

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

DealerSocket, Inc.
Petitioner

v.

AutoAlert, Inc.
Patent Owner

Case CBM2014-00139
Patent 8,396,791

Before Breck A. Reitter, *Trial Paralegal*.

**CORRECTED PETITION FOR COVERED BUSINESS METHOD
PATENT REVIEW OF UNITED STATES PATENT NO. 8,396,791**

Pursuant to Section 18 of the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284, petitioner DealerSocket, Inc. (“DealerSocket”) hereby requests review, under the transitional program for covered business method patents, of claims 1 and 3–7 of U.S. Patent No. 8,396,791 (“791 patent”), assigned to AutoAlert, Inc. (“AutoAlert”). Those claims should be cancelled because they do not comply with §§ 101, 103, and 112.¹

¹ Unless otherwise indicated, statutory section references are to Title 35 of the United States Code; and to the pre-AIA version thereof, to the extent the AIA amended it.

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EXHIBIT LIST

DS-1001 U.S. Patent No. 8,396,791 to Cotton

Documents from '791 patent file wrapper:

DS-1002 U.S. Patent Application No. 13/299,293

DS-1003 April 27, 2012 Office Action

DS-1004 Response to Office Action of April 27, 2012 (dated October 29, 2012)

DS-1005 Notice of Allowance with Reasons for Allowance

Documents from U.S. Patent Application No. 13/831,015 file wrapper:

DS-1006 Response to August 22, 2013 Office Action

DS-1007 November 20, 2013 Office Action

Other patents:

DS-1008 U.S. Patent No. 5,774,883 to Andersen, et al.

DS-1009 U.S. Patent No. 7,249,322 to Jones, et al.

DS-1010 U.S. Patent No. 8,095,461 to Cotton

Declarations:

DS-1011 Declaration of Brian Allan

DS-1012 Declaration of David L. Krier

DS-1013 Declaration of Neil M. Librock

DS-1014 Declaration of Melody J. Stapleton, Ph.D.

DS-1015 Declaration of Darren VanCleave

Documents from AutoAlert, Inc. v. DealerSocket, Inc.
Case No. 8:13-cv-657-SJO-JPR (C.D. Cal.):

- DS-1016 First Amended Complaint for Patent Infringement (without exhibits)
- DS-1017 Redacted Order Denying Plaintiff's Motion for Preliminary Injunction
- DS-1018 AutoAlert, Inc.'s First Supplemental Responses to DealerSocket, Inc.'s Interrogatory Nos. 7, 12, and 13
- DS-1019 "Balboa Software" email (AA119826–28)
- DS-1020 Excerpts from transcript of Garth Blumenthal deposition
- DS-1021 Excerpts from transcript of Jaime G. Carbonell deposition
- DS-1022 Excerpts from transcript of Jeffrey S. Cotton deposition

I. INTRODUCTION

The '791 patent (attached as DS-1001) is the youngest in a family of five patents asserted by AutoAlert against DealerSocket in *AutoAlert, Inc. v. DealerSocket, Inc.*, Case No. 8:13-cv-657 (the “Civil Action”), in the United States District Court for the Central District of California before Honorable S. James Otero. Each of the others already is or soon will be the subject of its own petition for review.²

The basic idea of the '791 patent is to use a computer to identify candidates for “pull-ahead” automobile lease or finance transactions. In a pull-ahead transaction, a customer exits her existing contract early, often using equity she has already built up to keep payments on the new car close to what she is already paying. Pull-ahead transactions have been around for decades and did not originate with AutoAlert. What AutoAlert’s founders supposedly “invented” is using a computer to batch process a large collection of customer records, in order to identify the customers who are in a good position to enter into a pull-ahead transaction.

The specification, which is the same for all the patents in this family, teaches a system consisting of three functionally identified “modules”: “an information retrieval module, a financial terms comparison module, and an alert transmission module.”

² On May 19, 2014, DealerSocket initiated Trial No. CBM2014-00132 by petitioning for CBM review of U.S. Patent No. 8,095,461 (“461 patent”), the '791 patent’s parent. Petitions for the other three patents in the family will be submitted soon.

The “information retrieval module” collects the information needed to calculate payment amounts that are compared by the “financial terms comparison module,” and the “alert transmission module” notifies a user of the system if the comparison yields a differential that is less than some threshold amount. Breaking that down:

- (1) The *information retrieval* module gathers some information about:
 - (a) a person,
 - (a) the car she presently owns or leases,
 - (c) her financial arrangements for the car,
 - (d) another car for which she could trade, and
 - (e) financial terms available to her on the other car.
- (2) The *financial terms comparison* module performs three calculations using that information:
 - (a) estimate the customer’s equity in her current car,
 - (b) calculate her likely payment on the other car, taking into account her equity in her current car, and
 - (c) calculate the difference between what her current payment is and what her new payment would be.
- (3) The *alert transmission module* notifies the dealer if the difference between the customer’s current payment on her current car and her likely payment on a replacement vehicle is less than a “preset acceptable threshold value.”

The specification also describes three separate “modes of operation” for that system, in each of which the system implements a distinctive process. In the *first* “mode,” the system implements a *periodic* batch process. In this mode, the system *periodically* mines a dealer’s electronic database for sales leads, by performing each of the steps described above with respect to each customer record in the dealer’s customer database. In its *second* mode, the system implements a *reactive* batch process. This process closely resembles the first, but instead of running periodically (*i.e.*, on some pre-determined schedule), it is triggered by the receipt of a “modified financial variable” (*e.g.*, some new manufacturer incentive). In this mode of operation, the system implements the same basic data mining process as the first—but it does so using, and in response to the system’s receipt of, the newly received modified financial variable. In its *third* mode of operation, the system implements a *real-time* process. In contrast to the first two processes, which try to identify customers to whom a pull-ahead opportunity might be available, this third process performs the steps recited above, “in real time” and with respect to some particular customer who has already been identified, in order to determine *right now* whether a pull-ahead opportunity is available to that *particular*, already identified customer.

The claims of the ’791 Patent are subject to cancellation for many reasons, only some of which can be advanced here. Of the five patents in the family, the ’791 and ’461 patents are the most similar; so the grounds advanced here largely (but not exactly) track those advanced in DealerSocket’s petition for the ’461 patent.

Section 112 issues. First, like its parent's, the '791 patent claims are shot through with too many indefiniteness, lack of written description, and lack of enablement problems to be usefully or helpfully summarized here.

Inoperability (§ 101). Second, the claimed process simply does not work. The claims recite using the steps described above to determine whether “current” information, in particular, affects whether a favorable transaction is available. But those steps determine only whether a favorable transaction is available *at all*, without shedding any light on whether its availability is affected by “current” information. Thus the claims fail to satisfy the utility requirement of § 101.

Ineligible subject matter (§ 101). Third, the claims are directed to mathematical manipulations, *i.e.*, to an abstract idea—preceded only by ancillary information gathering and followed only by conventional, token post-solution activity. That is not eligible subject matter under § 101.

Obvious to automate (§ 103). Fourth, the steps performed by the claimed methods and system were already old in the art—as was computerized automation of sales prospecting (and other auto industry processes), generally. If there were anything new in the '791 patent, it would have been automating a *specific* series of steps as a computerized batch process. Because using a computer to perform multiple calculations at a time, and more quickly, were obvious, the claims do not satisfy § 103.

II. GROUNDS FOR STANDING (37 C.F.R. § 42.304(a))

DealerSocket has standing to bring this petition because “the [’791 patent] is a covered business method patent, and [DealerSocket] meets the eligibility requirements of § 42.302.” *See* 37 C.F.R. § 42.304(a).

A. AutoAlert Has Charged DealerSocket with Infringement

Starting with the second standing requirement, DealerSocket is inarguably eligible under 37 C.F.R. § 42.302(a) because in the Civil Action, AutoAlert has sued DealerSocket for infringement of the ’791 patent. (*See* DS-1016.)

B. The ’791 Patent Is a Covered Business Method Patent

Turning now to the first standing requirement, 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.” Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,735 (Aug. 14, 2012) (“Definitions & Final Rule”). 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)).

CBM does not include technological inventions. *See* AIA § 18 (d)(1), 37 C.F.R. § 42.301(a). A technological invention is one that includes “a technological feature

that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.” 37 C.F.R. § 42.301(a). Conversely, “[m]ere recitation of known technologies, such as computer hardware” or “[r]eciting the use of known prior art technology to accomplish a process or method” does not transform a CBM claim into one that is directed to a technological invention. Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Review under the transitional program is available for any patent “having one or more claims directed to a covered business method . . . even if the patent includes additional claims” that are not directed to a CBM. Definitions & Final Rule, 77 Fed. Reg. at 48,736. The ’791 patent is subject to review, and thus the first requirement for standing is satisfied, because claim 1 recites a method for processing data to render a financial service, and not a technological invention.

1. Claim 1 of the ’791 Patent Is Directed to a Data Processing Method for Practicing a Financial Service

Claim 1 of the ’791 patent reads:

A method comprising:
by a computer system comprising computer hardware:
retrieving at least a portion of customer information, first financial terms that a customer has for a first vehicle, and first vehicle information;
retrieving at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle;

receiving a configuration request for replacing the first vehicle of the customer with a different vehicle;

in response to the configuration request, retrieving current information associated with at least one of the customer information, the first financial terms that the customer has for the first vehicle, the first vehicle information, the second vehicle information, or the second financial terms available to the customer for the second vehicle;

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;

generating a message if it is determined that the changed retrieved information may affect whether it is favorable for the

customer to replace the first vehicle and first financial terms
with the second vehicle and second financial terms; and
transmitting the message to a dealer.

(’791 patent at 24:39–25:12.) The steps of the claimed method may be summarized
as:

retrieving information, receiving a configuration request, then retrieving
current information;

“determining . . . 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
performing some calculations;

then generating and transmitting a message, or not, depending on the
results of the calculations.

Because claim 1 recites retrieving and processing data to perform the financial service
of alerting automobile dealers that favorable financial terms might be available to their
customers, it satisfies the first prong of the CBM test.

2. Claim 1 Is Not Directed to a Technological Invention

Other than processing data to perform a financial service, claim 1 recites only
that the method is performed “by a computer system comprising computer
hardware.” (’791 patent at 24:40.) That is not “a technological feature that is novel
and unobvious over the prior art; and solves a technical problem using a technical

solution.” *See* 37 C.F.R. § 42.301(a). It is instead the “[m]ere recitation of . . . computer hardware,” which was “known prior art technology” and does not make the subject matter of claim 1 a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,764. Thus claim 1 satisfies the second prong of the CBM test, as well; and DealerSocket has standing to present and prosecute this petition.

III. BACKGROUND

As background for the demonstrations of unpatentability that follow, DealerSocket first explores more fully (1) the specification of the ’791 patent and (2) pertinent events and documents from the prosecution of the ’791 patent, followed by (3) the prior art to the supposed “invention” claimed in the ’791 patent and (4) how the putative “invention” relates to that art.

A. Summary of the Patent Disclosure

As noted above and more fully set forth below, the specification of the ’791 patent discloses a single system that implements three processes.

1. The System

The ’791 patent’s Abstract describes the invention as “[a] financial terms alert generation system” that “comprises an information retrieval module, a financial terms comparison module, and an alert transmission module.” “The information retrieval module is configured to retrieve financing information, customer information, and product information from one or more sources accessible on a network.” (*Id.*)

“The financial terms comparison module is configured to compare a customer’s current financial arrangement to a potential new financial arrangement to determine whether the customer is able to enter into a new financial arrangement on terms favorable to the customer.” (’791 patent Abstract.) Although the Abstract speaks generally of comparing “financial arrangement[s]” to determine whether there are “terms favorable” for entering into a new arrangement, the only “financial arrangements” ever singled out for comparison (in either the specification or the claims) is the monthly payment amount, and the only criterion ever disclosed for assessing favorability is whether the differential between monthly payment amounts under the current and potential replacement “arrangements” is low enough.

Finally, “[t]he alert transmission module is configured to transmit an alert to a dealer in cases in which the financial terms comparison module determines that a customer is able to enter into a new financial arrangement on terms favorable to the customer” (’791 patent Abstract)—i.e., when the difference between monthly payments under the current and potential replacement arrangements is low enough. “Such alerts identify the customer and the favorable financial terms.” (*Id.*)

The Summary of the Invention section of the patent gives essentially the same description as the Abstract. (*See* ’791 patent at 2:5–27.) Later sections also reference a “data entry module . . . configured to receive input from a user to enter or modify” financing, customer, or product information. (*See id.* at 21:28–30.)

2. The Processes

According to the Summary of the Invention, “[e]mbodiments of the system disclosed herein perform a number of processes for alerting a dealer when a customer can enter into a new financial arrangement with terms favorable to the customer.” (’791 patent at 2:28–31.) Three such processes are described. As explained below, two are batch processes, while the third is a customer-specific process performed in real time.

a. The Periodic Data Mining Batch Process

The first disclosed process is a basic data mining operation, which “includes”:

- (1) retrieving financing, customer, and product information,
- (2) comparing, for each of a plurality of customers, the customer’s current financial terms for a financial arrangement related to a first product currently owned or leased by the customer with potential financial terms related to a second product comparable to the first product that would be available to the customer under a new financial arrangement in order to determine whether the new financial arrangement has terms favorable to the customer,
- (3) generating, for each customer for which the comparing shows that the new financial arrangement has terms favorable to the customer, an alert comprising information identifying the customer and indicating the terms favorable to the customer under the new arrangement, and
- (4) transmitting the alerts to at least one dealer.

(’791 patent at 2:31–45.) The implementation of this process is later described as follows: “In one mode of operation, the financial terms comparison module **3935** performs batch comparisons periodically.” (*Id.* at 22:59–61.)

b. The Modified-Financial-Variable Batch Process

The second process is almost identical to the first, except for the first step. In the description reproduced below, the differences are italicized:

- (1) *receiving a modified financial variable,*
- (2) comparing, for each of a plurality of customers, the customer’s current financial terms for a financial arrangement related to a first product currently owned or leased by the customer with potential financial terms related to a second product comparable to the first product that would be available to the customer under a new financial arrangement, *taking into account the modified financial variable,* in order to determine whether the new financial arrangement has terms favorable to the customer,
- (3) generating, for each customer for which the comparing shows that the new financial arrangement has terms favorable to the customer, an alert comprising information identifying the customer and indicating the terms favorable to the customer under the new arrangement, and
- (4) transmitting the alerts to at least one dealer.

(’791 patent at 2:47–62.) Like the first process, this is a basic data mining operation; the only difference is that this one reacts to the receipt of a “modified financial

variable.” The implementation of this method, in contrast to the first, is later described as follows: “In another mode of operation, the financial terms comparison module 3935 performs batch comparisons whenever new information is added to any one or more of the financing information 3910, the customer information 3915, or the product information 3920.” (*Id.* at 22:61–65.) The similarities and differences between these two batch processes are illustrated in Figures 36 and 37:

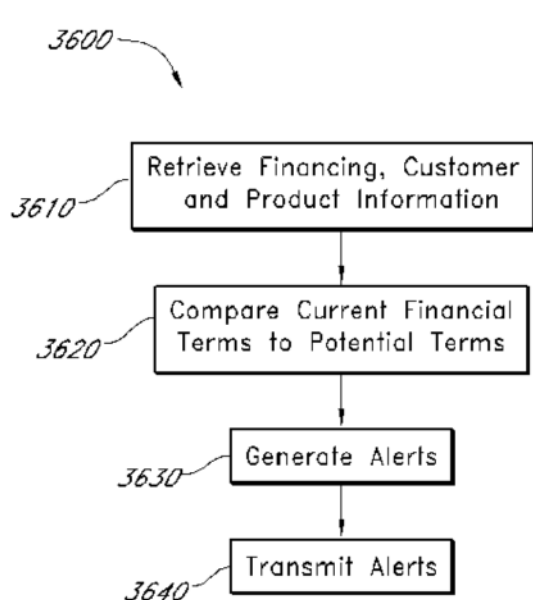


FIG. 36

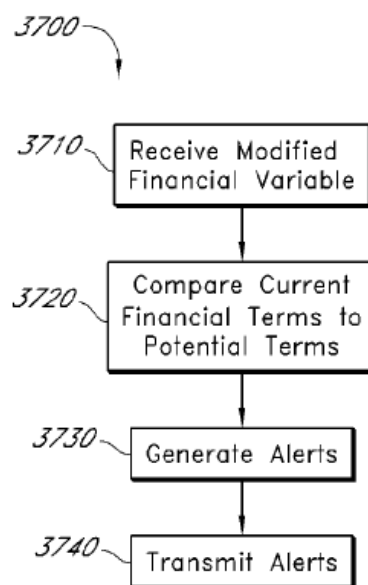


FIG. 37

c. The Customer-Specific Real-Time Process

The third and last process is to “generate alerts related to a *particular customer*”—rather than “each of a plurality of customers,” as with the other two processes—and to do that “*in real-time*,” rather than as a batch process. (’791 patent at 3:5 [*italics added*].) “[I]n this embodiment, the alerts are generated in real-time, such that if

favorable financial terms are available to the customer, the dealer can attempt to sell a new product to the customer while the customer is still at the dealership.” (*Id.* at 3:9–12.) This third process is illustrated by Figure 38:

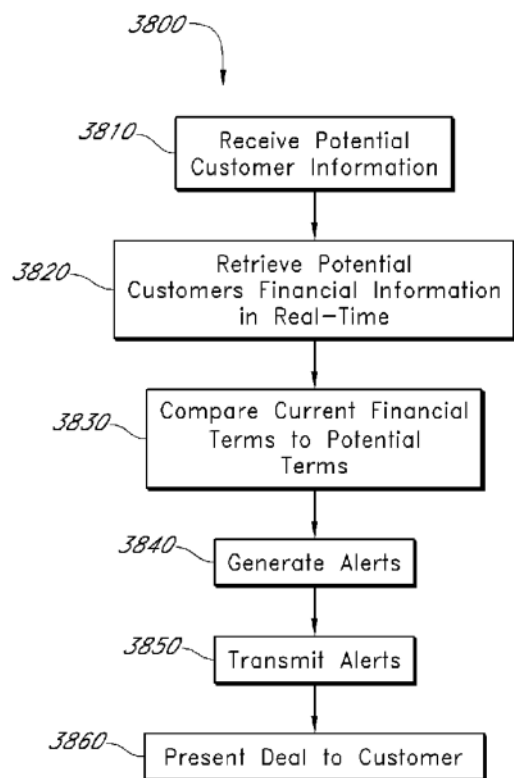


FIG. 38

“In accordance with the foregoing embodiment, the system performs a process including”:

- (1) receiving an identification of a customer,
- (2) retrieving, in real-time, financial information regarding a current financial arrangement of the customer identified by the identification, wherein the current financial arrangement relates to a first product currently owned or leased by the identified customer,
- (3) comparing current financial terms of the current financial arrangement with potential financial terms related to a second product comparable to the first product that would be available to the identified customer under a new financial arrangement in order to determine whether the new financial arrangement has terms favorable to the identified customer,
- (4) generating an alert comprising information identifying terms favorable to the identified customer under the new financial

arrangement if the comparing shows that the new financial arrangement has terms favorable to the identified customer, and

(5) transmitting the alert in real-time to at least one dealer.

(*Id.* at 3:15–31.)

Each of the three processes is summarized and distinguished from the others in the following passage, quoted in part above:

In one mode of operation, the financial terms comparison module **3935** performs batch comparisons periodically. In another mode . . . the financial terms comparison module **3935** performs batch comparisons whenever new information is added In another mode . . . the financial terms comparison module **3935** performs a comparison for a particular identified customer and returns results of such a comparison in real time.

(’791 patent at 22:59–23:2.) Each process is disclosed in the alternative. There is no written description support for combining them, or for mixing and matching their respective elements. (*See* DS-1013 at ¶¶ 5–7, DS-1014 at ¶¶ 7, 9, 11–13.)

B. Prosecution Summary

1. Prosecution of the ’791 Patent

As filed on November 17, 2011, the application on which the ’791 Patent issued had 11 claims, two independent and the rest dependent. (DS-1002 at 40–43.) On April 27, 2012, all 11 claims were rejected as obvious in view of two patent application publications. (DS-1003.) On October 29, 2012, the applicant’s attorney

traversed the rejections (DS-1004); and on December 3, 2012, all 11 claims were allowed, as originally filed (DS-1005).

The two independent claims are claim 1, directed to a method, and claim 6, directed to a computing system. As observed by the examiner in his April 27, 2012 office action, “[c]laim 6 . . . encompasses the same or substantially the same scope as claim 1.” (DS-1003 at 7.) The two independent claims are as follows, with reference letters assigned for convenient subsequent reference:

Ref.	Claim 1	Claim 6
a	A method comprising:	A computing system comprising:
b	by a computer system comprising computer hardware:	a processor; and
c		a computer readable medium storing machine-executable instructions including one or more modules configured for execution by the processor in order to cause the computing system to:
d	retrieving at least a portion of customer information, first financial terms that a customer has for a first vehicle, and first vehicle information;	retrieve at least a portion of customer information, first financial terms that a customer has for a first vehicle, and first vehicle information;
e	retrieving at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle;	retrieve at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle;

Ref.	Claim 1	Claim 6
f	receiving a configuration request for replacing the first vehicle of the customer with a different vehicle;	receive a configuration request for replacing the first vehicle of the customer with a different vehicle;
g	in response to the configuration request, retrieving current information associated with at least one of the customer information, the first financial terms that the customer has for the first vehicle, the first vehicle information, the second vehicle information, or the second financial terms available to the customer for the second vehicle;	in response to the configuration request, retrieve current information associated with at least a portion of the customer information, the first financial terms that the customer has for the first vehicle, the first vehicle information, the second vehicle information, or the second financial terms available to the customer for the second vehicle;
h	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:	determine 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 causing the computing system to:
i	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	calculate one or more new payments based on an estimated equity value of the first vehicle derived from the first financial terms, and derived from the second financial terms; and

Ref.	Claim 1	Claim 6
j	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;	determine 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;
k	generating a message if it is determined that the retrieved information may affect whether it is favorable for the customer to replace the first vehicle and first financial terms with the second vehicle and second financial terms; and	generate a message if it is determined that the current retrieved information may affect whether it is favorable for the customer to replace the first vehicle and first financial terms with the second vehicle and second financial terms; and
l	transmitting the message to a dealer.	transmit the message to a client.

In traversing the Examiner’s rejections, the applicant staked patentability on clauses h, i, and j, which call for determining the favorability of vehicle replacement by (1) calculating new payments, (2) calculating the difference between old and new payments, and (3) determining whether the difference exceeds a threshold. (DS-1004.) The applicant overcame the Examiner’s rejections by insisting that “the cited

art, whether alone or in combination, fails to teach or suggest” those particular limitations. (*Id.* at 5, 6.)

2. Ongoing Prosecution of Related Applications

The ’791 patent’s owner, AutoAlert, is still prosecuting several descendants of the ’791 patent, including U.S. Patent Application No. 13/831,015 (“’015 application”). As more fully explained below, *all* of that application’s claims stand finally rejected on grounds directly pertinent to this petition. (*See* DS-1007.)

C. The Prior Art

The supposed “invention” of the ’791 patent is the predictable confluence of several lines of development within the automotive retail industry, which are described more fully below. Briefly, one line is using computers to process and store data; another is using computers to facilitate automotive deal-making; another is using computers to look for leads within existing or historical customer bases; and the last consists of sales-prospecting processes that were *already being performed* with pencil, paper, and handheld calculators for decades.

1. Computerization and Integration (Jones)

The general computerization and integration trend is reflected in U.S. Patent No. 7,249,322, to Jones, et al. (attached as DS-1009), which Examiner Madamba relied upon to reject claims in the first two generations of the ’791 patent’s family. Jones aimed to

provide an information management system for automobile dealerships that provides complete integrated functionality of all software program applications for a dealer, in an integrated single database, which covers multiple dealership locations for a single operator . . .

(Jones at 1:31–35.) To that end, Jones

provides, an integrated software application architecture with all functions required by an automobile dealership, including sales, F&I (finance and insurance), accounting, HR (Human Resources)/payroll, parts, service, and E² core (including functions in customer management, vehicle management, activity/processors, roles, user/departments, security, user interface, reports, printing, and instant messaging), together with e-business enablers, supply chain integration, and a dealer communication system.

(*Id.* at 1:39–48.) The application from which Jones issued was filed in 2001. That is the year DealerSocket was started. But it is a year before Codd Cotton & Warner (now known as AutoAlert) came to be.

Since 2001, two types of integrated systems have become common in larger automobile dealerships. One is DMS (dealer management system) and another is CRM (customer relations management). Both integrate a dealership's systems and data stores, to enhance efficiency, communication, and coordination, but the focus of DMS is more internal and “upstream” (*i.e.*, with the dealership's suppliers), while the

focus of CRM is more “downstream” (*i.e.*, with the dealership’s customers). Ever since its founding in 2001, DealerSocket’s primary offering has been CRM.

2. Using Computers to Structure and Assess Deals (Andersen)

Negotiating the purchase of a car can be like pushing on a tube of toothpaste: push for concessions in one area, and you may find the “tube” rising in another. There are many variables that can be manipulated to get a transaction satisfactory to both the dealer and the customer. Harnessing the processing power of computers to keep track of the variables and their interplay makes a lot of sense, and it was being done long before AutoAlert came along, as another patent relied upon by Examiner Madamba illustrates. U.S. Patent No. 5,774,883, to Andersen, et al. (DS-1008), which issued on an application filed in 1995, relates to structuring and assessing vehicle purchase transactions. The written description explains:

In a vehicle dealership setting, namely, a car dealer, profits are typically made at the front-end of a deal by the sales department and at the back-end of a deal by the finance and insurance (F&I) department. Traditionally, these departments do not pool profits; rather, each department attempts to maximize its own profits. This lack of cooperation between departments can lead to a number of problems.

One problem is that a salesperson does not have an incentive to spend the time necessary to write up every customer and give their offer to the desk manager for consideration if there is not sufficient front-end profit for a reasonable commission.

However, if there was a way to pay the salesperson on both the front-end gross profit and back-end gross profit, the salesperson would be encouraged and potentially rewarded for writing up every customer. The results are several-fold: the salespeople and desk manager will co-operate with the F&I manager and every one will work as a team, the salespeople can concentrate on their primary job function, the salespeople will make more vehicle sales and thus commissions, and the salespeople will have a larger customer base to call for referrals and repeat business.

What is needed, therefore, is a system which can give the desk manager the tools to structure the deal under dealer and lender guidelines and at the same time calculate the dealer's true profit (i.e., front- and back-end profit combined) so that it can be quickly determined if a deal is possible.

(Andersen at 2:30–56.) And that system, of course, “compris[es] a computer and software.” (*Id.* at 4:63.)

3. Computerized Data Mining to Generate Leads (Krier / LSI)

In 1995, David Krier and a partner founded Loyalty Strategies International, or LSI, which was purchased by the Half-a-Car group (“HAC”) in 1996 and integrated into Ford Motor Company's Retail Trade Cycle Management program, or RTCM, by 2002. (DS-1012 at ¶¶ 2–3.) LSI worked from periodic reports that Ford provided to its dealers of customers “in equity”—that is, customers who, by ending their current financing arrangements, would thereby accrue some amount they could put toward the acquisition of another car. (*Id.* at ¶ 4.) LSI helped dealers use that information to

identify, contact, and pitch customers to trade in their current vehicles for new ones.

(*Id.*) That is, Ford used its computers to mine the data, in order to identify customers “in equity”; and LSI helped dealers translate the results into sales. (*Id.*)

The computerized LSI system had two parts: the LSI Renewal Center and the LSI Comparison Center. (DS-1012 at ¶ 5.) The Renewal Center tracked and managed contact with prospects identified by Ford’s computers as in equity. (*Id.*) The Comparison Center used that equity and other inputs to calculate payments for a replacement vehicle. (*Id.*)

LSI and AutoAlert both calculate equity in a customer’s current vehicle, and they use that equity to calculate payments for a replacement vehicle, but they use (or used) those calculations in different ways. LSI used the equity calculation to identify prospects, and did not calculate replacement payments until the prospects had been contacted. AutoAlert uses the replacement payment calculation (rather than the equity calculation) to decide whom to contact, by comparing the replacement payment with the customer’s current payment.

4. “Manual” Execution of the AutoAlert Process

But AutoAlert did not *invent* using payment comparison to identify prospects. Others were already doing that—using pencil, paper, and handheld calculators—before AutoAlert “invented” doing it by using a computer. Examples could be multiplied; below, DealerSocket summarizes the evidence from just two sources:

Darren VanCleave, once an active dealer and subsequently a HAC executive; and Brian Allan, an active car dealer in the Beverly Hills area.

a. Darren VanCleave

Mr. VanCleave began selling cars in 1982. (DS-1015 at ¶ 1.) As his declaration explains, the deals that AutoAlert’s “invention” prospects for are called “pull-ahead transactions,” and they were already well-known when he entered the field. (*See id.* at ¶ 2.) Thus pull-ahead transactions have been around as long as Reaganomics, and indeed far longer; as has the underlying arithmetic. (*Id.* at ¶ 15.)

Now AutoAlert’s process is not putting customers into pull-ahead transactions; it is instead finding customers who might be able to enter into them. But that, too, is old in the art. As Mr. VanCleave explains:

at the point of sale, I stored or recorded each customer’s information in a data repository. I set a trigger, based on the term of the finance or lease contract, to let us know when the customer might be close to an equity position. For example, a customer who financed a vehicle for 48 months and started with 10% equity (typically from a downpayment or tradein) would be close to an equity position at 24 months, which would be the trigger for that customer. When a customer was triggered, I or a colleague would ascertain the customer’s equity in her current car, then use that to calculate what the customer’s payment might be on a newer model of the same or a similar car in our inventory. If we arrived at a new payment close enough to the customer’s current payment then we would contact the customer and advise that we

could get her into a new car for the same or a lower monthly cost than she was already paying.

(DS-1015 at ¶ 8.) Mr. VanCleave also acknowledges (*id.* at ¶ 15):

We were not the first to perform the prospecting process described above. That process was a standard business practice in the industry by the time I entered it, and I learned it from people who had already been doing it for years.

b. Brian Allan (Ford / Half-a-Car)

Mr. Allan describes a “Pre-Trade” program sponsored by Ford Motor Company and administered by HAC, in which Mr. Allan was instructed and which he implemented at Beverly Hills Lincoln Mercury Peugeot in 1983. (DS-1011 at ¶¶ 2–3.) As Mr. Allan explains, the starting point for the Pre-Trade process was an amortization chart that Ford provided periodically to its dealers, showing each dealer where each of its customers stood in their current leases. To implement the process:

A salesperson would identify one or more customers on the [Pre-Trade Cycle Management] Board, review the customer’s amortization chart, then obtain the customer’s current payoff either from the Ford portfolio booklet or by contacting the financing entity (typically a bank or Ford Motor Credit Company) directly. I then estimated the value of each customer’s vehicle, using the Kelley Blue Book Wholesale guide, and determined the amount of potential equity the customer had by subtracting the payoff amount from the Kelley Blue Book value. I then selected a vehicle from our current inventory that was similar to what the

customer was driving Using a calculator specifically designed for automotive financing (called “AutoMate”), I calculated potential new payments for that vehicle If the difference . . . was less than or equal to a carline-specific threshold, I would instruct the salesperson to contact the customer by phone and offer to take their car in on trade and put them into a new similar vehicle for “X” dollars per month.

(*Id.* at ¶ 5.)

D. AutoAlert’s Alleged Advance over the Prior Art

The sole named inventor of the ’791 patent is Jeffrey S. Cotton, and according to several patent owner sources, his alleged “invention” consists entirely of using a computer to perform and gather data for the pull-ahead calculation process he and others were already doing by other means long before he supposedly invented anything. Those sources include (a) an interrogatory response served by AutoAlert in the Civil Action; (b) an early planning document Mr. Cotton wrote for “Balboa Software,” the first version of AutoAlert’s product, and related deposition testimony; and (c) deposition testimony given by Garth Blumenthal, an early AutoAlert sponsor, and Dr. Jaime G. Carbonell, an expert retained by AutoAlert in the Civil Action.

1. AutoAlert’s Interrogatory Response

A supplemental interrogatory response served by AutoAlert on May 1, 2014 in the Civil Action explains that before making his “invention,” Mr. Cotton worked at the Fletcher Jones Mercedes Benz dealership; and while there:

Using the database of Fletcher Jones customers, Mr. Cotton would identify one or two promising customers who were approaching the end of a lease. He would then spend a couple of hours a day gathering the information he needed, for the promising customers he had selected, to do the calculations to price hypothetical deals for them to get out of their current lease and into a new vehicle.

(DS-1018 at 8:22–27.) If the “hypothetical deal” compared favorably with the customer’s current payment then Mr. Cotton would pitch the “hypothetical deal” to the customer as a replacement for her current lease. (*See id.* at 9:15–17.) That was the pre-“invention” process.

Conception is the touchstone of invention; and according to the interrogatory response, Mr. Cotton’s conception was on this wise:

One time, Mr. Cotton priced a hypothetical deal for a customer nearing the end of a lease and he discovered that the customer was a great candidate for a proactive sales call. In reviewing the numbers, it occurred to him that he could have gotten the customer out of their current car and into a new one at an attractive price much earlier in the lease period, perhaps even a year earlier.

This experience changed Mr. Cotton’s thinking about which customers to consider for proactive selling. He realized that he should not limit himself to customers nearing the end of their lease. He realized that attractive deals occurred throughout the phases of a lease. . . .

Once Mr. Cotton realized that he could potentially target customers who were not nearing the end of a lease, he realized that he could also target customers who purchased a car with a loan, rather than a lease. . . .

Mr. Cotton envisioned a new approach to finding sales leads. Rather than beginning by identifying a promising candidate nearing the end of a lease, he would treat every customer in the database as a potentially promising candidate for a new sale. . . .

Mr. Cotton recognized that his new approach would require use of a computer system, which could gather lots of information from a variety of sources and perform a large number of calculations in a reasonable time. . . .

(DS-1018 at 10:8–13.) That is, what Mr. Cotton allegedly conceived, and so ultimately “invented,” was execution of the “hypothetical deal” technique he (and others) had already been using, but on a large data set using computerized batch processing.

2. The Named Inventor’s “Balboa Software” Planning Document and Deposition Testimony

According to AutoAlert’s interrogatory response, on August 1, 2002, Mr. Cotton “wrote a detailed description of the functionality” that he wanted for “the computer program” he had allegedly conceived, which “was then being called ‘Balboa Software.’” (DS-1018 at 12:12–14.) That early planning document describes “[t]he current process”—i.e., the pre-“invention” process—“as follows:”

- We first have to obtain the Client's vehicle identification number. Then we call or use the Internet access to obtain the current balance of their trade.
- We then need to have their current vehicle appraised. We use the Kelly Blue book as a reference guide as to the value, adjusting according to miles, condition and marked value.
- We then need to calculate the payment of a lease/purchase using charts for the current rates, residuals and terms.
- We adjust the payment based on the difference between the trade value and the trade payoff and hopefully obtain a new payment on a new car that is acceptable to the client.

(DS-1019.) But the “current” process “on a single transaction takes an average of about 30 minu[te]s to complete.” (*Id.*) So “[c]urrently”—again, pre-“invention”—“this information is normally obtained ONLY when the Client approaches the dealership with the desire to upgrade to a newer car” because “[i]t is too time consuming for a dealership to manually obtain this information on each of their past Clients on a regular bas[i]s.” (*Id.*)

Deposition testimony given by Mr. Cotton (in connection with an unsuccessful motion for preliminary injunction by AutoAlert in the Civil Action) is to the same effect. Mr. Cotton testified that before making his “invention,” he would go through the same process and make the same calculations as described in his patents for “one client at a time.” (DS-1022 at 213:12–214:9, 216:8–9.) The problem he faced was

“hav[ing] to go through 10, 15, or 20 clients to find the one that had favorable payments.” (*Id.* at 215:6–8.) Manually, a salesman can only “do about eight a day and come up with a favorable position maybe every other day.” (*Id.* at 216:17–18.)

So, as the Balboa planning document explains, the animating idea was to “automat[e] the process of obtaining the value of the trade, finding the current payoff balance, calculating the payments on a current like model and returning the values with a priority on deals that can be reproduced with little or no payment difference.” (DS-1019.) Or, as Mr. Cotton testified in deposition, “the invention was taking the multitude of clients” in a dealership’s database—“the entire database,” that is—“and identifying the ones that were in this position.” (DS-1022 at 215:8–10, 216:6–8.) According to Mr. Cotton, a computer is required to perform the analysis for enough customers to make the process “commercially viable.” (*See id.* at 208:21–210:9.)

3. Garth Blumenthal and Dr. Carbonell

Garth Blumenthal, an early AutoAlert sponsor, has given deposition testimony to the same effect. According to Mr. Blumenthal, “obtaining the value of the trade, finding the current payoff balance, calculating the payments on a current like model and returning the values with a priority on deals that can be reproduced with little or no payment difference” “was probably being done ever since I have been in the car business in the United States since 1983 and obviously way before me.” (DS-1020 at 66:18–21; *see also id.* at 65:15–66:1.) He also confirmed that computerized automation only added the speed needed to perform those conventional calculations “across the

whole database.” (*Id.* at 63:5–20.) AutoAlert’s expert in the Civil Action, Dr. Jaime G. Carbonell, has similarly testified that the significance of the computer is making it possible to perform the calculations “at scale.” (DS-1021 at 248:4, 250:3–20.)

IV. CLAIM CONSTRUCTIONS AND RELATED § 112 ISSUES

Terms requiring construction include “configuration request” and “may affect.” In addition, “current information,” “current retrieved information,” and “the retrieved information” all require construction—but the construction is the same for all three. Independent claims 1 and 6, with the terms to be construed in boldface italics, read as follows:

Ref.	Claim 1	Claim 6
a	A method comprising:	A computing system comprising:
b	by a computer system comprising computer hardware:	a processor; and
c		a computer readable medium storing machine-executable instructions including one or more modules configured for execution by the processor in order to cause the computing system to:
d	retrieving at least a portion of customer information, first financial terms that a customer has for a first vehicle, and first vehicle information;	retrieve at least a portion of customer information, first financial terms that a customer has for a first vehicle, and first vehicle information;

Ref.	Claim 1	Claim 6
e	retrieving at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle;	retrieve at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle;
f	receiving a configuration request for replacing the first vehicle of the customer with a different vehicle;	receive a configuration request for replacing the first vehicle of the customer with a different vehicle;
g	in response to the configuration request , retrieving current information associated with at least one of the customer information, the first financial terms that the customer has for the first vehicle, the first vehicle information, the second vehicle information, or the second financial terms available to the customer for the second vehicle;	in response to the configuration request , retrieve current information associated with at least a portion of the customer information, the first financial terms that the customer has for the first vehicle, the first vehicle information, the second vehicle information, or the second financial terms available to the customer for the second vehicle;
h	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:	determine 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 causing the computing system to:
i	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	calculate one or more new payments based on an estimated equity value of the first vehicle derived from the first financial terms, and derived from the second financial terms; and

Ref.	Claim 1	Claim 6
j	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;	determine 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;
k	generating a message if it is determined that the <i>retrieved information may affect</i> whether it is favorable for the customer to replace the first vehicle and first financial terms with the second vehicle and second financial terms; and	generate a message if it is determined that the <i>current retrieved information may affect</i> whether it is favorable for the customer to replace the first vehicle and first financial terms with the second vehicle and second financial terms; and
l	transmitting the message to a dealer.	transmit the message to a client.

As shown below, the “configuration request” and “may affect” limitations are indefinite, lack written description support, and not enabled. In addition, “current information” and “current retrieved information” either are indefinite or should be construed as: information that changed after being retrieved in step(s) d and/or e; and “retrieved information” should be given the same construction as “current information” and “current retrieved information.”

A. “configuration request”

Both independent claims of the ’791 patent recite (1) retrieving information, then (2) receiving a “configuration request,” then (3) retrieving current information, then (4) calculating and comparing payments, in order to determine whether the current information “may affect” the favorability of a customer replacing her vehicle. (’791 patent at 24:41–60, 25:36–26:9.) The “configuration request” is more specifically claimed as “a configuration request for replacing the first vehicle of the customer with a different vehicle.” And “in response to the request,” “current information” is retrieved. As shown below, there is no written description support for such a request; and because the patent gives no guidance as to what a *configuration* request configures, or how, “configuration request” is indefinite.

1. Section 112 Problems with “. . . request”

The specification never uses the term “configuration request”. Instead, it uses the word “request,” twice, as follows:

In one embodiment, deal sheets are generated in response to a user request. [’791 patent at 10:17–18.]

[W]here a client requests a particular make, model, and year, the system may advantageously receive that particular make, model, and year and display a corresponding deal sheet. [*Id.* at 18:10–12.]

In both instances, a deal sheet is generated in response to the request. But the claims recite a request in response to which information is retrieved. Because “[w]hat is

claimed . . . must be the same as what is disclosed in the specification,” *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 736, 122 S. Ct. 1831, 152 L. Ed. 2d 944 (2002), and the specification does not disclose a request in response to which information is retrieved, the claims lack written description support.

2. Section 112 Problems with “configuration . . .”

Nor is there written description support for a *configuration* request (as opposed to a request, simpliciter); indeed “*configuration* request” is indefinite.

The specification does not use “configuration” at all, but it does use cognates. It most commonly references configuring in connection with the modules. Thus:

The information retrieval module is *configured* to retrieve . . . information from . . . sources accessible on a network.

The financial terms comparison module is *configured* to compare a customer’s current financial arrangement to a potential new financial arrangement

The alert transmission module is *configured* to transmit an alert to a dealer in cases in which . . . a customer is able to enter into a new financial arrangement on terms favorable to the customer.

[T]he data entry module **3925** is *configured* to receive input from a user . . .

[T]he information retrieval module **3930** is *configured* to automatically retrieve information . . . from sources available on the network . . .

[T]he alert transmission module **3940** can be *configured* to transmit alerts via pager, telephone, fax transmission, a webpage . . . or any other known mechanism In one embodiment, the alert transmission module **3965** is *configured* to transmit an alert . . . in real time . . .

(’791 patent Abstract; ’791 patent at 2:8–11, 2:12–15, 2:20–24, 21:28–29, 21:45–48, 23:28–34; emphasis added.) Those all pertain to the configuration of the system that implements the process. But the claims recite a request made, while the process is executing, “for replacing the first vehicle of the customer with a different vehicle.” So the passages indicating how modules are configured do not describe or otherwise shed light on what makes a request a *configuration* request, as recited in the claims.

The specification also indicates that “the process **3600** can be *configured* to generate an alert only when the difference between a new payment amount and a current payment amount is negative; that is, when the new payment amount is less than the current payment amount.” (’791 patent at 19:44–48; emphasis added.) But the claims require that the difference between current and replacement payments be measured against a “*preset* acceptable threshold” (*id.* at 25:5, 26:22; emphasis added), not a threshold established by a request made halfway through the execution of the process. So a “configuration request” cannot configure that threshold, either.

Last, the specification also mentions that “a deal sheet . . . may be *configured* to show the data in a variety of ways” and it references “*configuring* the filtering, sorting, and ordering functions” that pertain to how data is displayed. (’791 patent at 12:18–

19, 12:36–38, 13:2–3; emphasis added.) But the “configuration request” recited in the claims is “for replacing the first vehicle of the customer with a different vehicle,” *not* for changing how data is displayed.

So the specification provides no written description support for a *configuration* request for replacing the customer’s vehicle. Moreover, a claim is indefinite where, for example, it calls for “comparing” without indicating what is being compared, or how. *See Union Pac. Resources Co. v. Chesapeake Energy Corp.*, 236 F.3d 684, 692 (Fed. Cir. 2001). Here, “configuration request” is indefinite because what is supposed to be configured, and how, is unascertainable.

B. “current information”, “current retrieved information”, and “retrieved information”

Both independent claims recite retrieving “**current information**” in response to the configuration request, followed by determining 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.” From that point, they *seem* to part ways: claim 1 recites generating a message “if it is determined that the **retrieved information** may affect whether it is favorable for the customer to replace . . .,” while claim 6 recites generating a message “if it is determined that the **current retrieved information** may affect whether it is favorable for the customer to replace.”

Clause h of both independent claims and clause k of claim 6 recite “the current retrieved information.” That phrase either lacks antecedent basis or refers to the “current information” retrieved in step g. Clause k of claim 1 recites “the retrieved information.” That phrase either is ambiguous (does it refer to the information retrieved in step d? or step e? or step g?), or it refers to the “current information” retrieved in step g. In short, either claims 1 and 6 are indefinite or “current information”, “current retrieved information”, and “retrieved information” all have the same referent.

1. Indefiniteness

Less clear is what that common referent is. The following paragraph from the specification expressly defines “current” and “replacement,” in mutually exclusive terms:

During the term of the financial agreement (the “current agreement”) covering the first product (“the current product”), a person may desire to use a second product (a “replacement product”) in lieu of the current product. In such an instance, to obtain the replacement product, a person may be willing to return the current product and enter a second financial agreement (a “replacement agreement”) that satisfies the first financial agreement.

(’791 patent at 1:34–41.) Generally, the patent claims use “first” and “second” instead of “current” and “replacement.” Thus, for example, claim 1 recites retrieving “*first*

financial terms that a customer has for a *first* vehicle” and “*second* financial terms available to the customer for the *second* vehicle”—where the “first vehicle” and “first financial terms” are what the specification calls the “current product” and “current agreement,” while the “second vehicle” and “second financial terms” correspond to the specification’s “replacement product” and “replacement agreement.”

But the claims use “current,” and they apply it to *both* information associated with “the first [i.e., current] financial terms” and “the first vehicle” *and* information associated with “the second [i.e., replacement] financial terms” and “the second vehicle.” Because the claims use “current” in a way that is inconsistent with its express definition, they are indefinite under *In re Cohn*, 438 F.2d 989, 993 (C.C.P.A. 1971).

2. Conditional Construction

If “current information” is not indefinite, as used in the claims, then it has the same meaning as “changed information” in the claims of the ’461 patent (DS-1010), the ’791 patent’s parent. That equivalence is *suggested* by the parallel between claims 1 and 6 of the ’791 patent, on the one hand, and claims 1 and 7 of the ’461 patent, on the other. As shown below, the ’461 patent claims use “*changed* information” where the ’791 patent claims use “*current* information”:

Ref.	'791 patent, claim 1	'461 patent, claim 1
g	in response to the configuration request, retrieving current information . . .	in response to the configuration request, retrieving in real-time changed information . . .
h	determining . . . whether the current retrieved information may affect whether it is favorable . . .	determining . . . whether the changed retrieved information may affect whether it is favorable . . .
k	generating a message if it is determined that the retrieved information may affect whether it is favorable . . .	automatically generating a message if it is determined that the changed retrieved information may affect whether it is favorable . . .
	'791 patent, claim 6	'461 patent, claim 7
g	in response to the configuration request, retrieve current information . . .	in response to the configuration request, retrieve in real-time changed information . . .
h	determine whether the current retrieved information may affect whether it is favorable . . .	determine whether the changed retrieved information may affect whether it is favorable . . .
k	generate a message if it is determined that the current retrieved information may affect whether it is favorable . . .	automatically generate a message if it is determined that the changed retrieved information may affect whether it is favorable . . .

And the equivalence is *confirmed* by claim 7 of the '791 patent, which is directed to “[t]he computing system of claim 6, wherein the computing system is configured to retrieve the *changed* information with respect to a plurality of customers.” (’791 patent at 26:30–32.) The only plausible antecedent basis for “changed information”, which does not itself appear in claim 6, is claim 6’s recitation of “current information.” *See Bancorp Servs., L.L.C. v. Hartford Life Ins. Co.*, 359 F.3d 1367, 1373 (Fed. Cir. 2004) (“it

is not unknown for different words to be used to express similar concepts, even though it may be poor drafting practice”).

C. “may affect”

Both independent claims of the ’791 patent recite first determining, and then taking action based upon, whether changed 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.” That phrase lacks written description support, is not enabled, and is indefinite.

1. Section 112 Problems with “may . . .”

The specification mentions “determin[ing] how changed financial variables *affect* whether customers can enter new financial arrangements with favorable terms,” “tak[ing] into account all available financial variables that *affect* whether a customer can advantageously switch financial arrangements,” and “generat[ing] alerts whenever new information is retrieved . . . that *affects* whether customers are able to advantageously enter a new lease or purchase transaction.” (’791 patent at 2:64–66, 19:19–21, 22:52–55, emphasis added.) And the specification explains that information *affects* whether customers can enter into new arrangements if it “*allows* customers to enter new financial arrangements with favorable terms.” (*Id.* at 3:2–3, emphasis added.) But there is no written description support for determining whether information *may* (as opposed to *does*) affect anything.

Moreover, determining how information *may* affect whether it is favorable for a customer to replace her car is not enabled because the specification does not explain how to distinguish changed information that *may* affect favorability from changed information that *may not* affect favorability. And how could it? Presumably, changed information that *may* affect favorability is also changed information that *may not* affect favorability. That seems to be the point of saying the information *may* (rather than *does*) affect favorability: it *may*, but then again, it *may not*.

The uncertainty thus introduced by prefacing “affect” with “may” is especially pronounced in this step:

generating a message if it is determined that the retrieved information *may affect* whether it is favorable for the customer to replace the first vehicle and first financial terms with the second vehicle and second financial terms . . .

(’791 patent at 25:6–11, emphasis added.) Because changed information that *may* affect favorability is the same as changed information that *may not* affect favorability, the claim apparently covers both generating and not generating an alert for precisely the same information. How, then, is a competitor to know which act infringes, and which does not?

“The statutory requirement of particularity and distinctness in claims is met only when they . . . clearly circumscribe what is foreclosed from future enterprise.”

United Carbon Co. v. Binney & Smith Co., 317 U.S. 228, 236, 63 S. Ct. 165, 87 L. Ed. 232

(1942). Determining, and generating an alert depending on, whether changed information *may* affect favorability does not “clearly circumscribe what is foreclosed.” Thus this limitation is insolubly ambiguous, and hence the claim is indefinite. *See Datamize, L.L.C. v. Plumtree Software, Inc.*, 417 F. 3d 1342, 1347 (Fed. Cir. 2005).

Instructively, “may affect” has already been found indefinite in a related case. Specifically, “may affect” also is used in claim 1 of the ’015 application, which is a descendant of the ’791 patent. And that claim stands rejected by an uncontested office action that issued on November 20, 2013, on this ground (among others):

it is vague and unclear as to what said term “may affect” actually means or encompasses. The limitation does not clearly set forth the metes and bounds as to the intended scope of the claims, therefore rendering the claims vague and indefinite.

(DS-1007 at 3.) “May affect” is as antithetical to clear boundaries in the ’791 patent as it is in the ’015 application.

2. Section 112 Problems with “. . . affect”

As set forth above, the specification never *describes* determining whether any information *may* affect favorability. Perhaps it *describes* determining whether information *does* affect favorability, as follows:

Advantageously, by performing the foregoing process, embodiments of the system are able to determine how changed financial variables [*do* rather than *may*] affect whether customers can enter new financial arrangements with favorable terms. For

example, this process can be used to generate alerts when a new financial incentive, such as a manufacturer rebate or a dealership incentive, allows customers to enter new financial arrangements with favorable terms.

(’791 patent at 2:63–3:3.) But the specification never *enables* determining how changed information affects favorability because it never explains how to determine whether it is the “new financial incentive,” in particular, which “allows customers to enter new financial arrangements with favorable terms.” Instead, the specification teaches “tak[ing] into account *all* available financial variables that affect whether a customer can advantageously switch financial arrangements” (*id.* at 19:19–21, emphasis added), which might indeed reveal “whether a customer can advantageously switch” but does not isolate the effect of any particular “financial variable.” (*See* DS-1013 at ¶¶ 8–10.)

Instead of enabling someone to determine what information affects (or may affect) favorability, the specification simply notes: “variables that affect” favorability include “interest rates, payoff periods, amount due on the current financial arrangement, any dealer or manufacturer incentives currently available, and the like,” (’791 patent at 19:20–24); and “a skilled artisan will appreciate, in light of this disclosure, other financial variables that are relevant” (*id.* at 19:25–27). That is, the specification recites some information that affects favorability, and that the “skilled artisan” already knows what other information does. But it does not enable determining whether information affects (or may affect) favorability.

To summarize: the specification never *describes* determining whether information *may* affect favorability; “determining . . . whether . . . changed retrieved information *may* affect whether it is favorable . . . “ is indefinite; and the specification does not *enable* determining whether information either *may* or *does* affect favorability.

**V. RELIEF REQUESTED AND REASONS THEREFOR
(37 C.F.R. §§ 42.22(a), 42.304(b))**

DealerSocket requests reexamination and cancellation of claims 1 and 3–7 of the ’791 patent, pursuant to § 112, because each uses or depends from a claim that uses “configuration request,” “current information,” and “may affect”—which, as shown above, means they (1) have no written description support, (2) are not enabled, and (3) are indefinite. DealerSocket also requests reexamination and cancellation of each of those claims pursuant to §§ 101, 103, and 112, as and for reasons set forth below.

A. The Claimed Subject Matter Is Ineligible under Section 101

The subject matter of the ’791 patent’s claims is ineligible for patenting under § 101 for two basic reasons. First, “[t]he [Supreme] Court’s precedents provide three specific exceptions to § 101’s broad patent-eligibility principles: ‘laws of nature, physical phenomena, and abstract ideas.’” *Bilski v. Kappos*, 561 U.S. 177, 130 S. Ct. 3218, 3225, 177 L. Ed. 2d 792 (2010). As shown below, in many different ways, the ’791 patent claims are directed to an abstract idea. Second, § 101 limits the scope of patent protection to inventions that are “useful,” and to satisfy that requirement, “the

subject matter of the claim must be operable.” *Process Control Corp. v. HydReclaim Corp.*, 190 F.3d 1350, 1358 (Fed. Cir. 1999). As shown below, the invention claimed in the ’791 patent is inoperable.

1. The Claims Are Directed to an Unpatentable Abstract Idea

As shown below, claim 1 of the ’791 patent is directed to ineligible subject matter; claim 6, the other independent claim, is an unpatentable *Beauregard* variation of claim 1; and none of the dependent claims adds any limitation that transmutes the supposed “invention” of its underlying independent claim into patentable subject matter.

a. Judge Otero Has Ruled that Claim 1 Is Unpatentable

In the Civil Action, AutoAlert moved to preliminarily enjoin DealerSocket from offering its competing RevenueRadar product, based on claims 1 and 4 of the ’791 patent. Judge Otero denied that motion because he determined that those claims are probably invalid under § 101, reasoning as follows:

this type of concept and the centrality of this concept to the claimed methods bear similarities to the concepts underlying patent claims that the Federal Circuit has found unpatentably abstract. As in *Bancorp Services, LLC v. Sun Life Assurance Co. of Canada* . . . 687 F.3d 1266, 1280 (Fed. Cir. 2012), here the claimed invention covers a process of performing calculations and comparing the results. Similarly, the Federal Circuit found that in a patent covering software for handling insurance-related tasks, “the abstract idea at the heart of [the challenged claim]” was the

concept of “generating tasks based on rules to be completed upon the occurrence of an event.” *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (quotations omitted). *See also Fort Properties, Inc. v. Am. Master Lease LLC*, 671 F.3d 1317, 1322 (Fed. Cir. 2012) (invalidating as abstract a patent for “aggregating real property into a real estate portfolio, dividing the interests in the portfolio into a number of deedshares, and subjecting those shares to a master agreement”); *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012) (invalidating as abstract a claimed process that “in its simplest form includes three steps: receiving data from one source (step A), selectively forwarding the data (step B, performed according to step D), and forwarding reply data to the first source (step C)” because the claim “explains the basic concept of processing information through a clearinghouse” (quotation omitted)).

(DS-1017 at 7.) As Judge Otero recognized, *Bancorp* is particularly instructive. Claim 9 of one of the patents there at issue recited a series of calculations:

generating a life insurance policy . . . with an initial value based on a value of underlying securities;

calculating fee units . . . ;

calculating surrender value protected investment credits . . . ;

determining an investment value and a value of the underlying securities for the current day;

calculating a policy value and a policy unit value for the current day;

storing the policy unit value for the current day;

and one of the steps of:

removing the fee units . . . and

accumulating fee units . . .

But the Federal Circuit “concluded that the claims cover no more than abstract ideas and therefore do not recite patent-eligible subject matter.” *Id.* at 1277. So too, here, the series of calculating steps at the heart of claim 1 “do not recite patent-eligible subject matter.”

b. A Similar Claim Stands Rejected as Unpatentable in a Related Application

Claim 1 of the ’015 application, a descendant of the ’791 patent, stands rejected under § 101 by an *uncontested* office action issued on November 20, 2013. (*See* DS-1007 at 5–6.) The following table compares that rejected claim (*see* DS-1006 at 3) with claim 1 of the ’791 patent (*see* ’791 patent at 24:39–25:11):

’791 Patent Claim 1	’015 Application Claim 1
A method comprising:	A method comprising:
by a computer system comprising computer hardware:	by a computer system comprising computer hardware:
retrieving at least a portion of customer information, first financial terms that a customer has for a first vehicle, and first vehicle information;	retrieving, for a set of potential customers having current vehicles, customer information, current financial terms for the current vehicles, and current vehicle information, from at least one data repository accessible via a computer network;

'791 Patent Claim 1	'015 Application Claim 1
retrieving at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle;	
receiving a configuration request for replacing the first vehicle of the customer with a different vehicle;	
in response to the configuration request, retrieving current information associated with at least one of the customer information, the first financial terms that the customer has for the first vehicle, the first vehicle information, the second vehicle information, or the second financial terms available to the customer for the second vehicle;	determining when a change affecting at least one of the customer information, current financial terms, and current vehicle information has occurred in the at least one data repository since a previous retrieval of information;
	determining a set of deals, wherein each deal in the set of deals is associated with a specific potential customer in the set of potential customers and is determined by:
	identifying a replacement vehicle that is comparable to the current vehicle of the specific potential customer;
	retrieving replacement vehicle information and new financial terms associated with the replacement vehicle;

'791 Patent Claim 1	'015 Application Claim 1
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:	determining whether the change that occurred in the at least one data repository may affect the current vehicle information or the current financial terms for the current vehicle of the specific potential customer; and
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	calculating a new payment based on the current financial terms for the current vehicle, the new financial terms, the current vehicle information, and the replacement vehicle information;
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;	identifying a subset of selected deals from the set of deals, wherein a deal is identified as a selected deal by:
	<div data-bbox="889 1003 1385 1287">determining if the new payment associated with the deal satisfies a deal parameter based on a comparison between the new payment and the current payment for the current vehicle associated with the deal; and</div> <div data-bbox="889 1325 1385 1444">including the deal in the subset of selected deals if the new payment satisfies the deal parameter; and</div>
generating a message if it is determined that the retrieved information may affect whether it is favorable for the customer to replace the first vehicle and first financial terms with the second vehicle and second financial terms; and	alerting a dealer to at least one selected deal within the subset of selected deals.
transmitting the message to a dealer.	

The examiner's uncontested rejection of claim 1 of the '015 patent reads nearly directly on claim 1 of the '791 patent:

Claim 1 recites “retrieving . . . information”; “determining when a change . . . has occurred”; “determining a set of deals . . .”; “identifying a replacement vehicle . . .”; “retrieving . . . information and . . . financial terms”; “determining whether change that occurred in . . . at least one data repository may affect . . .”; “calculating a new payment . . .”; “determining if the new payment . . . satisfies a deal parameter . . .”; “alerting a dealer . . .”. As such, the recited steps do not necessarily involve a significant transformation of data and may be characterized as insignificant extra-solution activity. As such, the claim is non-statutory.

Furthermore, the claim appears to be directed to a statement of a general concept (e.g., “determining a change . . .”; retrieving . . . information”; “calculating a new payment”; “alerting . . .”, etc.), and use of the concept, as expressed in the method, would effectively grant a monopoly over the concept. Since this is a factor weighing against patentability in *Bilski*, the claim should have been rejected under 35 USC 101 for being directed to an ineligible abstract idea.

(DS-1007 at 6, ellipses in original.)

c. Under Governing Precedent, the only Elements for which Novelty Was Alleged during Prosecution Must Be “Treated as Though [they] Were a Familiar Part of the Prior Art”

As reported above, during prosecution, the claims were initially rejected as obvious in view of a pair of prior art publications. The applicant overcame that rejection by arguing that those references, “individually or in combination, do not teach, suggest, or render obvious every limitation of the claims as originally written.” (DS-1004 at 5.) Specifically, “regarding independent Claim 1,” the applicant argued:

the cited art, whether alone or in combination, fails to teach or suggest at least the following:

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;

as recited in Claim 1.

Because “the basic character of a process claim drawn to an abstract idea is not changed by claiming only its performance by computers,” *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1375 (Fed. Cir. 2011), the wording “by the computer system” may be disregarded, in assessing patentability. With that stripped out, all that remains as the alleged point of novelty is a series of calculations: “calculating one or more new payments,” “deriv[ing]” “an estimated equity value from the first financial terms, and . . . the second financial terms,” and “calculating a difference between the one or more new payments and an existing periodic payment.”

But under *Parker v. Flook*, 437 U.S. 584, 591–92, 98 S. Ct. 2522, 57 L. Ed. 2d 451 (1978), “the novelty of the mathematical algorithm is not a determining factor at all. Whether the algorithm was in fact known or unknown at the time of the claimed invention . . . it is treated as though it were a familiar part of the prior art.” *Id.* at 591–92. With the calculation steps “treated as though [they] were a familiar part of the prior art,” no alleged points of novelty remain; and the examiner should not have abandoned his obviousness rejection based on their presence in the claims.

d. Claim 1 Fails the Machine-or-Transformation Test

Although not exhaustive, “the machine-or-transformation test” remains “a useful and important clue . . . for determining whether some claimed inventions are processes under § 101.” *Bilski*, 130 S. Ct. at 3227. This test requires that either (1) the claim restrict the process to a particular machine or (2) the process effect some “transformation and reduction of an article ‘to a different state or thing.’” *Gottschalk v. Benson*, 409 U.S. 63, 70, 93 S. Ct. 253, 34 L. Ed. 2d 273 (1972). Claim 1 of the ’791 patent fails both tests: the collection and manipulation of data does not satisfy the transformation prong, *see Bancorp*, 687 F.3d at 1273, 1278; and although claim 1 requires the method to be performed “by a computer,” such generic recitation of a general-purpose computer does not satisfy the machine prong, *see CyberSource*, 654 F.3d at 1375.

e. The Computer Recited by Claim 1 Is Not Integral to the Claimed Invention

“To salvage an otherwise patent-ineligible process, a computer must be integral to the claimed invention.” *Bancorp*, 687 F.3d at 1278. That is, “it must play a significant part in permitting the claimed method to be performed, rather than function solely as an obvious mechanism for permitting a solution to be achieved more quickly, i.e., through the utilization of a computer for performing calculations.” *SiRF Tech., Inc. v. ITC*, 601 F.3d 1319, 1333 (Fed. Cir. 2010).

But as AutoAlert’s expert in the Civil Action confirmed, the computer recited in AutoAlert’s patents simply makes it possible to perform the process “at scale.” (*See* DS-1021 at 248:4, 250:3–20.) Mr. Cotton, the sole named inventor of the ’791 patent, testified that before making his “invention,” he would go through the same process and make the same calculations as described in his patents for “one client at a time.” (DS-1022 at 213:12–214:9, 216:8–9.) The problem he faced was “hav[ing] to go through 10, 15, or 20 clients to find the one that had favorable payments.” (*Id.* at 215:6–8.) Manually, a salesman can only “do about eight a day and come up with a favorable position maybe every other day.” (*Id.* at 216:17–18.) Thus “the invention was taking the multitude of clients” in “a database from a dealership”—“the entire database,” that is—“and identifying the ones that were in this position.” (*Id.* at 215:8–10, 216:6–8.) According to the named inventor, a computer is required to perform the analysis for enough customers to make the product “commercially viable.” (*See id.* at 208:21–210:9.) An early sponsor of AutoAlert, Mr. Blumenthal, similarly confirmed that computerized automation only added the speed needed to perform those conventional calculations “across the whole database.” (DS-1020 at 63:5–20.)

In sum, all agree that “[t]he computer required by . . . [AutoAlert’s] claims is employed only for its most basic function, the performance of repetitive calculations, and as such does not impose meaningful limits on the scope of those claims.”

Bancorp, 687 F.3d at 1278. Therefore reciting that computer does not yield patentable subject matter. *See id.*

f. Claim 1 Recites the Computerized Performance of Mathematical Manipulations, Preceded by Ancillary Data Gathering and Followed by Conventional Post-Solution Activity

Abstract ideas are not patentable, *Bilski*, 130 S. Ct. at 3225, and “the manipulation of basic mathematical constructs [is] the paradigmatic ‘abstract idea,’” *In re Warmerdam*, 33 F.3d 1354, 1360 (Fed. Cir. 1994). Claim 1 is built around three such manipulations:

. . . calculating one or more new payments based on an estimated equity value of the first vehicle . . .

. . . 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 . . .

(’791 patent at 24:61–25:6.) Standing alone, that series of manipulations clearly would not be patent-eligible.

The calculation steps are preceded by several data-gathering steps:

retrieving at least a portion of customer information, first financial terms that a customer has for a first vehicle, and first vehicle information;

retrieving at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle;

receiving a configuration request . . .;³

in response to the configuration request, retrieving current
information . . .

(’791 patent at 24:41–55.) But “mere data-gathering steps cannot make an otherwise nonstatutory claim statutory.” *CyberSource*, 654 F.3d at 1370 (internal bracketing and quotation marks removed) (in part quoting *In re Grams*, 888 F.2d 835, 840 (Fed. Cir. 1989)).

The calculation steps are followed, conditionally, by generating and transmitting a message. But the patentee has never pretended to any novelty in those steps (*see* DS-1004 at 5–6), and “conventional or obvious” “post-solution activity . . . can[not] transform an unpatentable principle into a patentable process.” *Flook*, 437 U.S. at 590.

Finally, claim 1 begins by generically reciting that the method is performed “by a computer system comprising computer hardware”; and underscoring that, the claim further recites that the retrieval, calculation, and message generation steps are performed “automatically.” However, “the basic character of a process claim drawn

³ “Receiving a configuration request,” to the extent it has any discernible meaning, is just another data-gathering step, which differs from the others only in the mechanism: while the other data-gathering steps use automatic retrieval, the configuration-request-receipt step uses passive receipt.

to an abstract idea is not changed by claiming only its performance by computers.”

CyberSource, 654 F.3d at 1375.

The fundamental concept of claim 1 is a series of mathematical manipulations. Sandwiching those abstractions between ancillary data gathering and conventional post-solution activity, then reciting that the entire collection of steps is automatically performed by a generic computer, is not enough to transmute those manipulations into patentable subject matter. “An idea of itself is not patentable”; in order to become patentable “it [must] be made practically useful.” *See Rubber-Tip Pencil Co. v. Howard*, 87 U.S. 498, 507, 20 Wall 498, 22 L. Ed. 410 (1874). Generating and transmitting a message based on the results of a calculation, without more, does *not* make it useful or patentable. *See Accenture Global Services, GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1339 (Fed. Cir. 2013) (finding it “plain” that a claim reciting, *inter alia*, “determin[ing] a task to be completed” and “transmitting the determined task to a task assistant” is “ineligible for patent”).

g. Claim 1 More Closely Resembles the Claim Rejected by *Flook* than the Claim Allowed by *Diehr*

“Four seminal Supreme Court precedents provide guidance regarding when an invention qualifies as a patent-eligible process as opposed to an abstract idea.” *Fort Properties, Inc. v. Am. Master Lease LLC*, 671 F.3d 1317, 1320 (Fed. Cir. 2012). They are *Bilski*, *Flook*, and *Benson*, cited *supra*; and *Diamond v. Diehr*, 450 U.S. 175, 101 S. Ct. 1048, 67 L. Ed. 2d 155 (1981). *Id.*

Bilski ruled “that the machine-or-transformation test is a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under § 101,” but “is not the sole test for deciding whether an invention is a patent-eligible ‘process.’” 130 S. Ct. at 3227. *Bilski* also declined to hold that business methods per se are unpatentable. *Id.* at 3228–29. Without erecting any alternative guides, *Bilski* reasoned by analogy from *Benson*, *Flook*, and *Diehr* that the claim before it was directed to an unpatentable process. *Id.* 3229–31. As shown below, the same approach leads to the same conclusion of unpatentability in this case because claim 1 of the ’791 patent most closely resembles the claim rejected by *Flook*.

Flook’s starting point is *Benson*, in which an applicant tried to obtain a patent for a method of converting signals or “number representations” from “binary coded decimal” to pure binary. *See Benson*, 409 U.S. at 73–74. The Court held the methods unpatentable because “one may not patent an idea. But in practical effect that would be the result . . . [T]he patent would wholly pre-empt the mathematical formula and in practical effect would be a patent on the algorithm itself.” *Id.* at 71–72.

Flook characterized the holding of *Benson* as follows: “the discovery of a novel and useful mathematical formula may not be patented.” *Flook*, 437 U.S. at 585. *Flook* extended that prohibition to “useful, though conventional, post-solution applications” of a “novel . . . mathematical formula.” *See id.* There, a new formula was applied to the updating of “alarm limits” in catalytic converters. The chemical processes involved were well-known, as were the setting of alarm limits and the associated

measurement details (what to measure, and how)—only the math was new—and the Court held the method unpatentable. Although AutoAlert’s patents do not even include novel formulas, of the four “seminal Supreme Court precedents,” the claim in *Flook* most closely resembles those at issue here. The table below juxtaposes claim 1 from *Flook*, *see id.* at 596–97, with claim 1 of the ’791 patent:

<i>Flook</i> , Claim 1	’791 Patent, Claim 1
A method for updating the value of at least one alarm limit on at least one process variable involved in a process comprising the catalytic chemical conversion of hydrocarbons . . . which comprises:	A method comprising:
	by a computer system comprising computer hardware:
(1) Determining the present value of said process variable, said present value being defined as PVL;	retrieving . . . information . . . for a first vehicle . . .;
	retrieving . . . information for a second vehicle . . .;
	receiving a configuration request . . .;
	in response to the configuration request, retrieving current information . . .;
	determining . . . whether it is favorable for the customer to replace a first vehicle . . . with a second vehicle . . . by at least:
(2) Determining a new alarm base B[1] using the following equation: $B[1] = \dots + PVL \dots$;	calculating one or more new payments based on [retrieved information]; and

<i>Flook</i> , Claim 1	'791 Patent, Claim 1
(3) Determining an updated alarm limit which is defined as [the new alarm base plus a predetermined offset]; and thereafter	. . . 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;
(4) Adjusting said alarm limit to said updated alarm limit value.	generating a message if it is determined that the retrieved information may affect whether it is favorable for the customer to replace the first vehicle . . . with the second vehicle . . . ; and
	transmitting the message to a dealer.

The process at issue in *Diehr* “employ[ed] a well-known mathematical equation,” the Arrhenius equation, in the course of “installing rubber in a press, closing the mold, constantly determining the temperature of the mold, constantly recalculating the appropriate cure time through the use of the formula and a digital computer, and automatically opening the press at the proper time.” *Diehr*, 450 U.S. at 187. Use of the Arrhenius equation to calculate cure time was conventional, but “the continuous measuring of the temperature inside the mold cavity, the feeding of this information to a digital computer which constantly recalculates the cure time, and the signaling by the computer to open the press, [were] all new in the art.” *Id.* at 179. Because the process “molded raw, uncured synthetic rubber into cured precision products,” *id.* at 177, the machine-or-transformation test was satisfied—which still is a

sufficient condition for patentability, even if it is not *necessary*—and the process was patentable. *See id.* at 184, 192–93.

The claim considered by *Diehr* began and ended in the world of things. It started by pouring raw rubber into a mold, continued through taking physical temperature measurements, and ended with a “precision product” formed of cured rubber. The claims of the ’791 patent, by contrast, begin and end with information. That alone might not be dispositive of validity, but it does render *Diehr* inapposite.

Here, as in *Flook*, “[AutoAlert’s] process is unpatentable under § 101, not because it contains a mathematical algorithm as one component, but because once that algorithm is assumed to be within the prior art, the application, considered as a whole, contains no patentable invention.” *See* 437 U.S. at 594. “Even though a . . . mathematical formula may be well known, an inventive application of the principle may be patented,” but *only* if “there is some other inventive concept in its application.” *Id.* In *Flook*,

The chemical processes involved in catalytic conversion of hydrocarbons are well known, as are the practice of monitoring the chemical process variables, the use of alarm limits to trigger alarms, the notion that alarm limit values must be recomputed and readjusted, and the use of computers for “automatic monitoring-alarming.” Respondent’s application simply provides a new and presumably better method for calculating alarm limit values.

Here, likewise, the examiner determined and AutoAlert did not dispute (DS-1004 at 5–6) that the collection of information and transmission of messages that flank the calculations in claim 1 of the '791 patent were known in the art. (Here, unlike *Flook*, AutoAlert does not even claim novelty for the mathematical calculations—but according to *Flook*, that would be assumed even if AutoAlert did assert novelty.) The only “inventive concept” claimed by AutoAlert is generic computerized implementation, and that is not enough “[t]o salvage an otherwise patent-ineligible process.” *Bancorp*, 687 F.3d at 1278.

h. Claim 6 Repackages the Unpatentable Method of Claim 1 in an Equally Unpatentable *Beauregard* Claim

Claim 6 recites “[a] computing system” with “a processor” and “a computer readable medium storing machine-executable instructions” that, when executed by the processor, cause the system to perform the method of claim 1. ('791 patent at 25:30–26:29.) “[T]he ‘computer readable medium’ limitation of claim [7] does not make the otherwise unpatentable method patent-eligible under § 101.” *Cybersource*, 654 F.3d at 1375. And as noted above, neither does the generic recitation that instructions stored on that medium are performed by a computer. *See id.*; *see also Bancorp*, 687 F.3d at 1277 (holding that a claim reciting “a computer readable media for controlling a computer to perform” a method was “correctly treated . . . as no different from” a claim directed just to the method, “for patent eligibility purposes”).

i. The Subject Matter of the Dependent Claims Is Not Patent-Eligible, Either

None of the dependent claims adds any further limitation that reduces the abstract idea of its parent to patentable subject matter.

Claim 3 recites the method of claim 1, “wherein . . . the customer would pay no more per periodic payment under the second financial terms than under the first . . .” Claim 1 already contemplated that the threshold for acceptable payment differential would be set *somewhere*. Specifying that it is set at one value rather than another does not transform the method into patent-eligible subject matter.

Claim 4 further specifies the message generated and transmitted at the end of claim 1’s method. As Judge Otero has already ruled, “this is not a meaningful limitation.” (DS-1017 at 7.) The additional characteristics recited in claim 4 do not make the generation and transmission of the message anything other than “token postsolution components.”

Claim 5 adds that “the one or more new payments comprise payments for different respective time periods.” But calculation of the payments is an abstract idea; and it remains so, whatever the period for which they are calculated.

Claim 7 recites that the computing system of claim 7 “is configured to retrieve the changed information with respect to a plurality of customers.” But the generic retrieval of information needed to perform abstract calculations is not patentable subject matter, whether the information is retrieved for one customer or many.

DealerSocket's petition should be granted because claims 1 and 3–7 of the '791 patent are directed to ineligible subject matter.

2. The Claimed “Invention” Is Inoperable

As shown above, the supposed “inventions” set forth in the '791 patent claims addressed by this petition are unpatentable abstract ideas. That is one reason they fail under § 101. Another is that they simply do not work; they are inoperable, hence not useful, hence not eligible subject matter under § 101.

Claim 1 of the '791 patent recites:

- (1) “. . . retrieving . . . information . . .;”
- (2) “receiving a configuration request . . .;”
- (3) “in response to the configuration request, retrieving current information . . .;”

and then

- (4) “determining . . . whether the *current* retrieved information may affect whether it is favorable for the customer to replace a first vehicle . . . with a second vehicle . . . by”:
 - (a) “. . . calculating . . . new payments [for the second vehicle] . . .; and”
 - (b) “. . . calculating a difference between the . . . new payments and an existing periodic payment for the first vehicle, and”

- (c) “determining whether the difference is less than or equal to a preset acceptable threshold value.”

But nothing in steps (4)(a)–(4)(c) sheds any light on whether *current* information, in particular, affects favorability.⁴ If it is determined in step (4)(c) that “the difference is less than or equal to a preset acceptable threshold value” then, perhaps, it *is* favorable for the customer to trade in her car, given *all* the information; but none of the steps isolates the impact of *current* information on that determination. (*See* DS-1013 at ¶ 11.) Therefore the method is inoperable and claim 1 should not have been allowed. *See Process Control*, 190 F.3d at 1359 (“when an impossible limitation, such as a nonsensical method of operation, is clearly embodied within the claim, the claimed invention must be held invalid”).

This is not a case where “misconceptions about scientific principles concerning the invention” are exhibited (only) in the *specification*. *See Process Control*, 190 F.3d at 1359. Instead, the putative “invention” *as claimed* is inoperative; and therefore the claim “must be held invalid.” *See id.*; *see also id.* at 1358 (“The utility requirement of 35 U.S.C. § 101 mandates that . . . the subject matter *of the claim* must be operable [emphasis added].”).

⁴ As the specification explains, a “changed financial variable[] affect[s] whether customers can enter new financial arrangements with favorable terms” if it “allows customers to enter” such arrangements. (’791 patent at 2:65–3:3.)

Claim 6 recites “[a] computing system” that has “a computer readable medium storing machine-executable instructions” that “cause the computing system to” perform the method recited by claim 1. But that “computer readable medium” limitation . . . does not make the otherwise unpatentable method patent-eligible under § 101.” *CyberSource*, 654 F.3d at 1375. Whether or not the method’s performance is caused by the execution of instructions stored on a computer-readable medium, it does not determine whether *changed* information may affect favorability. Therefore claim 6 fails, as well. And because each dependent claim inherits the inoperability of claim 1 or claim 6, it fails, too.

B. The Hybrid Methods Recited by the Claims Lack Written Description Support

Numerous § 112 defects were exposed above. More globally, the claims lack written description support because they mix and match elements of two processes—the modified-financial-variable batch process and the customer-specific real-time process—that the specification only ever describes as mutually distinct.

As set forth in more detail above, the specification discloses three distinct processes: periodic data mining, mining data when changed information is received, and responding to customer-specific requests. They are described as alternatives: the essence of the second method is not to assess whether changed information impacts a particular customer who has already been identified but is instead to identify what customers are impacted by the changed information; the essence of the third method

is to ascertain whether a favorable transaction is available to a particular customer, without regard to whether or how that availability is affected by *changed* information in particular. (*See* DS-1013 at ¶¶ 5–7; DS-1014 at ¶¶ 11, 13.)

The independent claims of the '791 patent recite “a configuration request for replacing the first vehicle of the customer with a different vehicle,” the retrieval of “current”—i.e., changed—“information,” and determining whether that changed 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.” ('791 patent at 24:47–60, 25:42–26:10.) There is no written description support for that combination of a customer-specific request with the retrieval and assessment of *changed* information.

Only one passage in the specification mentions “determin[ing] how changed financial variables affect whether customers can enter new financial arrangements with favorable terms.” ('791 patent at 2:64–66.) That passage immediately follows the summary of the second method, and it is prefaced by the statement that the determination is made “by performing the foregoing process.” (*Id.* at 2:63.) So determining “whether the current [i.e., changed] retrieved information may affect whether it is favorable,” as recited in the independent claims, is part of the second method.

But the independent claims also recite “a configuration request for replacing the first vehicle of *the* customer.” ('791 patent at 24:47–48, 25:42–43, emphasis added;

see also DS-1014 at ¶ 10.) And the specification does not describe customer-specific requests to assess *changed* information. (*See* DS-1013 at ¶ 5.) Indeed, the combination would be pointless: the specification teaches assessing changed information to identify new leads, not to measure the impact of changed information on an already identified customer; and with regard to already identified customers, it teaches determining whether a favorable transaction is available, without regard to whether the information that makes the transaction available has changed or not. (*See* DS-1013 at ¶¶ 6–7, DS-1014 at ¶¶ 11–13.)

Because the specification does not describe responding to a customer-specific request by assessing *changed* information, the independent claims (1 and 6) do not satisfy § 112; and because the dependent claims incorporate their undescribed methods, they too fall.

C. The Claimed Subject Matter Is Unpatentable under § 103 because Computerized Automation of Known Processes is Obvious

As shown below, the '791 patent's claims are directed to an obvious automation of a well-known prior art process.

1. The Background Knowledge Contributed by a Person of Ordinary Skill Is Detailed in the Specification

“The person of ordinary skill is a hypothetical person who is presumed to be aware of all the pertinent prior art.” *Custom Accessories, Inc. v. Jeffrey-Allan Indus., Inc.*, 807 F.2d 955, 962 (Fed. Cir. 1986). In addition, the person of ordinary skill brings “background knowledge” to the obviousness inquiry. *See KSR Int’l Co. v. Teleflex Inc.*,

550 U.S. 398, 127 S. Ct. 1727, 1740, 167 L. Ed. 2d 705 (2007). The higher the level of skill possessed by the ordinary artisan, the more background knowledge she brings with her. Thus “what is obvious to a layperson is necessarily obvious to one with a higher level of skill in the field of the invention.” *Innovention Toys, LLC v. MGA Entertainment, Inc.*, 637 F.3d 1314, 1323 (Fed. Cir. 2011). More generally, “[a] less sophisticated level of skill generally favors a determination of nonobviousness, and thus the patentee, while a higher level of skill favors the reverse.” *Id.* The level of skill matters only to the extent that “background knowledge” possessed by one of ordinary skill, but not a layperson, is relied upon to prove obviousness.

Here, all that needs to be known of the skilled artisan is what the ’791 patent specification attributes to her. First, she knows “that the system and method described herein can advantageously be implemented using computer software, hardware, firmware, or any combination of software, hardware, and firmware.” (’791 patent at 4:44–47.) No familiarity with any of the *details* is presupposed or required because none of those details is disclosed by the specification or recited by the claims. Second, the skilled artisan also knows which “financial variables that are relevant . . . for determining whether a customer can advantageously switch financial arrangements.” (*Id.* at 19:26–29.) That is, she also knows the inputs for the calculations to be performed by the computer.

2. The “Invention” of the Independent Claims Is Distinguished from the Prior Art only by Computerized Automation, which Is Obvious

“[I]t is not ‘invention’ to broadly provide a[n] . . . automatic means to replace manual activity which has accomplished the same result.” *In re Venner*, 262 F.2d 91, 95 (C.C.P.A. 1958); *see also Ex Parte Mahaney*, 2012 WL 5494556, at *2 (P.T.A.B. Oct. 24, 2012) (“using a computer to effect same, is not a patentable distinction as it merely automates what is otherwise done manually”); *Ex Parte MahnKen*, 2009 WL 3244082, at *5–*6 (P.T.A.B. Oct. 8, 2009) (“use of a computer network to automate a known manual process” has been found “obvious”). The claims of the ’791 patent fail because, as more fully explained below, the only difference between the prior art and the claimed “invention” is using a computer.

To see this, it helps first to get a clear view of what the claimed process is, without the incidents of computerized automation—and without the step of “determining . . . whether the changed retrieved information may affect whether it is favorable for the customer to replace a first vehicle,” which as pointed out above is not actually performed by the claimed process. With those removed, the “analog” version of claim 1 emerges as (with reference letters retained from earlier tables):

Ref.	Claim 1 Text (without computer references)
a	A method comprising:
d	retrieving at least a portion of customer information, first financial terms that a customer has for a first vehicle, and first vehicle information;

Ref.	Claim 1 Text (without computer references)
e	retrieving at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle;
g	. . . retrieving . . . current information . . . ;
i	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
j	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[.]

Because the other independent claim, claim 6, simply recites a computer system that implements the method of claim 1, it has the same “analog” counterpart as claim 1.

The following table correlates the “analog” version of the claimed process with processes performed in the 1980s by Brian Allan (*see* DS-1011 at ¶ 5) and Darren VanCleave (*see* DS-1015 at ¶¶ 1, 8)—who in turn learned their processes from others:

Ref.	Claim 1 Text	Mr. Allan	Mr. VanCleave
a	A method comprising:		
d	retrieving at least a portion of customer information, first financial terms that a customer has for a first vehicle, and first vehicle information;	Mr. Allan’s staff retrieved this information from an amortization chart. (DS-1011 at ¶¶ 4–5.)	Mr. VanCleave collected this information in a “tickler” file, for later retrieval. (DS-1015 at ¶¶ 8–10.)

Ref.	Claim 1 Text	Mr. Allan	Mr. VanCleave
e	retrieving at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle;	Mr. Allan retrieved this information once he identified an appropriate replacement in current inventory. (DS-1011 at ¶ 5.)	Mr. VanCleave retrieved this information when a customer was “triggered.” (DS-1015 at ¶¶ 8, 12.)
g	. . . retrieving . . . current information . . . ;	Messrs. Allan and VanCleave obtained, for example, the customer’s current payoff amount and up-to-date bank program information. (DS-1011 at ¶ 5, DS-1015 at ¶ 8.)	
i	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	Messrs. Allan and VanCleave both estimated the customer’s equity by subtracting her payoff from a value drawn from the Kelley Blue Book or a similar resource, and used that and current bank program information to calculate new payments (Mr. Allan used an “AutoMate” calculator for that purpose). (DS-1011 at ¶ 5, DS-1015 at ¶ 11.)	
j	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[.]	Mr. Allan determined whether the difference between current and new payments was less than or equal to a carline-specific threshold. (DS-1011 at ¶ 5.)	Mr. VanCleave determined whether the difference between current and new payments was less than the difference in expected driving cost. (DS-1015 at ¶¶ 8, 13.)

Instructively, claim 1 of the '015 application, a descendant of the '791 patent, stands rejected on this very ground⁵; and as shown above, that claim closely resembles claim 1 of the '791 patent in all pertinent respects, *see supra* at § V.A.2.b, pp. 48ff. To the same effect, AutoAlert sources reveal that the “analog” version of the claimed process is the very prior art process that the named inventor of the '791 patent was already practicing, and upon which he was trying to improve through his “invention” (by computerizing it). For example, the August 1, 2002 “Balboa Software” planning document authored by the named inventor described the “current [i.e., pre-‘invention’] process . . . to determine if a deal is ‘renewable’” as follows:

- We first have to obtain the Client’s vehicle identification number. Then we call or use the Internet access to obtain the current balance of their trade.

⁵ Specifically, that claim stands rejected as follows (*see* DS-1007 at 6):

the Applicant is merely automating the known process of identifying and/or determining a financial transaction opportunity. Using a computer to automate a known process does not by itself impart nonobviousness to the invention. The courts have held that broadly providing an automatic or mechanical means to replace a manual activity, which accomplished the same result, is not sufficient to distinguish over the prior art (see *In re Venner*, 262 F.2d 91, 95, 120 USPQ 193, 194 (CCPA 1958)).

- We then need to have their current vehicle appraised. We use the Kelly Blue book as a reference guide as to the value, adjusting according to miles, condition and marked value.
- We then need to calculate the payment of a lease/purchase using charts for the current rates, residuals and terms.
- We adjust the payment based on the difference between the trade value and the trade payoff and hopefully obtain a new payment on a new car that is acceptable to the client.

(DS-1019.) The patent is about using computers to automate that as a batch process.

3. None of the Dependent Claims Introduces any Patentable Distinction

None of the dependent claims introduces any patentable distinction over the obvious automation of a prior art process. Claim 3 specifies that the “preset acceptable threshold value” for the differential between old and new payments is \$0.00. Selection of that specific threshold is common sense, not invention. *See KSR*, 127 S. Ct. at 1742–43. Moreover, that particular threshold is one that was already used by Mr. VanCleave. (*See* DS-1015 at ¶ 13.)

Claim 4 specifies further attributes of the message generated and transmitted when the process is computerized—which the examiner found, and the applicant did not dispute, are taught by the prior art (*see* DS-1003 at 6). And Messrs. Allan and VanCleave were already calculating payments for different periods of time, as recited in claim 5. (*See* DS-1011 at ¶ 5, DS-1015 at ¶ 12.)

Finally, claim 7 recites information retrieval for more than one customer. Mr. Allan would have his staff do that during slow times (*see* DS-1015 at ¶ 6), and Mr. VanCleave would do that *every* month (with however many customers were “triggered” that month) (*see* DS-1015 at ¶ 10).

The independent claims recite the computerized automation of a prior art process, and the dependent claims add no patentable distinctions to that obvious variation. Therefore none of the claims satisfies § 103 and they all should be cancelled.

VI. MANDATORY NOTICES (37 C.F.R. § 42.8)

A. Real Parties in Interest

The only real parties in interest known to DealerSocket are itself and AutoAlert.⁶

B. Related Matters

DealerSocket’s petition for CBM review of the ’461 patent, the ’791 patent’s parent, has been assigned Trial No. CBM2014-00132. DealerSocket will soon petition for CBM review of the rest of the family, viz., U.S. Patent Nos. 7,827,099, 8,005,752, and 8,086,529.

⁶ Comparatively recent disclosures in the Civil Action and filings with the Office suggest that AutoAlert may have changed its form, and its name from AutoAlert, Inc. to AutoAlert, LLC.

In addition to the Civil Action against DealerSocket, AutoAlert also asserts the '791 and related patents in *AutoAlert, Inc. v. Dominion Dealer Solutions, LLC*, Case No. SACV 12-1661 (C.D. Cal). On April 23, 2014, Dominion Dealer Solutions, LLC petitioned for *inter partes* review of the '791 patent.

C. Lead and Back-up Counsel

DealerSocket is represented by Richard C. Gilmore (Reg. No. 37,335), of the firm Maschoff Brennan Laycock Gilmore Israelsen & Wright, PLLC, as lead counsel. Subject to admission pro hac vice, DealerSocket will also be represented by Sterling A. Brennan and L. Rex Sears, also of Maschoff Brennan, as back-up counsel.

AutoAlert is represented in the Civil Action, and likely will be represented in connection with this petition, by Craig S. Summers, David G. Jankowski, and Cheryl T. Burgess, all of the firm Knobbe Martens.

D. Service Information

Service information for DealerSocket counsel is as follows:

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Service information for AutoAlert counsel is believed to be as set forth in the accompanying certificate of service.

VII. CONCLUSION

At least one of the claims challenged by this petition will more likely than not be found unpatentable, if the numerous and compelling grounds of unpatentability set forth above are not rebutted. Therefore, the Board is respectfully requested to institute a proceeding under the transitional program for CBM patents. *See* 37 C.F.R. § 42.208(b).

Respectfully submitted,

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Dated: June 11, 2014

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Petition for Covered Business Method Patent Review was served on June 11, 2014, via E-mail and Federal Express, on the attorneys of record for AutoAlert in the Civil Action and to the official correspondence address for the '791 patent shown in PAIR, as follows:

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