

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

PAY PLUS SOLUTIONS, INC.,
Petitioner,

v.

STONEEAGLE SERVICES, INC.
Patent Owner.

Case IPR2014-01414
U.S. Patent No. RE43904

**PATENT OWNER STONEEAGLE SERVICES, INC.'S
PRELIMINARY RESPONSE**

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PATENT OWNER'S LIST OF EXHIBITS

- SES-2001 PCI Security Standards Council, *About Us: About the PCI Security Standards Council*, https://www.pcisecuritystandards.org/organization_info/index.php? (accessed on 12/09/2014) ("PCI About Us")
- SES-2002 PCI Security Standards Council, *How to Be Compliant: Getting Started with PCI Data Security Standard Compliance*, https://www.pcisecuritystandards.org/merchants/how_to_be_compliant.php (accessed on 12/05/2014) ("PCI Compliance")
- SES-2003 PCI Security Standards Council, Payment Card Industry (PCI) Data Security Standard, Version 1.1 (Sept. 2006) ("PCI DSS v.1.1")
- SES-2004 PCI Security Standards Council, Payment Card Industry (PCI) Data Security Standard, Version 3.0 (Nov. 2013) ("PCI DSS v.3.0 ")
- SES-2005 American National Standards Institute, *About ANSI*, http://www.ansi.org/about_ansi/overview/overview.aspx?menuid=1 (accessed on 12/06/2014) ("About ANSI")

I. INTRODUCTION

Pursuant to 37 C.F.R. §42.107(a), the patent owner, StoneEagle Services, Inc., (“Patent Owner”), hereby submits the following Preliminary Response in response to the Petition for *Inter Partes* Review (“IPR”) of U.S. Patent No. RE43,904 (“the ‘904 Patent”).

The ‘904 Patent, entitled “Medical Benefits Payment System,” issued on January 1, 2013 and has a priority date of December 5, 2006. The ‘904 Patent contains 26 claims, of which claims 1, 2, 6, 7, 12, 17, and 22 are independent. Petitioner challenges validity of every claim of the ‘904 Patent. Petitioner advances two grounds for invalidity:

(1) obviousness of claims 1-5, 7-8, 10-13, 15-18, 20-23, and 25-26 under 35 U.S.C. §103(a) based on a combination of:

- a. Kennedy;
- b. Watson;
- c. vPayment Interview; and
- d. Image Statement Products;

(2) obviousness of claims 6, 9, 14, 19, and 24 under 35 U.S.C. §103(a) based on a combination of:

- a. Kennedy;
- b. Watson;
- c. vPayment Interview;
- d. Image Statement Products; and
- e. knowledge of one of ordinary skill in the art (“Knowledge”).

To institute an IPR review, Petitioner must satisfy its burden of establishing that there is a reasonable likelihood that at least one of the challenged claims of the ‘904 Patent is unpatentable. *See* 37 C.F.R. §42.108(c). “The Director may not authorize an *inter partes* review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. §314(a). Here, Petitioner failed to meet its burden, and therefore, the Patent Trial and Appeal Board (“the Board”) should deny the Petition in its entirety and decline to institute an IPR proceeding against the ‘904 Patent.

II. STATEMENT OF RELIEF REQUESTED

Patent Owner respectfully requests the Board to deny the Petition for IPR of claims 1-26 of the ‘904 Patent because Petitioner failed to prove that there is a reasonable likelihood that any of the challenged claims are unpatentable under 35 U.S.C. §103.

III. OVERVIEW OF THE INVENTION CLAIMED IN THE ‘904 PATENT

The ‘904 Patent relates to facilitating payments for medical benefits. The claimed invention streamlines the process of submitting payments from an insurance company (or another third party payer) to healthcare providers. An embodiment of the invention includes the step of “merging the stored-value card account number, the authorized amount, a card verification value code, and an expiration date with the explanation of benefits into a computer-generated image file.” *See* ‘904 Patent at claim 1. The image file is then transmitted to the health care provider as a payment for the services rendered to the insured. The healthcare provider can obtain the funds by charging the

stored-value card account for the authorized amount. The healthcare provider can also immediately reconcile its financial records because the explanation of benefits (“EOB”) contemporaneously provided with the payment instrument makes it easy to associate that payment instrument with the corresponding rendered services.

In an embodiment, the stored-value card is only chargeable through a medical services terminal. Another feature of the invention is that the file transmitted to the healthcare provider may include a computer-generated image of a physical card displaying the information necessary to process a payment using the stored value card account. A sample image file containing the EOB and a computer-generated image of a stored-value card is provided in FIG. 4, which is reproduced below.

Fig. 4

Trans No: EBS T000000025

ABC Company
123 MAIN ST.
DALLAS TX 75000

Date: 10/18/06
Amount: \$*****1.74

Attention:
ROBERT ALLEN

To the Order of
ALLEN MEDICAL
7136 S. YALE AVE
TULSA, OK, 74137

5205 4350 0000 0166
valid thru 11/06
TALON

This is a one-time use stored value card. It cannot be overcharged and will not allow additional charges. All transactions will be tracked and audited.

If you have any questions or require assistance, please contact the administrator.

If you are not the intended recipient noted on the left side of this form, please contact us immediately at (999) 555-1211.

ABC COMPANY
123 MAIN ST.
DALLAS, TX 75000
(999) 555-1211 (999) 555-1212 (FAX)

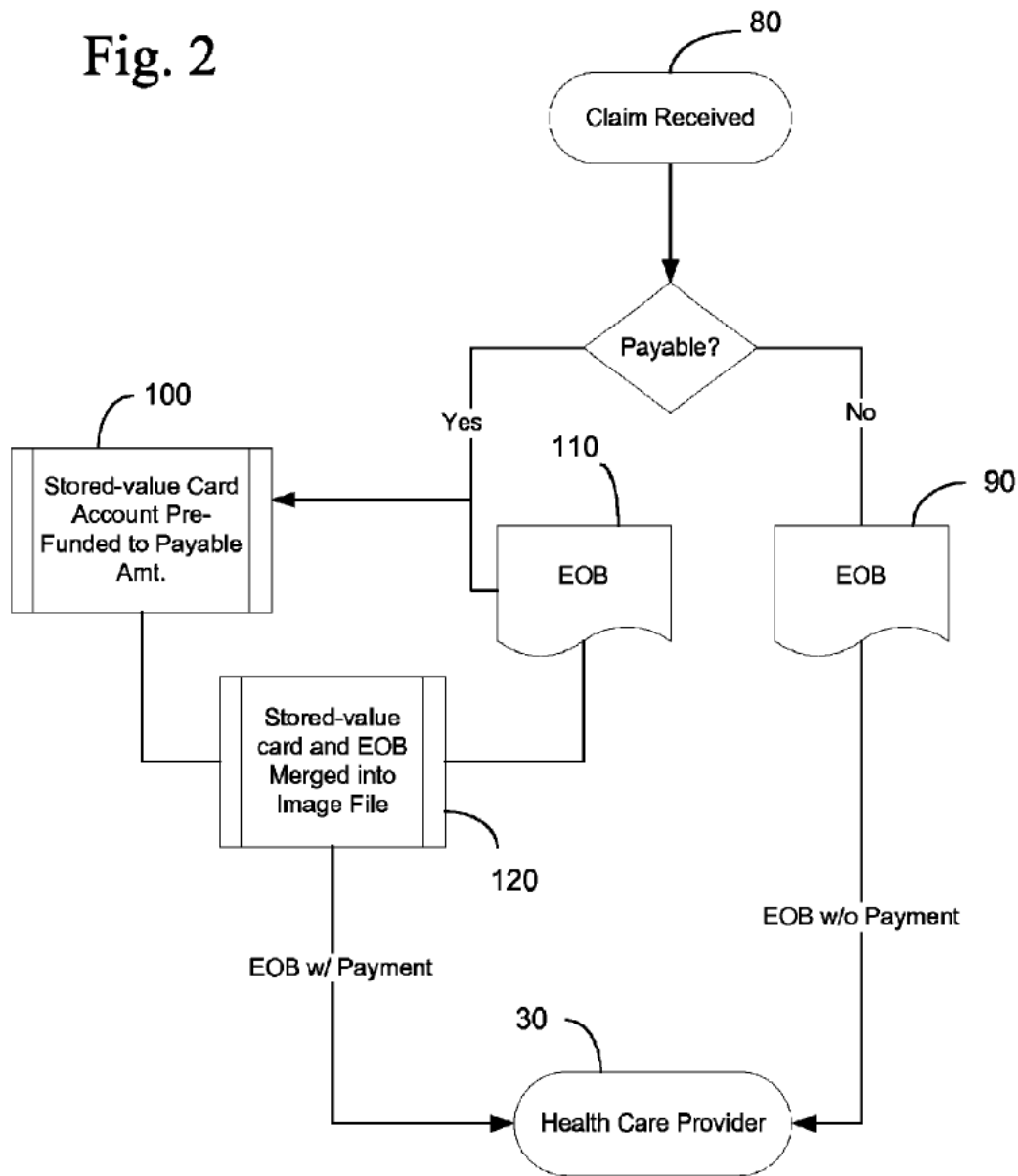
EXPLANATION OF BENEFITS
FOR
ALLEN MEDICAL
(23456789 003)
PROVIDER SUMMARY

Group Name: TEST
Page: 1
Date Paid: 10/18/06
Group #: TEST
Division #: TEST
Plan #: TEST
PPR:
Total Remittance 1.74

DATE OF SERVICE	OPT CODE	TYPE OF SERVICE	TOTAL SUBMITTED CHARGES	less INELIGIBLE AMOUNT CD	PROVIDER DISCOUNT	DEDUCT	less PARTICIPANT CO-PAY	CO-INS %	TOTAL BENEFIT PMT.
PATIENT ACCOUNT #:			PATIENT: JAMES TEST			CLAIM#: 123456789010000051			
1 01/02 - 01/02/01	99213	OFFICE VISIT PHYSI	0.25	0.00 A2	0.00	0.25	0.00	0.00	0.00
INSURED: JAMES TEST			0.25	0.00	0.00	0.25	0.00	0.00	0.00
PATIENT RESPONSIBILITY:			0.25						
PATIENT ACCOUNT #:			PATIENT: JAMES TEST			CLAIM#: 123456789010000050			
1 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.25	0.00 A2	0.00	0.00	0.00	0.06 0.20	0.20
2 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.26	0.00 A2	0.26	0.00	0.00	0.00	0.00
*P.P.O. DISCOUNT MAY NOT BE BALANCE BILLED									
3 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.27	0.00 A2	0.00	0.00	0.00	0.06 0.20	0.22
4 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.28	0.00 A2	0.00	0.00	0.00	0.06 0.20	0.22
5 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.29	0.00 A2	0.00	0.00	0.00	0.06 0.20	0.22
6 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.28	0.00 A2	0.00	0.00	0.00	0.06 0.20	0.22
7 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.25	0.00 A2	0.00	0.00	0.00	0.06 0.20	0.22
8 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.28	0.00 A2	0.00	0.00	0.00	0.06 0.20	0.22
9 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.28	0.00 A2	0.00	0.00	0.00	0.06 0.20	0.22
10 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.29	0.00 A2	0.00	0.29	0.00	0.00	0.00
11 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00
12 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00
13 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00
14 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00
15 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00
16 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00
17 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00
18 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00
19 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00
20 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00

Further, FIG. 2, reproduced below, illustrates the method of deploying the medical benefits payment system:

Fig. 2



The '904 Patent discloses the following:

In FIG. 2, claim 80 is received. Claim 80 is then evaluated to determine whether it is payable under the terms of an applicable policy. If claim 80 is not even partially payable, then non-payment EOB 90 is generated and transmitted to health care provider 30 without payment. However, if claim 80 is at least partially payable, then stored-value card account 100 is loaded with funds equal to the amount of the payable benefit. Payment EOB 110 is merged with stored-value card account 100 to generate image file 120. Image file

120 includes payment EOB 110 and a computer-generated facsimile of a physical stored-value card complete with the card number, expiration date and security verification code. Image file 120 is transmitted to health care provider 30 by a suitable transmission medium including, but not limited to, fax, SMTP, SMS, MMS, HTTP, HTTPS, and FTP.

Ex. 1002, ‘904 Patent at 3:32-46.

IV. CLAIM CONSTRUCTION

In an IPR proceeding, the Board gives all claim terms their broadest reasonable interpretation pursuant to 37 C.F.R. §42.100(b). The claims are construed “in light of the specification as it would be interpreted by one of ordinary skill in the art.” *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004).

A. The Board should adhere to the claim construction it has already established in its Decision Denying Institution of CBM Patent Review of the ‘904 Patent

The Board has already ascertained the broadest reasonable interpretation (“BRI”) of several claim terms of the ‘904 Patent. In its Decision Denying Institution of CBM Patent Review of the ‘904 Patent in CBM2013-00047 (“CBM Denial Decision”), the Board examined the claims of the ‘904 Patent and provided the BRI construction for the following claim terms: (1) medical services terminal, (2) stored-value card / stored-value card account, (3) image file, and (4) single use. *See* Ex. 1004, CBM Denial Decision at pg. 11.

For the purposes of this proceeding, the Board should adhere to its prior claim construction established in the CBM Denial Decision:

1. *Medical services terminal* (claims 1 and 6)

The Board construed the term “medical services terminal” as “a machine for charging [for] medical services.” *See Id.*

2. *Stored-value card / stored-value card account* (claims 1, 2, 6, 7, 12, 17, and 22)

The Board construed the term “stored value card” as “credit card, debit card, or EFT card” and the term “stored-value card account” as “credit card account, debit card account, or EFT card account.” *See id.* at pg. 12.

3. *Image file* (claims 1, 2, and 6)

The Board construed the term “image file” as “an electronic file that contains an image.” *See id.*

Single-use (claims 1, 2, 6, 7, 12, 17, and 22)

The Board construed the term “single-use” as “associated with a *single type* of card to be used with a *single type* of services terminal and no other type of payment terminal.” *See id.* at pg. 13 (emphasis in original). This construction is consistent with the specification and claims of the ‘904 Patent and should be adopted for the purposes of this proceeding.

Petitioner urges the Board to abandon its prior construction in favor of the one proposed in Petition. Petitioner argues that the Board’s prior construction of the term “single-use” is inconsistent with the limitation requiring that “the card account is only chargeable through a medical services terminal.” Petition at pg. 10. This is not true. As the Board articulated in its CBM Denial Decision, the term “single-use” constrains the stored-value card to being associated with a *single type* of services terminal, while the additional limitation requiring that “the card account is only chargeable through a medical services terminal” further limits the claim by specifying that the

single type of services terminal is the medical services terminal. *See id.* Accordingly, the Board’s prior interpretation of the term “single-use” is consistent with the specification and claims of the ‘904 Patent.

The Board has already analyzed the ‘904 Patent and concluded that the BRI for the term “*single-use*” is “**associated with a *single type* of card to be used with a *single type* of services terminal and no other type of payment terminal.**” The Board should adhere to this construction for the purposes of this proceeding.

B. Proposed constructions for the claim terms the Board has not yet construed

Petitioner failed to provide its construction of several key claim terms, thereby leaving unaddressed a number of material limitations of the claimed invention. Claim construction provided below is believed to satisfy the BRI standard. The following terms of art are construed according to a meaning that would be given to these terms by a person of ordinary skill in the art (“POSITA”). Patent Owner agrees with Petitioner’s definition of POSITA as someone who has several years of experience in claims adjudication, card programs, and card processing. *See* Petition at pg. 13.

1. Merging / merge (claims 2, 12, 17, and 22)

The term “*merging*” / “*merge*,” as used in the ‘904 Patent, refers to a step of ***combining together*** (1) information needed to process a payment via a stored-value card account, and (2) information needed to reconcile the payment with the provided services—i.e. an EOB. The specification of the ‘904 Patent discloses that “[p]ayment EOB 110 is *merged* with stored-value card account 100 to generate image file 120.” Ex. 1002, ‘904 Patent at 3:39-40. An example of the

resulting merged file containing both the combined EOB and stored-value card account information is depicted in FIG. 4, which is reproduced below.

Fig. 4

Information required to charge the stored-value card account

ABC Company
123 MAIN ST.
DALLAS TX 75000

Attention:
ROBERT ALLEN

To the Order of
ALLEN MEDICAL
7136 S. YALE AVE
TULSA, OK, 74137

Trans Ref: EBS TX00000025

Date: 10/18/06

Amount: \$*****1.74

This is a one-time use stored value card. It cannot be overcharged and will not allow additional charges. All transactions will be tracked and audited.

If you have any questions or require assistance, please contact the administrator.

If you are not the intended recipient noted on the left side of this form, please contact us immediately at (999) 555-1211.

Information required to reconcile the payment with the provided services

ABC COMPANY
123 MAIN ST.
DALLAS, TX 75000
(999) 555-1211 (999) 555-1212 (FAX)

EXPLANATION OF BENEFITS
FOR
ALLEN MEDICAL
123456789 003
PROVIDER SUMMARY

DATES OF SERVICE	CPT CODE	TYPE OF SERVICE	TOTAL SUBMITTED CHARGES	less INELIGIBLE AMOUNT CD	PROVIDER DISCOUNT	DEDUCTIBLE	PAYMENT	CO-INS	%	TOTAL BENEFIT PMT.
PATIENT ACCOUNT #:			PATIENT: JAMES TEST			CLAIM#: 12345678901XXX0051				
1 01/02 - 01/02/01	99213	OFFICE VISIT PHYSI	0.25	0.00 A2	0.00	0.25	0.00	0.00	0.00	0.00
INSURED: JAMES TEST			123.45	0.25	0.00	0.00	0.00	0.00	0.00	0.00
PATIENT RESPONSIBILITY:			0.25							
PATIENT ACCOUNT #:			PATIENT: JAMES TEST			CLAIM#: 12345678901XXX0050				
1 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.25	0.00 A2	0.00	0.00	0.00	0.00	0.00	0.00
2 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.26	0.00 A2	0.00	0.00	0.00	0.00	0.00	0.00
3 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.27	0.00 A2	0.00	0.00	0.00	0.00	0.00	0.00
4 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.28	0.00 A2	0.00	0.00	0.00	0.00	0.00	0.00
5 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.28	0.00 A2	0.00	0.00	0.00	0.00	0.00	0.00
6 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.28	0.00 A2	0.00	0.00	0.00	0.00	0.00	0.00
7 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.25	0.00 A2	0.00	0.00	0.00	0.00	0.00	0.00
8 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.28	0.00 A2	0.00	0.00	0.00	0.00	0.00	0.00
9 10/12 - 10/12/06	99213	OFFICE VISIT PHYSI	0.28	0.00 A2	0.00	0.00	0.00	0.00	0.00	0.00
10 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.29	0.00 A2	0.00	0.29	0.00	0.00	0.00	0.00
11 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00	0.00
12 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00	0.00
13 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00	0.00
14 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00	0.00
15 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00	0.00
16 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00	0.00
17 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00	0.00
18 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00	0.00
19 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00	0.00
20 01/01 - 01/01/01	99213	OFFICE VISIT PHYSI	0.30	0.00 A2	0.00	0.30	0.00	0.00	0.00	0.00

*P.P.O. DISCOUNT MAY NOT BE BALANCE BILLED

Ex. 1002, '904 Patent, FIG. 4, annotated

Accordingly, the proposed construction for the term “merging” / “merge” is consistent with the disclosure of the ‘904 Patent and satisfies the BRI standard.

2. *Image of a physical card* (claims 6, 9, 14, 19, and 24)

The term “*image of a physical card*” refers to a *depiction resembling a payment card*. The ‘904 Patent discloses that “[t]he electronic transmission may include an electronically computer-generated image of a physical debit card.” Ex. 1002, ‘904 Patent at 2:14-16. An example of such computer-generated image is provided in FIG. 4. The proposed construction satisfies the BRI standard and is consistent with the ‘904 Patent.

Claim construction set forth above is consistent with broadest reasonable interpretation standard applied at IPR reviews and is also consistent with how a POSITA would construe the claim terms at the time of invention. Petitioner did not offer a suggested construction for the above terms, and, thus, the Board should adopt the un rebutted construction set forth by Patent Owner.

C. Construction of “loading . . . with funds,” “loading . . . with an amount,” “prefunded with an amount,” “funding . . . with an amount,” and “fund . . . with an amount”

In its CBM Denial Decision, the Board found that construction of claim terms “loading . . . with funds,” “loading . . . with an amount,” “prefunded with an amount,” “funding . . . with an amount,” and “fund . . . with an amount” was not necessary to decide whether to institute a CBM review of the ‘904 Patent. Patent Owner believes that construction of these terms will also be unnecessary for the Board to decide whether to institute an IPR proceeding in the present case. However, if the Board finds that it requires construction of these terms, the Board should adopt the construction proposed below, which is substantially similar to the construction that was offered in CBM2013-00047 and believed to satisfy the BRI standard:

“Single, authorized benefit payment” should be interpreted as “a single payment to a service provider on a claim or consolidated claims for a service provided to an insured.” This interpretation is consistent with other claim terms, specification of the ‘904 Patent, and understanding of a POSITA at the time of the invention.

“Loading . . . with funds” should be construed as “associating funds for payment with a card account, such that the card account is chargeable for the funds.” This definition is consistent with the plain meaning of the term and POSITA’s interpretation at the time of invention.

“Loading . . . with an amount” should be construed as “associating an amount of money with a card account, such that the card account is chargeable for the amount of money” for substantially the same reasons stated above.

“Prefunded with an amount” should be construed as “associating an amount of money with a card account, such that the card account is chargeable for the amount of money” for substantially the same reasons stated above.

“Funding . . . with an amount” should be construed as “associating an amount of money with a card account, such that the card account is chargeable for the amount of money” for substantially the same reasons stated above.

“Fund . . . with an amount” should be construed as “associate an amount of money with a card account, such that the card account is chargeable for the amount of money” for substantially the same reasons stated above.

Petitioner substantially agrees with this construction, but argues that the term “amount of money” does not cover both credit and debit transactions. Patent Owner respectfully disagrees. Money is necessarily involved in both credit and debit card transactions and, therefore, the construction proposed by Patent Owner is believed to be accurate. Petitioner proposes an

alternative definition by replacing the term “amount of money” with a more vague term “amount of value.” Petitioner’s proposed construction does not meaningfully depart from the construction proposed by Patent Owner, but unnecessarily introduces ambiguity to the claim language. Therefore, the Board should adopt Patent Owner’s construction set forth above and reject modification proposed by Petitioner.

**V. PETITIONER HAS FAILED TO PROVE THAT THERE IS A REASONABLE
LIKELIHOOD THAT AT LEAST ONE CLAIM OF THE ‘904 PATENT IS
UNPATENTABLE**

A. Ground 1: There is no reasonable likelihood that claims 1-5, 7-8, 10-13, 15-18, 20-23, and 25-26 are obvious based on Kennedy in view of Watson, vPayment Interview, and Image Statement Products

In a trial before the Board, Petitioner “has the burden of proof to establish that it is entitled to the requested relief.” *See* 37 C.F.R. §42.20(c). In this case, Petitioner has not met this burden because the combination of the cited prior art does not disclose all limitations of a single challenged claims.

1. Combining Kennedy with Watson and vPayment Interview would render Kennedy inoperable for its intended purpose because combining a card account information with an electronic EOB of Kennedy would violate Payment Card Industry (PCI) Data Security Standard (DSS)

The patent law of the United States establishes that certain combinations of prior art are impermissible and cannot be used to support an obviousness challenge. It has become axiomatic that “[a] prior art reference must be considered in its entirety, i.e., as a whole, including portions that would lead away from the claimed invention.” *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 721 F.2d 1540 (Fed. Cir. 1983)). Furthermore, “[i]f proposed modification would render the prior art invention being modified *unsatisfactory for its intended purpose*, then there is no suggestion

or motivation to make the proposed modification.” MPEP §2143.01(V) (citing *In re Gordon*, 733 F.2d 900, 221 USPQ 1125 (Fed. Cir. 1984)) (emphasis added). It is also well established that an obviousness challenge is improper when “suggested combination of references would require a substantial reconstruction and redesign of the elements shown in [the primary reference] as well as a change in the basic principles under which the [primary reference] construction was designed to operate.” *In re Ratti*, 270 F.2d 810, 813 (CCPA 1959).

Petitioner alleges that Kennedy can be combined with Watson and vPayment Interview to achieve a computer-generated file containing the stored-value card account number, the amount, a card verification value code, an expiration date, and the EOB. Petitioner further alleges that “it would have been a trivial matter to combine the electronic EOB/ERA data file with basic data such as the vPayment credit card account number and its associated card verification value code and expiration date (described by vPayment Interview).” Petition at pg. 21-22. Petitioner, however, overlooks that if an electronic EOB disclosed in Kennedy is modified to also contain payment card account information, such modification would render Kennedy either unsatisfactory for its intended purpose or inoperable for the reasons provided below.

Kennedy identifies a problem in the art and then describes a solution. That problem is the substantial delay between the time the healthcare provider renders the services to a patient and the time the patient submits a payment for those services. The main issue causing this problem is that an EOB for the rendered services is not immediately available, and therefore, patient does not pay for his portion of the claim while he is in the healthcare provider’s office. Instead, the healthcare provider bills the patient at a later time after the claim has been adjudicated and the EOB has been provided:

It can therefore be long after a healthcare service is provided that a charge becomes payable by the consumer. The provider will first submit a claim to the consumer's insurer, and wait for a claim adjudication—usually in the form of an “Explanation of Benefits” (EOB) statement to the consumer from the insurer (a similar statement usually sent at the same time to the provider is often referred to as an “Explanation of Payment” or “EOP”). The EOB will show the permitted charge for the services, and in those cases where the deductible has not been met, confirm that the permitted charge is the patient's responsibility. While the EOB will provide confirmation of what is to be paid by the consumer, it will often take weeks (sometimes months) for the EOB to issue and for the provider to thereafter bill for the permitted charge and to then receive payment from the consumer. In cases where a provider has many patients with “high deductible” plans, a provider may have substantial outstanding charges that are awaiting a determination of the permitted amount and a determination of the paying party (insurance company or consumer). For an individual provider, the delay in receiving such payments can be a significant financial burden.

Ex. 1005, Kennedy at [0005].

Kennedy discloses a possible solution to this problem: transmitting an electronic EOB to the healthcare provider immediately after the services have been rendered while the patient is still in the healthcare provider's office. *See id.* at [007]. The healthcare provider can then provide the EOB to the patient, “so that the patient may pay the patient portion on a real-time basis to the provider in response to the estimated EOB information.” *Id.* With respect to how EOB is presented to the patient, Kennedy teaches the following:

the EOB information is used to create an EOB statement for display at the POS terminal 102 (steps 524, 526), and where it can be viewed and printed by the provider staff and ***discussed with (and a printed copy provided to) the patient***. It should be pointed out that ***the electronic EOB displayed, printed and provided to the patient*** may offer significant administrative advantages and cost savings in the processing and adjudication of healthcare claims.

Id. at [0055]

Kennedy further discloses that the patient may pay for his portion of the claim with a credit card, including “branded credit and debit card accounts—such as, VISA®, MasterCard®, American Express®, Discover®, etc.” *Id.* at [0030]. vPayment Interview also discloses that “vPayment runs on the MasterCard railroad track.” Ex. 1007, vPayment Interview at pg. 3. Accordingly, operability of Kennedy and vPayment Interview hinges on a healthcare provider’s ability to process payments made with major branded debit and credit card accounts. To be eligible to process payment made with Visa, MasterCard, American Express, Discover, and JCB International, a merchant **must comply** with Payment Card Industry (“PCI”) Data Security Standard (DSS), which was established prior to the priority date of the ‘904 Patent. *See* SES-2001, PCI About Us; *see also* SES-2002, PCI Compliance.

One of the main requirements of the PCI DSS v1.1, which was published in September 2006, is that a full primary account number (“PAN”) of the payment card is never displayed to those parties that do not have *a legitimate business need* to see the full PAN. *See* SES-2003, PCI DSS v.1.1 at pg. 5 (emphasis added). A more recent PCI DSS version 3.0 contains an identical requirement and provides further guidance:

The display of full PAN on items such as computer screens, payment card receipts, faxes, or paper reports can result in this data being obtained by unauthorized individuals and used fraudulently. Ensuring that full PAN is only displayed for those with a legitimate business need to see the full PAN minimizes the risk of unauthorized persons gaining access to PAN data.

This requirement relates to protection of PAN displayed on screens, paper receipts, printouts, etc. . . .

SES-2004, PCI DSS v.3.0 at pg. 37.

A healthcare patient does not have a legitimate business need to see the full PAN of the payment card issued by his or her insurance company as a payment to the healthcare provider. Only the healthcare provider and his front-office staff responsible for processing the payment have a legitimate business need to be privy to this highly sensitive financial information.

As explained above, the main purpose of the electronic EOB disclosed in Kennedy is for the EOB to be *displayed, printed and provided to the patient*, “so that the patient may pay the patient portion on a real-time basis to the provider in response to the estimated EOB information.” Ex. 1005, Kennedy at [0007], [0055]. However, if the electronic EOB contains a card account number (i.e. PAN) of a loaded payment card, the PCI DSS Requirement 3.3 will prohibit the healthcare provider from displaying, printing, or otherwise providing the EOB to the patient, thereby, rendering Kennedy *unsatisfactory for its intended purpose*.

If the healthcare provider were to choose not to comply with the PCI DSS requirements, he would relinquish his ability to process debit and credit card payments. Accordingly, the healthcare provider would be unable to charge the virtual card issued by the insurance company, thereby, rendering combination of Kennedy with Watson and vPayment Interview *inoperable*.

Furthermore, merging account information associated with an unprocessed payment with the electronic EOB disclosed in Kennedy would be highly undesirable for both the healthcare providers and the insurance companies because revealing this sensitive financial information to the patients would significantly increase a possibility of theft. After seeing a stored-value card account number, the authorized amount, a card verification value code, and an expiration date, an untrustworthy patient may devise a way to fraudulently charge the stored-value card. Accordingly,

creating an electronic file containing both the EOB and an unprocessed payment instrument (*i.e.* a loaded stored-value card) would contradict the teachings of Kennedy.

For the reasons set forth above, modifying Kennedy so that an electronic EOB contains stored-value card account number, the authorized amount, a card verification value code, and an expiration date would render Kennedy either *unsatisfactory for its intended purpose* or *inoperable*. Further combining Kennedy in view of Watson and vPayment Interview with Image Statement Products does not cure these deficiencies because Image Statement Products lacks any disclosure directed to card payments and EOBs. Accordingly, the Board should deny Petitioner's challenge based on Kennedy in view of Watson, vPayment Instrument, and Image Document Products.

2. Kennedy does not disclose merging an EOB with a payment instrument

As Petitioner points out, Kennedy discloses a system for healthcare claim adjudication. Kennedy discloses a method, according to which, an electronic EOB is transmitted to the healthcare provider in response to the healthcare provider submitting a claim for payment for the rendered services. Kennedy provides an example of an EOB in FIG. 7, which is reproduced and annotated below.

**Explanation of Benefits
Statement**

ABC Insurance Co.

Insured Name: Joe Insured
Insured ID/SS#: 123-45-6789
Policy: 24680246
Claim Number: AB-13579135-001-2-03-40-0005
Control Number: 987654321
Date: 04/05/2006

Patient Name: Pat I Insured
Provider Name: Phyllis A Provider, MD
Patient ID/SS#: 246-80-2468
Patient Account#: YZ1357924680

602 604 606 608 610 612 616

Service Code	Service Description	Service Date(s)	Provider Charge	Allowed Amount	Discount Amount	Not Covered	Deductible	Copay	Pay At	Remarks	Amount Paid
1234	Physician	01/27/2006	\$184.00	\$139.00	\$45.00		\$139.00			0054	\$0.00
5678	Lab Expense	01/27/2006	\$18.00	\$9.37	\$8.63		\$9.37			0054	\$0.00
1357	Lab Expense	01/27/2006	\$13.00	\$4.93	\$8.07		\$4.93			0054	\$0.00
9024	Lab Expense	01/27/2006	\$10.00	\$4.44	\$5.56		\$4.44			0054	\$0.00
TOTALS			\$225.00	\$157.74	\$67.26		\$157.74				\$0.00

Remarks
0054 Network Benefits applied. Your provider has agreed to the negotiated rate in accordance with the Managed Care provider agreement. You should not be billed for this amount.

622

Plan Accumulations – Deductible and Out-Of-Pocket		
This Year	2006	
	YTD	Remaining
Family Deductible	\$157.74	\$4,842.26

MSA Account

This Year Contributions	\$2,000.00
This Year Available	\$1,953.50

630

Patient Portion

Submit to MSA	Y/N
Pay To	Provider <input type="checkbox"/> Patient <input type="checkbox"/>

632

Any Remaining Balance

<input type="checkbox"/> Pay From Credit Card No. #####
<input type="checkbox"/> Pay From Other Credit Card
<input type="checkbox"/> Pay From Checking Account No. #####
<input type="checkbox"/> Pay From Other Account No. #####

Payment Summary

Payment Sent To:	Physician Affiliate
Payment Amount:	\$0.00
Payment Date:	04/05/2006
Patient's Portion:	\$157.74

Total Payment Summary

Payment(s) Sent To:	
Payment Amount:	\$0.00
Payment Date:	04/05/2006
*TOTAL PATIENT PORTION:	\$157.74

620

*remit patient portion directly to provider

Print and Retain This Statement for Patient

EOB Provides the amounts for which the insured and the insurer are responsible.

Patient may elect to pay for its portion of the claim with a payment method stored on file. However, the card account number, a card verification value code, and expiration date are not shown on the EOB.

EOB does not contain any information associated with a stored-value card (or any other financial instrument) that could be used by the healthcare provider to receive a payment from the insurance company.

- a. Expert testimony submitted by Petitioner contradicts Petitioner's allegations that modifying the data file containing in ANSI 835 format containing EOB to include payment card account information would be obvious to a POSITA

Transmissions of healthcare documents are highly regulated because they involve very sensitive and confidential personal information. The American National Standards Institute ("ANSI") oversees the creation, promulgation and use of thousands of norms and guidelines to

assure the safety and health of consumers. *See* SES-2005, About ANSI at pg. 1. The electronic EOB disclosed in Kennedy is formatted to comply with ANSI 835 standard:

an EOB message [is] sent from the DBMS 120 to the provider host 106, for purposes of creating the displayed EOB statement. The message is a data packet—also referred to as an electronic remittance advice (ERA) message—***formatted in accordance with ANSI Accredited Standards Committee X12N, “Health Care Claim Payment/Advice 835 Implementation Guide (ASC X12N 835).***

Ex. 1005, Kennedy at [0057]

Petitioner alleges the following:

it would have been obvious to one of ordinary skill in the art to incorporate the vPayment method disclosed in Watson and vPayment Interview into the Kennedy system to effect payment from the insurance company to the health care provider. Furthermore, ***the most obvious way*** to do so would have been for the insurance company to simply transmit vPayment information along with the EOB/ERA data file disclosed by Kennedy in a single combined electronic file.

Petition at pg. 21.

This is not true. Even Petitioner’s expert recognizes that modifying an EOB data file in ANSI 835 format would be impractical because of the strict regulatory requirements: “while modifying the 835 format to include information for other payment types would have been technically trivial, ***practically it may have been difficult because the 835 format is a national standard, requiring committee approval for changes.***” Ex. 1001 at ¶122. Accordingly, a POSITA would not consider modifying ANSI 835 filed disclosed in Kennedy to include vPayment information along with the EOB/ERA as a viable practical solution. Therefore, combining Kennedy with Watson and vPayment Interview would not have been obvious to a POSITA.

b. **Kennedy does not disclose transmitting a payment instrument to a healthcare provider because ACH payments do not require the payment recipient to be privy to any information for the account from which the payment is being made**

In contrast to the invention disclosed in the ‘904 Patent, Kennedy focuses on facilitating payment for healthcare services from the insured patient rather than from a third party payer (*i.e.* the health network). In fact, the only type of payment from the health network to the healthcare provider disclosed in Kennedy is through an automated clearing house (“ACH”) transaction. *See* Ex. 1005, Kennedy at [0064]. Kennedy discloses that the system “may expedite an *automatic* payment to the provider” using a “conventional *ACH* banking network.” *See id.*

Petitioner alleges that “Kennedy’s disclosure of processing payments from a payer to the provider after the EOB/ERA data file had been transmitted to the provider demonstrates that the EOB/ERA data file of Kennedy included payment information for a payment from a payer to the health care provider.” Petition at pg. 19-20. Petitioner fails to recognize that unlike payments made via a check or a credit card, payments made via ACH are passive—meaning that they do not require any action from the recipient of payment after the initial payment framework is established. The ACH payments are automated fund transfers (similar to direct payroll deposits) and, therefore, do not require the recipient of the payment to know any information for the account from which the payment is being made. For this reason, transmitting an electronic file containing such information would contradict the ACH payment method disclosed in Kennedy, in which sensitive financial information of the insurance company’s bank account is never transmitted to the health care provider.

- c. **Kennedy requires two separate transactions to submit a payment and an EOB to a healthcare provider, and therefore does not disclose that the EOB and the payment are transmitted as a single file to a single entity**

Every claim of the '904 Patent requires that the electronic file transmitted to the healthcare provider contains both a stored-value card account information and an EOB. The payment and the EOB are transmitted to the healthcare provider *contemporaneously* via a *single transaction* by transmitting a file containing both the EOB and the payment instrument. After the administrator transmits such file, no further action is required from the payer. Kennedy teaches the opposite. Kennedy discloses that the EOB and the payment from the health network are transmitted as *two separate transactions*. In the first transaction (step 524), the health network transmits an EOB to the healthcare provider. *See* Ex. 1005, Kennedy at [0055]. When the healthcare provider receives the EOB, the EOB does not contain a payment instrument for payment from the health network to the healthcare provider. *See id.* at FIG. 7. Accordingly, the health network must execute a second transaction, in which the health network transmits the payment to the healthcare provider's bank account (step 534). *See* Ex. 1005, Kennedy at [0064].

Unlike the '904 Patent, Kennedy does not disclose contemporaneous transmission of the payment instrument and the EOB. Petitioner also recognizes this key difference: "Kennedy's disclosure of processing ACH payments from a payer to the provider *after* the EOB/ERA data file had been transmitted to the provider." Petition at pg. 19-20. This distinction is vividly illustrated in FIG. 5 of Kennedy, which is reproduced below:

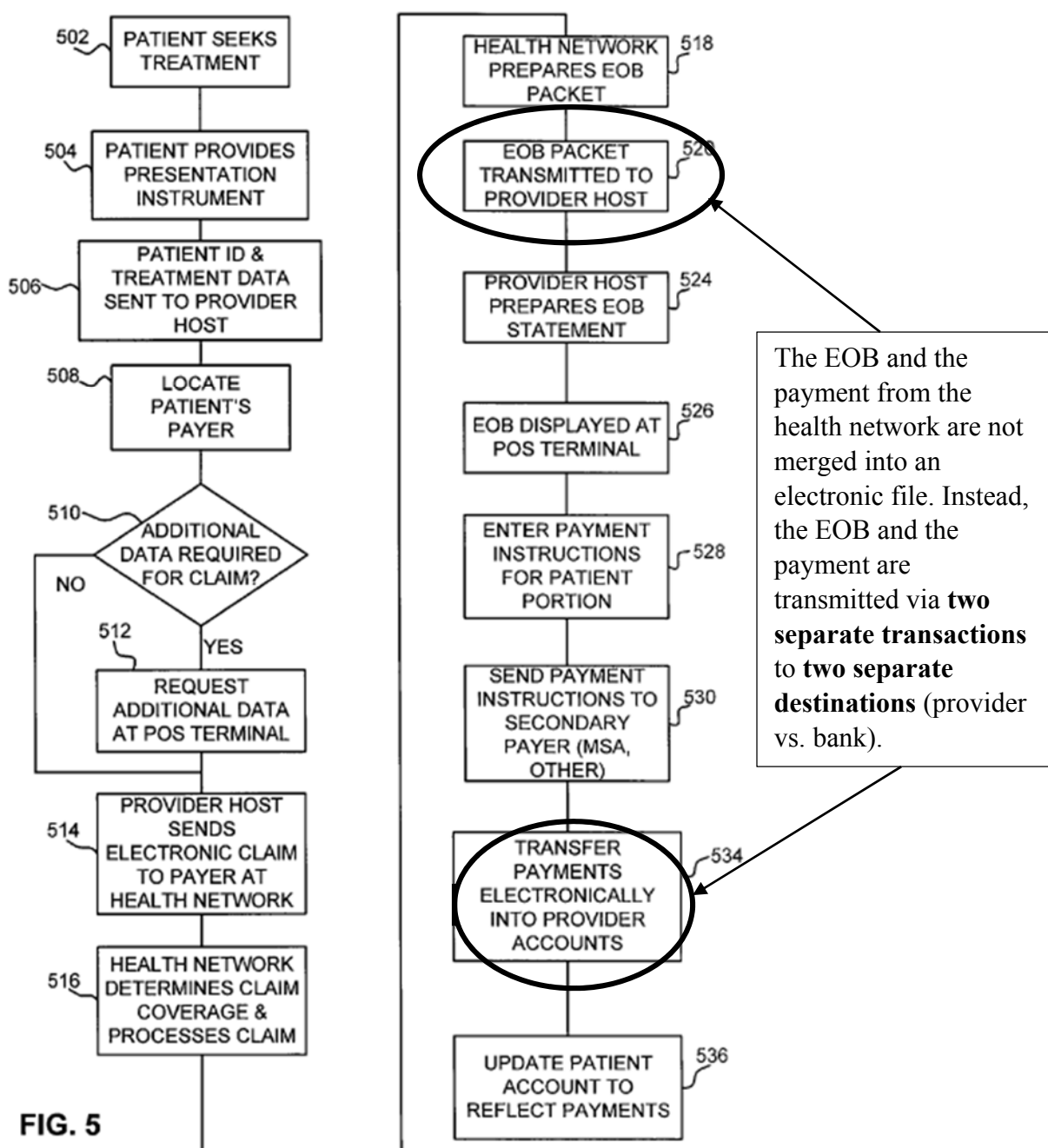


FIG. 5

Kennedy, FIG. 5, annotated

Every claim of the '904 patent requires *transmitting* (claims 1-16) or *sending* (claims 17-26) an image file (claims 1-6), a file (claims 7-11), a document (claims 12-16), or an electronic

file (claims 17-26) containing both an EOB and payment to a single specific destination, namely, “to the health care provider.” The ACH payment described in Kennedy is sent, not to the health care provider, but to the bank of the health care provider. Accordingly, Kennedy requires that the payment and the EOB are transmitted to two (2) different entities as two (2) separate transactions. Accordingly, even if Kennedy could be combined with Watson and vPayment Interview, which it cannot for the reasons discussed above, that combination would not teach that a virtual card account information and EOB are *merged* and transmitted together as a single file to a single entity as the ‘904 Patent requires.

3. Petitioner failed to establish that Kennedy inherently discloses the limitation of merging the payment instrument and the EOB into an electronic file

Recognizing the deficiencies of Kennedy explained above, Petitioner makes the following statement relying solely on the testimony of its expert: “it is well-known in the art that an EOB/ERA data file in the ANSI 835 format *may* contain payment information for a payment from the payer (e.g. insurance company to the health care provider).” Petition at pg. 19 (emphasis added). Petitioner then proceeds to make an attenuated argument that appears to be founded on inherency: “Kennedy’s disclosure of processing ACH payments from a payer to the provider after the EOB/ERA data file had been transmitted to the provider demonstrates that the EOB/ERA data file of Kennedy included payment information for a payment from a payer to the healthcare provider.” Petition at pg. 19-20.

To establish that an element is inherently present in a prior art reference, the missing descriptive matter must be *necessarily* present in that reference because inherency *may not be established by probabilities or possibilities*. See *In re Robertson*, 169 F.3d 743, 745 (Fed. Cir. 1999). As explained above, ACH payments are automatically transferred from a payer’s account

into a recipient's account. Recipient does not need to be privy to any of the payer's account information to receive the payment. Accordingly, Petitioner's argument that Kennedy's disclosure of processing of an ACH payment "demonstrates" a prior transmission of payer's account information to the recipient is fundamentally flawed. Moreover, even if the payer's account information had to be transmitted to the healthcare provider prior to processing the payment, Petitioner ignores a possibility that sensitive account information could be transmitted through a different confidential communication, rather than combined with an EOB, which may be "displayed, printed and provided to the patient." Ex. 1005, Kennedy at [0055]. Therefore, Kennedy does not necessarily require that the account information is contained within the same electronic file as the EOB, and, therefore, Petitioner's inherency argument must fail.

For the reasons set forth above, Kennedy does not disclose either explicitly or inherently the claimed limitation requiring merging the account information necessary to process a payment and the EOB into an electronic file.

4. Combination of Kennedy, Watson, vPayment Interview, and Image Statement Products suffers from the same deficiencies as Kennedy because none of the cited prior art references disclose the limitation of merging an EOB with a payment

Watson and vPayment Interview disclose methods for making payments using virtual payment cards rather than physical ones. Image Statement Products discloses a method for providing banking customers with images of processed checks within their monthly account statements. Unlike the '904 Patent, none of these three references addresses the issue of "facilitating payment of adjudicated health care benefits to a health care provider on behalf of a payer." Neither Watson nor vPayment nor Image Statement Products discloses merging an EOB

with an unprocessed payment instrument (i.e. stored-value card) and transmitting them contemporaneously in a computer-generated file.

Image Statement Products is the only reference cited by Petitioner having at least a modicum of relevance to the *merging* requirement of the ‘904 Patent. However, the method disclosed in the Image Statement Products is not applicable to payments from an insurance company to a healthcare provider for the services rendered to the insured. Rather, Image Statement Products discloses a method that would “allow financial institutions to return electronic or printed images of ***processed*** checks to customers within their monthly account statement in lieu of the original paper item.” Ex. 1010, Image Statement Products at pg. 1. This is a key distinction between the ‘904 Patent and Image Statement Products.

All claims of the ‘904 Patent require creation of an electronic file containing the EOB and the stored-value card account information needed to effect payment from the insurance company to the healthcare provider. In sharp contrast, Image Statement Products discloses a method that allows financial institutions “to ***return*** electronic or printed images of ***processed*** checks to customers within their monthly account statement in lieu of the original check document.” *Id.* Unlike the stored-value card account information of the ‘904 Patent, the images of ***processed*** checks disclosed in Image Statement Products have already been used to transfer the funds and are being sent for recordkeeping purposes, rather than as a payment for rendered services.

Furthermore, a monthly bank account statement cannot be equated to an EOB. The bank account statement simply lists transactions that ***had already occurred*** that month—debits, credits, incurred interest, fund transfers, etc.—and does not contain information required for reconciliation of an insurance claim payment that has not yet been processed. Image Statement Product discloses transmission of two recordkeeping documents—an image of a processed check

and the monthly account statement—from the bank to its customers. The processed check has already served its purpose and, at the time it is transmitted along with a monthly statement, cannot be used to effect payment between two parties. In sharp contrast, the claims of the ‘904 Patent require that an *unprocessed* payment instrument (a loaded stored-value card account) and a document required for reconciliation of that payment (the EOB) are *merged* together and transmitted contemporaneously from a third party payer to a healthcare provider as a payment for the rendered services. Accordingly, Image Statement Products does not render obvious the claimed step requiring merging an EOB with a stored-value card account loaded with funds for an authorized payment.

d. Petitioner does not point to a combination of patents or printed publications that could render obvious the step of merging an EOB with a stored-value card account information

Petitioner leans heavily on the testimony of its expert for support of its invalidity challenges. It is well established that “extrinsic evidence in the form of expert testimony can be useful to a court for a variety of purposes, such as to provide background on the technology at issue, to explain how an invention works, to ensure that the court’s understanding of the technical aspects of the patent is consistent with that of a person of skill in the art, or to establish that a particular term in the patent or the prior art has a particular meaning in the pertinent field.” *Philips v AWH*, 415 F.3d 1303, 1318 (Fed. Cir. 2005). (citing *Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1308-09 (Fed. Cir. 1999); *Key Pharms. v. Hercon Labs. Corp.*, 161 F.3d 709, 716 (Fed. Cir. 1998)). However, “conclusory, unsupported assertions by experts are not useful to a court.” *See Philips* 415 F.3d at 1318. “A petitioner in an *inter partes* review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section

102 or 103 and only on the basis of prior art consisting of *patents or printed publications*.” 35 U.S.C. § 311(b) (emphasis added).

The Petition is replete with conclusory statements that are not founded on objective evidence, and instead are based solely on the testimony of a hired expert. For example, after merely summarizing disclosures of Kennedy, Watson, and vPayment Interview, petitioner alleged that “[a]ccordingly, it would have been obvious to one of ordinary skill in the art to incorporate the vPayment method disclosed in Watson and vPayment Interview into the Kennedy system to effect payment from the insurance company to the health care provider.” Petition at pg. 21. Using the preceding statement as a foundation Petitioner concluded the following:

the most obvious way to do so would have been for the insurance company to simply transmit vPayment information along with the EOB/ERA data file disclosed by Kennedy in a single combined electronic file. It would have been *a trivial matter* to combine the electronic EOB/ERA data file with basic data such as the vPayment credit card account number and its associated card verification value code and expiration date (described at page 3 of vPayment Interview).

Petition at pg. 21-22.

Petitioner, however, cannot point to any patents or printed publications—as required by 35 U.S. Code § 311(b)—in support of those conclusions. Petitioner ignores that there is a myriad of ways to transmit vPayment and the EOB to a healthcare provider without merging the two into a single computer-generated file. Instead of building its argument on objective evidence, Petitioner makes conclusory allegations based solely on its expert’s testimony. It is well established in the United States patent law that challenges on obviousness grounds cannot be sustained by mere conclusory statements. *See KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 418 (2007) (quoting *In re Kahn*, 441 F.3d 977, 988 (C.A.Fed.2006)). As the Federal Circuit eloquently stated:

“[o]bviousness requires a court to walk a tightrope blindfolded (to avoid hindsight) – an enterprise best pursued with the safety net of *objective evidence*.” See *Mintz v. Dietz & Watson, Inc.*, 679 F.3d 1372, 1379 (Fed. Cir. 2012) (emphasis added).

Petitioner provided no objective evidence disclosing the step of “creating a computer-generated image file containing the stored-value card account number, the amount, a card verification value code, an expiration date, and the explanation of benefits” of claim 1 of the ‘904 Patent. For this reason, the Board should deny the Petitioner’s challenge of claim 1.

Claims 2- 26 of the ‘904 Patent contain similar limitations. Specific limitations absent in combination of Kennedy, Watson, vPayment Interview, and Image Statement Products are listed in the table below.

Claim Number	Some of the key limitations absent in cited prior art
claim 1	(1) “creating a computer-generated image file containing the stored-value card account number, the amount, a card verification value code, an expiration date, and the explanation of benefits;
claims 2-5	(1) “merging the stored-value card account number, the authorized amount, a card verification value code, and an expiration date with the explanation of benefits into a computer-generated image file”
claim 6	(1) “creating a computer-image file containing the stored-value card account number, the amount, a card verification value code, an expiration date, and the explanation of benefits;”
claims 7-11	(1) “creating a computer-generated file containing the stored-value card account number, the adjudicated benefit payment amount, a card verification value code, an expiration date, and the explanation of benefits by one or more computers;”
claims 12-16	(1) “the payment mechanism merging a stored-value card account number, an adjudicated benefit payment amount, a card verification value code, and an expiration date with the explanation of benefits into a document by one or more computers;”

claims 17-21	(1) “merging the explanation of benefits with the stored-value card account number, the adjudicated benefit amount of payment a card verification value code, and an expiration date in an electronic file by said one or more computers;”
claims 22-26	(1) the card processing system also operable to merge the explanation of benefits with the stored-value card account number by one or more computers, the adjudicated amount of payment, a card verification value code, and an expiration date in an electronic file

In light of the above analysis, Petitioner has failed to establish that there is a reasonable likelihood that combination of Kennedy, Watson, vPayment Interview, and Image Statement Products can render obvious all limitations of claims 1-26. Therefore, the Board should reject Petitioner’s challenge founded on this faulty ground.

5. Combination of Kennedy, Watson, vPayment Interview, and Image Statement Products does not disclose a computer-generated *image file* containing both an EOB and a stored-value card account information

Petitioner acknowledges that Kennedy does not disclose a computer-generated image and, instead, transmits the electronic EOB using a data file in the ANSI 835 format. Petition at pg. 19-20. As the Board held in the CBM Denial Decision, “[t]he interpretation of ‘image file’ that we have accepted *requires an image*, and an *electronic file with no images would not satisfy the interpretation*.” Ex. 1004, CBM Denial Decision at pg. 19.

Petitioner alleges that although Kennedy does not disclose a computer-generated image file containing both the EOB and the stored-value card, Kennedy may nevertheless be combined with Image Statement Documents to achieve this limitation. Petitioner at pg. 23. It is unclear how a disclosure of an image of processed check could be combined with an ANSI 835 formatted file containing an EOB to achieve a computer-generated image file containing both the EOB and the

stored-value card account information. Petitioner does not provide a plausible explanation for such combination. Instead, Petitioner makes the following conclusory statement: “it was common practice in the industry at the time for third party payment distribution services to receive native ANSI 835-formatted files, generate human-readable images of those files, and to include either ACH payment information or an image of check.” Petition at pg. 23.

This statement, however, appears to contradict the testimony of Petitioner’s expert, who stated the following: “it would have been obvious to one of ordinary skill in the art create a file containing EOB information in *the 835 format* and vPayment information in order to *easily and conveniently* transmit it to providers as payment.” Ex. 1001 at ¶122 (emphasis added). Based on the preceding statement, Petitioner’s expert appears to be of an opinion that standard ANSI 835 data files, such as the ones disclosed in Kennedy, can be “easily and conveniently” transmitted to healthcare providers as a payment. Accordingly, Petitioner’s arguments that a POSITA would be motivated to combine an EOB with a payment instrument and convert the data file to an image file are misguided.

Petition lacks any prior art disclosing that either an EOB or a virtual payment card account is transmitted to the recipient as a computer-generated *image* file. Accordingly, Petitioner failed to establish that there is a reasonable likelihood that combination of Kennedy, Watson, vPayment Interview, and Image Statement Product could render obvious the limitation requiring a computer-generated *image* file containing an EOB and a stored-value card account information. This limitation is present in claims 1-6, and therefore, at least for this reasons the Board should deny Petitioner’s invalidity challenge with respect to these claims.

B. Ground 2: Petitioner failed to show that there is a reasonable likelihood that claims 6, 9, 14, 19, and 24 are obvious based on Kennedy in view of Watson, vPayment Interview, Image Statement Products, and Knowledge

Petitioner challenges claims 6, 9, 14, 19, and 24 on a basis of Kennedy in view of Watson, vPayment Interview, Image Statement Products, and knowledge of one of ordinary skill in the art (“Knowledge”). This challenge, however, violates 35 U.S.C. §311(b), which states that in a petitioner in an IPR may raise invalidity challenges “only on the basis of prior art consisting of *patents or printed publications*.” 35 U.S.C. § 311(b) (emphasis added). Patent Owner respectfully submits that “Knowledge” is not a patent or a printed publication and, therefore, does not qualify as eligible prior art in an IPR.

Claims 6, 9, 14, 19, and 24 require that “a computer-generated *image of a physical card*” is transmitted to the healthcare provider. The cited prior art does not disclose this limitation. Recognizing this deficiency, Petitioner states that “whether to present stored-value card information as text or as text on an image of a card would have been a mere design choice between two well-known and widely used methods.” Petition at pg. 46. Yet, other than “Knowledge,” Petitioner is unable to provide any evidence disclosing this limitation. Accordingly, at least for this reason, the Board should deny Petitioner’s challenge of claims 6, 9, 14, 19, and 24.

VI. CONCLUSION

For the reasons set forth above, Petitioner has failed to prove that there is a reasonable likelihood that Petitioner would prevail in an IPR proceeding with respect to a single claim of the ‘904 Patent based on the five challenges advanced in the Petition. Accordingly, the Board should deny the Petition in its entirety and decline to institute the IPR proceeding of the ‘904 Patent..

Date: December 9, 2014

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the above Preliminary Response of the Patent Owner in case no. IPR2014-01414 were served via Express Mail Label No. EK 594274937 US on December 9, 2014, in their entirety upon the following:

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