

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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DealerSocket, Inc.,  
Petitioner

v.

AutoAlert, LLC,  
Patent Owner

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Case CBM2014-00139  
Patent 8,396,791

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**PETITIONER'S REPLY TO PATENT OWNER'S RESPONSE**

Petitioner DealerSocket, Inc. respectfully responds as follows to AutoAlert, LLC's Patent Owner Response ("Response," paper 22).

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## **EXHIBIT LIST**

DS-1023 Deposition transcript of Jaime G. Carbonell, taken February 5, 2015

DS-1024 Second declaration of Neil M. Libroch

DS-1025 Order Granting Autobase's Motion for Summary Judgment (Doc. 109), in the matter of *AutoAlert, LLC v. Dominion Dealer Solutions, LLC, et al.*, Civil Case No. SACV12-1661-JLS (JPRx)(C.D. Cal.)

## I. INTRODUCTION

DealerSocket’s “Petition for Covered Business Method Patent Review . . .” (“Petition,” paper 1) requested review of claims 1 and 3–7 of U.S. Patent No. 8,396,791 (“’791 patent”) on various grounds. The Board’s Decision (paper 12) instituted trial on two of those grounds:

1. “determin[e/ing] . . . whether the changed retrieved information may affect whether it is favorable”—which is recited in independent claims 1 and 6, from which the other claims at issue depend—is indefinite; and
2. the claims are directed to subject matter that is ineligible for patenting under 35 U.S.C. § 101.

By its Response, AutoAlert disputes not only the Board’s findings on the instituted grounds but also the Board’s threshold determination that the ’791 patent is a covered business method (“CBM”) patent. But as shown below, AutoAlert fails to justify any departure from any of the determinations the Board has already made.

## II. ARGUMENT

### A. The ’791 Patent Is a Covered Business Method Patent

A CBM patent is one that *is not* “for technological inventions” and *is* directed to “data processing or other operations” used in connection with “a financial product or service.” America Invents Act (“AIA”) § 18(d)(1), Pub. L. No. 112-29, 125 Stat. 284; 37 C.F.R. § 42.301(a). AutoAlert argues both that the ’791 patent *is not* directed to a financial product or service **and** that it *is* directed to a technological invention. But

the Board already decided the threshold question whether the '791 patent is a CBM patent in its Decision, (*see id.* at 8–13), and AutoAlert cites no authority for the proposition that it may re-litigate the issue in its Response, now that the threshold has already been crossed. Even if it could, neither of its arguments is convincing.

**1. The '791 Patent Claims a Financial Service Yielding a Product that Complements Financial Activities**

Any patent that “claims a method . . . for performing data processing . . . in the practice . . . of a financial product or service” is a CBM patent. AIA § 18(d)(1); 37 C.F.R. § 42.301(a). In this context, “‘financial product or service’ should be interpreted broadly.” 77 Fed. Reg. 48,734, 48,735 (Aug. 14, 2012). The definition of CBM encompasses “activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.” *Id.* (quoting 157 CONG. REC. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

According to AutoAlert, the '791 patent is not directed to a financial *product* because the claimed “inventions” produce automobile sales leads, which are not themselves financial. (*See* Response at 17–18.) But as the Board already pointed out, those leads certainly are at least *complementary* to the financial activities of selling and financing cars. (*See* Decision at 9.) AutoAlert offers no rejoinder to that observation, which remains as fatal to its position now as when the Board issued its Decision.

Moreover, the method by which those leads are generated is itself financial because it involves the retrieval, calculation, and comparison of actual and potential

financial arrangements. (See Response at 7–9, 19.) As AutoAlert’s own expert testified, the ’791 patent relates to *financial* instruments and choices and, more particularly, to financial data mining, “in the context of automobile . . . loans”; and the claimed methods “constitute . . . a sales device based on financial product or service and financial analysis.” (See DS-1023 at 12:9–13:1.) In short, the claims are directed to data processing in the practice of a financial service, which falls squarely within the statutory and regulatory definition of CBM. That is a second and independent reason why AutoAlert’s argument fails and the ’791 patent is, as the Board already determined, a CBM patent.

AutoAlert’s half-hearted attempt to analogize its putative “invention” to “the rubber curing method patented in *Diamond v. Diehr*, 450 U.S. 175, 187, 101 S. Ct. 1048 (1981),” (Response at 18), is wholly unpersuasive. The specification and claims of the ’791 patent have nearly two hundred references to “financial” terms, arrangements, or agreements. The specification discusses retrieving entire databases of financial transaction information in order to generate leads for customers that may be interested in entering into new financial transactions. Nearly half of the figures in the patent are related to financial transaction data (see ’791 patent, Figs. 1A, 1B, 1C1D, 1E, 1F, 1G, 1H, 1I, 1J, 9, 10, 20, 31, 38, 39). The title of the ’791 patent is “System and Method for Assessing and Managing *Financial* Transactions [italics added].” The core concept of the ’791 patent is mining various dealership databases of financial transaction information to generate an alert when new financing options might be



attractive to customers in their database. *Diehr*'s rubber-curing method is not integrally tied to financial transactions, nor does it complement financial services, but each and every claim of the '791 patent is *at the very least* incidental or complementary to a financial product or service. There is no requirement that the patent *generate* a financial product to be eligible for CBM review, as AutoAlert's argument assumes.

## **2. The '791 Patent Does Not Claim a Technological Invention**

A technological invention is one that includes a “novel and unobvious” “technological feature,” and “solves a technical problem using a technical solution.” 37 C.F.R. § 42.301(a). All three elements—(1) a novel and unobvious technological feature, (2) a technical problem, and (3) a technical solution—are required. *See id.*

### **a. The Claims Do Not Recite a Novel and Unobvious Technical Feature**

As the Board has found, “[t]he only technological feature recited” by exemplary claim 1 “is a *generic computer*.” (Decision at 14.) AutoAlert insists that analysis “fails to properly consider . . . the claimed subject matter *as a whole*,” (Response at 19), but AutoAlert does not identify any technological feature (other than a generic computer) revealed by the more holistic consideration it alleges the Board failed to make.

According to AutoAlert, the claims require “a configurable request that sets the parameters that the computer system uses to generate sales leads,” “retrieving, for a given customer, information on a prospective replacement vehicle and prospective financing terms for that vehicle,” and “retriev[ing] current information”—and “[t]he

technology to perform these steps was not merely unconventional in the prior art, it did not exist at all.” (Response at 19.) But even assuming, *arguendo* and contrary to the evidence, that the steps were novel, the only technology taught by the ’791 patent to perform those steps is strictly conventional—a generic computer—as AutoAlert’s own expert testified. (See DS-1023 at 59:13–18.) That is dispositive because “[r]eciting the use of known prior art technology to accomplish a process or method” does *not* “render a patent a technological invention . . . even if that process or method is novel and non-obvious.” 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

**b. The Claimed Method Does Not Solve a Technical Problem**

The problem allegedly solved by the claimed inventions is generating more and better sales leads. (See Response at 21.) But as the Board already determined, that problem is entrepreneurial, not technical. (Decision at 12.) See also *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 721 (Fed. Cir. 2014) (Mayer, J., concurring) (distinguishing “entrepreneurial” objectives “such as . . . increasing revenue,” and non-technological disciplines such as “business,” from “technological” objectives, innovations, and disciplines). AutoAlert tries to make the problem *seem* technical by recharacterizing it: “To the contrary, ascertaining the most favorable sales leads *from the electronically stored information in a dealership’s customer database* is a technical problem that the industry failed to solve for many years.” (Response at 21, italics added.) That description of the problem improperly builds the solution into it—inaccurately, because the claimed

method is not limited to “the electronically stored information in a dealership’s customer database” and according to the specification, some steps (e.g., “retrieving . . . second financial terms”) draw information from other sources.

According to the Office Patent Trial Practice Guide:

The following are examples of covered business method patents that are subject to a CBM review proceeding:

(a) A patent that claims a method for hedging risk in the field of commodities trading.

(b) A patent that claims a method for verifying validity of a credit card transaction.

The following are examples of . . . a technological invention that would not be subject to a CBM review proceeding:

(a) A patent that claims a novel and non-obvious hedging machine for hedging risk in the field of commodities trading.

(b) A patent that claims a novel and non-obvious credit card reader for verifying the validity of a credit card transaction.

77 Fed. Reg. 48,756, 48,764. Because the ’791 patent claims are directed to a *method* for generating sales leads rather than a novel and non-obvious *machine* for generating sales leads, they do not claim a technological invention.

## B. The “May Affect Favorability” Limitations Are Indefinite

Each claim of the ’791 patent recites, or depends from a claim that recites, determining “whether . . . current retrieved information may affect whether it is favorable” for a customer to trade in her car. Exemplary claim 1, in particular, recites:

*determining, by the computer system, whether the current retrieved information may affect whether it is favorable for the customer to replace . . . [her vehicle and financing] by at least:*

calculating one or more new payments . . . ; and

determining if the one or more new payments satisfy at least a condition . . . wherein the determination comprises calculating a difference between the one or more new payments and an existing periodic payment for the first vehicle, and determining whether the difference is less than or equal to a preset acceptable threshold value[.]

(*See* Decision at 34–35.) The Board found those limitations indefinite because “‘may affect’ and ‘favorable’” are both “highly subjective,” “the Specification contains no objective standard for determining reasonably precise boundaries of either term,” and the claims do not “define explicitly” what they mean. (Decision at 19, 22.)

AutoAlert responds: “[t]he comparison of a payment differential to a preset acceptable threshold . . . provides **the entire standard**” for determining whether current information may affect favorability, and that standard is quite definite. (*See*

Response at 29.) According to AutoAlert, the claims are directed to one specific embodiment disclosed mentioned in the specification, viz., which is set forth below:

In one embodiment, the process 3600 **generates an alert whenever the difference between the amount that a customer will pay for a new but comparable financial arrangement as compared to the customer's current financial arrangement is below a threshold value.**

(*See* Response at 26.) The Board has already identified the basic problem with that argument: although that specification passage describes the generation of an alert based on “[t]he comparison of a payment differential to a preset acceptable threshold,” (*see* Response at 29), the claim language distances itself from that standard by calling for a determination of “whether the current retrieved information may affect whether it is favorable,” whatever that means, by *at least* (not *only*) comparing a payment differential to a preset acceptable standard. (*See* Decision at 21.)

Exemplary claim 1 has three “determining” steps: “determining . . . whether the current retrieved information may affect [favorability],” “determining if . . . new payments . . . satisfy . . . a condition,” and “determining whether the difference [in payments] is less than or equal to a preset acceptable threshold value.” In the claims as written, the last determining step (whether the payment differential exceeds a threshold) is part of the second such step (whether a condition is met), which is part of the first such step (whether information affects favorability). As the Board has

already pointed out, in addition to payment differential, favorability might also be affected by: whether a customer's "obligation to make the monthly payments would be extended for many years"; "the make and model of the cars"; and whether "the customer has to downgrade from a luxury car to an economy car, or from a sport utility vehicle to a much smaller car," or "replace the first vehicle with a *smaller car* or *less attractive car*." (See Decision at 20, 21.) "According to the Specification, in certain situations (e.g., a customer may want a product with a *higher level of quality*), a customer may find terms *favorable* to the customer even when the customer will *pay more* under the new arrangement." (Decision at 21–22.)

AutoAlert's argument collapses the first two determining steps into the third, without remainder, and thus reads those limitations out of the claim altogether. AutoAlert's supposed "interpretation" is in fact a radical revision on the claim language by essentially redlining it as follows:

~~determining, by the computer system, whether the current  
retrieved information may affect whether it is favorable for the  
customer to replace a first vehicle and first financial terms with a  
second vehicle and second financial terms by at least:~~

calculating one or more new payments based on an  
estimated equity value of the first vehicle derived from the first  
financial terms, and, based on the second financial terms; and

~~determining if the one or more new payments satisfy at least a condition based at least in part on the first financial terms and the second financial terms, wherein the determination comprises~~ calculating a difference between the one or more new payments and an existing periodic payment for the first vehicle, and determining whether the difference is less than or equal to a preset acceptable threshold value[.]

Instead of “interpreting” the claim as actually written, AutoAlert would rewrite the three quoted clauses by altogether dropping 71 of their 136 words—including “may affect” and “favorable.” AutoAlert’s expert testified, with reference to the corresponding claim of the ’791 patent’s parent, that the three “determining” steps are recited rather than one because the extra words and steps leave the door open to *other* considerations not encompassed within the final determining step. (*See* DS-1023 at 40:22–53:7.) That confirms the Board’s original analysis: the claims *as written* are indefinite because the import of the language that AutoAlert would read out of the claims is that whether favorability may be affected is *not* solely and invariably determined by the calculations and comparisons that according to AutoAlert “provide[ ] **the entire standard.**” AutoAlert’s inability to articulate any *objective* meaning borne by the “may affect favorability” limitations, without reading them out of the claim altogether, confirms that those limitations are indefinite.

### C. The '791 Patent Is Directed to Ineligible Subject Matter

The Board's ineligibility finding was anticipated by one United States District Judge, Hon. James Otero, in the civil action from which this proceeding arises, (*see* DS-1017 at 5–9); and has been echoed by another, Hon. Josephine Staton, in another civil action AutoAlert brought, (*see* DS-1025).

DealerSocket's original Petition analyzed AutoAlert's claimed invention "in three abridged pieces . . . characterize[d] as 'ancillary data gathering,' patent ineligible 'mathematical manipulations,' and 'conventional post-solution activity'"; and showed that combination was not patentable. (*See* Response at 36.) AutoAlert's proposed replacement of the vaguely expansive "may affect favorability" limitations with truncated clauses narrowed to the calculation and comparison of payments underscores the propriety of DealerSocket's original analysis.

The Board found ineligibility by applying *Alice Corp. Pty. Ltd. v. CLS Bank International*, 573 U.S. \_\_\_, 134 S. Ct. 2347, 189 L. Ed. 2d 296 (2014), which issued after DealerSocket filed its Petition. Specifically, the Board first determined:

- (1) "each challenged claim, as a whole, is directed to the fundamental concept of *providing vehicle sales opportunities based on loan or lease payments*," (Decision at 32);
- (2) providing sales opportunities based on payments is "'a fundamental economic practice long prevalent in our system of commerce,' and 'squarely within the realm of abstract ideas,'" (*id.* at 33); and



- (3) “the claims . . . do not add an inventive concept to the abstract idea of *providing sales opportunities based on loan or lease payments*,” (*id.* at 36).

Then, based on those determinations, the Board concluded that the claims at issue “are directed to patent-ineligible subject matter under 35 U.S.C. § 101.” (*See id.* at 42.)

AutoAlert variously characterizes the putative invention as “***providing vehicle sales opportunities***,” (Response at 33), “using financing equations for the purpose of providing vehicle sales leads,” (*id.* at 31), and “using loan or lease payments as a way of identifying prospective sales leads,” (*id.* at 34). AutoAlert has not articulated any material distinction between those descriptions and the Board’s characterization of the claimed method as “*providing vehicle sales opportunities based on loan or lease payments*.” (*See* Decision at 32.) So, using the numbering given above, AutoAlert apparently concedes step 1 of the Board’s analysis under *Alice*.

AutoAlert disputes the rest—in detail, but with little analysis; and the analysis it does provide confuses the issues because AutoAlert draws the wrong lesson from precedent. According to AutoAlert, precedent teaches only that “computers . . . used to implement fundamental economic practices that had previously been performed without computers” are not patentable. (*See* Response at 35.) But that is not the point. Using computers to automate a prior art process is indeed unpatentable—*because it is obvious*. That is one of the grounds on which DealerSocket based its original Petition. But the Board did not institute on that ground. (*See* Decision at 49–50.) Instead the Board instituted under 35 U.S.C. § 101, where the analysis—while

related—differs. Eligibility under § 101 *does not* turn on whether the process automated is prior art. *See Ultramercial*, 772 F.3d at 715. Instead it turns, in the first instance, on whether the process automated is an abstract idea; and then on whether the *automation* (not *what is automated*) is inventive. *See id.*

Taking those inquiries in order, “a method that can be performed by human thought alone”—“or by a human using a pen and paper”—“is merely an abstract idea and is not patent-eligible under § 101.” *See CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1372, 1373 (Fed. Cir. 2011). One way to show that a method *may be* performed using pen and paper is to show that it *was* so performed, before being practiced with a computer, but that is not the only way. Here, DealerSocket’s evidence shows that the method of using loan or lease payment differentials to generate sales leads was formerly performed without computers, by AutoAlert’s named inventor and others, (*see* DS-1018 at 8–12, DS-1019, DS-1022 at 208–216); and DealerSocket also is submitting herewith a declaration from a financial expert independently establishing that it can be performed without a computer *and indeed he has so performed it*, (*see* DS-1024.) Thus, as the Board found, “providing vehicle sales opportunities based on loan or lease payments” indeed falls “squarely within the realm of abstract ideas,” (*see* Decision at 33)—whether or not it is novel.

The question then becomes: is there something inventive about AutoAlert’s computerized implementation? There is nothing inventive in carrying the process out “in existing computers long in use,” with “wholly generic computer implementation,”

or with hardware and software “capable of performing . . . basic calculation, storage, and transmission functions,” *see Alice*, 134 S. Ct. at 2357, 2358, 2360—or in using a computer “as an obvious mechanism for permitting a solution to be achieved more quickly,” *SiRF Tech., Inc. v. ITC*, 601 F.3d 1319, 1333 (Fed. Cir. 2010), or “for its most basic function, the performance of repetitive calculations” or otherwise to “perform[ ] more efficiently what could otherwise be accomplished manually,” *Bancorp Servs., L.L.C. v. Sun Life Assur. Co. of Canada*, 687 F.3d 1266, 1278, 1279 (Fed. Cir. 2012). Likewise, “[a]ny transformation” in the process that arises “from the use of computers or the transfer of content between computers is merely what computers do and does not change the analysis.” *See Ultramercial*, 772 F.3d at 717.

*Alice* articulated a technological arts test for patent eligibility, concluding that the asserted method and system claims were patent ineligible because they did not “improve the functioning of the computer itself” or “effect an improvement in any other technology or technical field.” . . . In assessing patent eligibility, advances in non-technological disciplines—such as business . . .—simply do not count

*Id.* at 721 (Fed. Cir. 2014) (Mayer, J., concurring). Instead, to transform the abstract idea into patentable subject matter, the computerized implementation must introduce some new apparatus or method for calculating or communicating and not just put conventional apparatus and transmission methods to new (or old) uses.

As the Board documented in its Decision, the patent defers to the knowledge of skilled artisans for the methods and apparatus by which information is to be retrieved, processed, and disseminated, (*see* Decision at 11–12, 38); and as AutoAlert’s expert testified, the ’791 patent does not teach or require anything more than conventional techniques used to program conventional hardware, (*see* DS-1023 at 55:19–56:23, 59:23-60:6). That is dispositive, and fatal.

### **III. CONCLUSION**

Because AutoAlert has not successfully rebutted any of the determinations made by the Board in its Decision, the Board should enter a final decision invalidating claims 1 and 3–7 of the ’791 patent on all grounds articulated in the original Decision.

Respectfully submitted,

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## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing, was served on February 23, 2015, via E-mail on the attorneys of record for AutoAlert in the Civil Action and to the official correspondence address for U.S. Patent No. 8,396,791 shown in PAIR, as follows:

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