, you have 15 minutes  
19 for rebuttal.

20 MR. DOWD: Thank you, Judge.

21 I would just like to make a few points in  
22 rebuttal.

23 One goes to the issue of evidence, and I  
24 believe that my colleague indicated that there was nothing in  
25 the record to suggest that any of the limitations were

1 routine or known at the time. And you point to the fact that  
2 we didn't submit an expert declaration or anything along  
3 those lines.

4 We will submit that there simply was no need to  
5 because, again, you go back to what the patent itself says.  
6 We already have the patent establishing that the computer  
7 system that was being used is just a general known routine  
8 computer system.

9 And then in column 1, line 35, we have a  
10 statement: "Considering the current legislative  
11 prescriptions in the United States against assigning or  
12 otherwise alienating future retirement benefits," right, so  
13 in the background of the patent the inventors are telling  
14 you, well, that limitation is already known.

15 And then in column 3, around, let's see, line  
16 43 or so, it is talking about designating --

17 JUDGE GIANNETTI: I'm sorry, which column is  
18 that?

19 MR. DOWD: I'm sorry, column 3.

20 JUDGE GIANNETTI: Column 3.

21 MR. DOWD: Yes, about line 40 or so. Actually  
22 it begins on line 38, the sentence, it says: "In exchange  
23 for a lump sum payment," and eventually gets down to a  
24 parenthetical that begins "determined upon actuarial or other  
25 information and utilizing known techniques for calculating

1 present value of a future asset."

2           So that gets back to a point that I made  
3 earlier. This concept of disbursing or advancing funds based  
4 on net present value of some future income stream is  
5 something that's been known since probably, you know, Queen  
6 Isabella advanced funds to Columbus to come over to the New  
7 World.

8           And so there is a fair amount in the patent  
9 itself that establishes that all of the limitations are known  
10 and nothing is new.

11           The second point, I didn't really understand my  
12 colleague's assertion that if he submitted an expert  
13 declaration then we would try to back-door something in. As  
14 I understand it, the rules are the rules. We decided not to  
15 submit an expert declaration. He was certainly free to. For  
16 whatever reason he chose not to.

17           And the third point I would like to make is  
18 that, you know, I think in his entire discussion there was a  
19 vast absence of focus on the case law and what the case law  
20 teaches us in terms of what types of claims, what types of  
21 abstract ideas can qualify for being patent eligible or  
22 patent ineligible.

23           I direct the Board's attention to Accenture  
24 Global Services, a case that is cited. But, in particular,  
25 there is a sentence on page 1344 of the opinion, and this



1 goes to the issue of whether the method claims and the system  
2 claims rise or fall together.

3 And my colleague, you know, emphasized the  
4 distinction relating to direct deposit.

5 Now, we contend, whichever view the Board takes  
6 on the direct deposit issue, we win. But we also do advance  
7 the idea that they, in this instance, the claims fall  
8 together.

9 And I direct the Board's attention to the  
10 following sentence, it says: "While it is not always true  
11 that related system claims are patent ineligible because  
12 similar method claims are, when they exist in the same patent  
13 and are shown to contain insignificant meaningful  
14 limitations, the conclusion of ineligibility is inescapable."  
15 And that's simply what we have here. Right?

16 If the Board concludes that the claimed method  
17 of advancing funds based on some net present value without  
18 encumbering future rights, and whatever other limitations  
19 there are, is in essence an abstract way of doing business,  
20 then based on the disclosure in this patent those system  
21 claims must fall.

22 And, again, in Accenture, the Panel opinion,  
23 that was an opinion that was drafted by Judge -- or written  
24 by Judge Lourie, they go through the analysis and they  
25 emphasize the fact that in those claims, those claims are

1 directed to a method of organizing an insurance business. I  
2 mean, something that people work -- do in their office and  
3 organize the business themselves.

4 And there were system claims, basically just  
5 appending the idea of, okay, well, you do the method in a  
6 computerized fashion. The Court found that those were  
7 ineligible.

8 In Bancorp Services, another Federal Circuit  
9 case from 2012, and the Panel went through the analysis, and  
10 this begins or it is on page 1277. And the Court finds that:  
11 "The equivalents of the asserted method and system claims is  
12 also readily apparent."

13 And I won't read the rest of the paragraph, but  
14 what I submit to the Board is that, if you read through that  
15 paragraph, you will see that the analysis that the Court did  
16 in Bancorp is the same analysis that should be done here with  
17 respect to comparing the method claims and the system claims,  
18 because it is nothing other than just simply adding in the  
19 preamble that it is a computerized method.

20 JUDGE WARD: Mr. Dowd, on that point I believe  
21 the Bancorp case, if I remember correctly, the conclusion  
22 that was reached there was that the claims were simply a --  
23 the computer elements of the claims were simply a more  
24 efficient way of accomplishing a mental process.

25 Taking into account Mr. Griffith's earlier

1 arguments about the fact, his arguments that certain  
2 limitations cannot be performed mentally or on pen and paper  
3 in Claim 1, how would you account for that distinction?

4 MR. DOWD: Judge Ward, if I understood his  
5 argument, his argument was that the direct deposit method  
6 couldn't be done on pen and paper, or the check, I think he  
7 said, well, there was some distinction between carrying a bag  
8 of cash and writing a check, and then also a distinction  
9 between direct deposit.

10 Honestly, direct deposit is just a more  
11 efficient way of carrying a bag of cash to the bank. Right?  
12 It is done electronically and it is done by a computerized  
13 method.

14 It is certainly more efficient than carrying  
15 that money to the bank, but it is nothing other than doing  
16 the same thing, maybe a little faster.

17 Let me turn --

18 JUDGE GIANNETTI: Mr. Dowd, before we leave the  
19 question of the method claims and the system claims, I  
20 believe Mr. Griffith said during his argument that your side  
21 does not dispute the system claims are limited to electronic  
22 funds transfer, is that a correct summary of your positions,  
23 the system claims?

24 MR. DOWD: That the system claims are  
25 necessarily limited to direct deposit?

1 JUDGE GIANNETTI: Right, electronic funds  
2 transfer.

3 MR. DOWD: Electronic funds transfer. Judge  
4 Giannetti, I don't believe that is our position. Our  
5 position is that the system claims are necessarily tied to  
6 some computer, right, because they are a system, but the same  
7 language with respect to depositing is in those claims. So  
8 those claims don't say direct deposit, so the argument  
9 transfer from Claim 1 to the system claims.

10 Now, there is a question of whether in the --  
11 both in the system claim and in the method claim, whether all  
12 or only some of those steps have to be done electronically,  
13 if you accept the position of my colleague that it is an  
14 electronic or computerized method, because there is -- we  
15 have the same argument that not all of those steps have to be  
16 done electronically.

17 So to answer your question, though, we don't  
18 agree with that. We agree -- our position is that the  
19 depositing limitation can be more, read more broadly, even in  
20 the system claim.

21 But more fundamentally, even if you accept my  
22 colleague's position with respect to the scope of depositing,  
23 we still win for the arguments that I have already put forth.

24 Let me turn back, I just have a few minutes,  
25 but let me turn to this issue of preemption and the idea that

1 my client cannot bring up a preemption argument because we're  
2 arguing invalidity.

3 I think the Board --

4 JUDGE GIANNETTI: Invalidity or  
5 non-infringement?

6 MR. DOWD: Sorry, non-infringement.

7 I think the Board recognizes quite well that  
8 every litigant is allowed to plead in the alternative and put  
9 forth competing arguments and competing positions.

10 So that's well settled. But let me highlight just  
11 the fundamental flaw in the Patent Owner's argument because,  
12 first, there is no Supreme Court case and there is no Federal  
13 Circuit case that holds or puts forth the proposition that  
14 simply because there is some non-infringing alternative out  
15 there, then the claim cannot be held as invalid under 101.  
16 Right?

17 And I will give you an example. And this goes  
18 to the CyberSource case. And the CyberSource case, this is  
19 decided in 2011, it is a relatively simple method, later held  
20 to be non-patentable subject matter, but it is a method for  
21 verifying the validity of a credit card transaction over the  
22 Internet comprising the steps of A, B, and C.

23 And I won't belabor the Board with reading all  
24 of those, but it is basically A is obtaining information  
25 about the credit card transactions based on IP addresses. B

1 is constructing a map of credit card numbers based on other  
2 transactions. And C is utilizing the map of credit card  
3 numbers.

4 Now, what the Court ultimately concluded is  
5 that claim was non-patentable subject matter because it was  
6 preempting that concept of transferring information based on  
7 credit card transactions.

8 Now, I could stand up to you and talk to you at  
9 length about other ways that companies can go ahead and try  
10 to achieve the same general result but possibly in a  
11 non-infringing alternative.

12 Say, for example, a company is not verifying  
13 credit card transactions but they are verifying debit card  
14 transactions. I would be able to argue on behalf of my  
15 client in court that our client is not infringing because  
16 they are debit cards versus credit cards.

17 And I think anyone in the financial services  
18 industry will recognize that those two types of cards are  
19 significantly different on any number of bases. But that  
20 doesn't make the claim any more patent eligible under 101.

21 Let's take another example. Say if there was  
22 a way to, you know, keep track of this information other than  
23 constructing a map of credit card numbers based on the other  
24 transactions. I'm sure there are. I'm not an expert in the  
25 area, but, you know, just reading it you know that there are

1 some other ways to keep track of that information without  
2 constructing a map.

3 So there are arguably non-infringing  
4 alternatives, but, again, it doesn't make this claim any less  
5 of an abstract idea under Section 101.

6 And so my point here is that the very argument  
7 that simply because there is a non-infringing or potentially  
8 non-infringing alternative out there doesn't get you out from  
9 under Benson, Flook, Mayo, Bilski. The Supreme Court doesn't  
10 analyze it that way.

11 JUDGE PERRY: Mr. Dowd, what about the specific  
12 limitations that Patent Owner's counsel pointed to, such as  
13 Claim 1, Limitation C, the preselected period of time, just  
14 as one example.

15 Why do those limitations not render the  
16 abstract idea more concrete?

17 MR. DOWD: Well, Judge Perry, my first response  
18 is I think that's the first time that that claim limitation  
19 has been identified as something that takes it outside the  
20 realm of an abstract idea.

21 And my second response is, as I understand the  
22 claim term, saying that you are designating an account for a  
23 preselected period of time simply means that you are going to  
24 do it, you know, not forever. I mean, that's almost, you  
25 know, true of anything, right?

1           And it is inherent in the description here  
2   because the Patent Owner or the Patentees here recognize the  
3   fact that the beneficiary may die or it is not intended to  
4   last forever.

5           So, again, that gets to the idea of adding  
6   limitations that really account or amount to nothing more  
7   than additional words in the claims, but don't make it any  
8   less abstract.

9           And, you know, we could sit here all day and  
10   point to particular words or particular phrases, but the  
11   Patent Owner hasn't really identified why it makes it less of  
12   an abstract idea along the lines of the way the Federal  
13   Circuit has analyzed analogous claims in Accenture and  
14   Bancorp and CyberSource and Fort Properties.

15          In all of those cases, all right, we have a  
16   similar set of claims where it is a business method, some  
17   general conduct that's trying to be captured in claim  
18   language, and then in some cases you add in a system or a  
19   computerized method.

20          In Bancorp I believe there is a Beauregard  
21   claim, so it is a medium claim instead of a system claim but  
22   the analysis was the same.

23          And all of those claims it is an abstract idea  
24   because you are just trying to capture business conduct. The  
25   Patent Office has already recognized that that type of



1 activity is not patentable subject matter.

2 And I know I mentioned the PTO guidelines that  
3 came out in 2010 in response to Bilski. Just for the record,  
4 if you don't have it, the citation in the Federal Register is  
5 75 Federal Register 43922.

6 But you look at all of those cases that I just  
7 cited and then you compare them to literally just three cases  
8 that the Federal Circuit has held either system or method  
9 claims to be patentable subject matter, putting CLS Bank  
10 aside for the moment because it is so fractured, but you have  
11 Research Corp. Technologies, Sirf Technologies and Ultramercial.  
12 Those are the only three cases that have any bearing on the  
13 decision here.

14 And in each of those cases you necessarily come  
15 to the conclusion that the computer or whatever computerized  
16 system was there was almost necessary for the method or the  
17 system to be functional.

18 In Sirf Technologies it was a GPS invention.  
19 In Research Corp. Technologies, Research Corp. Technologies versus  
20 Microsoft, it was a case about processing digital images,  
21 something that certainly couldn't be done by the human mind.

22 And in Ultramercial we have the Internet-based  
23 method of providing copyrighted digital content. Again, a  
24 system and a method that couldn't be done and is in no way  
25 analogous to carrying a bag of cash to the bank.

1 JUDGE GIANNETTI: Your time is up, Mr. Dowd.

2 MR. DOWD: All right.

3 JUDGE GIANNETTI: Anything further from the

4 Panel? All right. I think that completes our argument.

5 Thank you very much, both sides.

6 MR. DOWD: Thank you very much.

7 JUDGE GIANNETTI: Your case is submitted.

8 Thank you.

9 MR. GRIFFITH: Thank you.

10 (Whereupon, at 2:55 p.m., the hearing  
11 concluded.)

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