

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SQUARE, INC.,
Petitioner,

v.

THINK COMPUTER CORPORATION,
Patent Owner.

CBM2014-00159
Patent No. 8,396,808 B2

Before TONI R. SCHEINER, SCOTT E. KAMHOLZ, and
BART A. GERSTENBLITH, *Administrative Patent Judges*.

KAMHOLZ, *Administrative Patent Judge*.

DECISION
Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

I. INTRODUCTION

Square, Inc. (“Petitioner”) filed a Petition (Paper 3, “Pet.”) requesting institution of a covered business method patent review of claims 1–11, 13–17, and 19–22 of U.S. Patent No. 8,396,808 B2 (“the ’808 patent”). Patent Owner Think Computer Corporation filed a Preliminary Response (Paper 7, “Prelim. Resp.”).

For the reasons that follow, we determine that the ’808 patent qualifies as a covered business method patent for purposes of § 18(d)(1) of the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284, 331. We further determine that the information presented in the Petition, if not rebutted, demonstrates that it is more likely than not that at least one claim of the ’808 patent is unpatentable. We institute a covered business method patent review of claims 1–7, 9–11, 13–17, and 20–22, but not of claims 8 and 19. *See* 35 U.S.C. § 324(a).

II. DISCUSSION

A. *The ’808 Patent*

The ’808 patent is directed to an electronic payment system in which a participant may act as either purchaser or merchant depending on whether the participant’s account is assigned either the purchaser or merchant role. Ex. 1001, 3:17–20.

Claim 1 is illustrative of the challenged subject matter and is reproduced below.

1. A method for transferring an electronic payment between a purchaser and a merchant comprising:

assigning a role of a merchant account to a first account and a role of a purchaser account to a

second account within a payment system wherein the first account and the second account are adapted to selectively function as either a merchant account or a purchaser account during any particular transaction;

adding an item offered for sale by the merchant from a product catalog stored in the payment system to a purchase list;

obtaining a user ID token of the purchaser from a merchant terminal, the merchant terminal being at a merchant location and the merchant location being different from the payment system;

communicating identity confirmation information associated with the user ID token to the merchant terminal; and

transferring funds for a purchase price total from the purchaser account to the merchant account.

B. Challenges

Petitioner challenges the claims as follows, all on the basis of obviousness under 35 U.S.C. § 103(a):

References	Claims Challenged
Bemmel ¹ and Dalzell ²	1–3, 5–7, 17, and 20–22
Bemmel, Dalzell, and Ondrus ³	8 and 19

¹ U.S. Pat. App. Pub. No. 2008/0046366 A1, pub. Feb. 21, 2008 (Ex. 1005).

² U.S. Pat. App. Pub. No. 2003/0204447 A1, pub. Oct. 30, 2003 (Ex. 1006).

³ Ondrus and Pigneur, *An Architecture for Mobile Payments and Couponing in the Retail Industry*. 17th Bled eCommerce Conference, June 21–23, 2004 (Ex. 1007).

References	Claims Challenged
Bemmel, Dalzell, and Carlson ⁴	4
Bemmel, Dalzell, and Tripp ⁵	9, 10, and 13–15
Bemmel, Dalzell, and Elston ⁶	11
Bemmel, Dalzell, and Deschryver ⁷	16
Tumminaro, ⁸ Ogilvy, ⁹ and Ondrus	1, 2, 6–10, 13, 14, and 19–22
Tumminaro, Ogilvy, Ondrus, and Dalzell	3, 5, and 17
Tumminaro, Ogilvy, Ondrus, Dalzell, and Carlson	4
Tumminaro, Ogilvy, Ondrus, and Elston	11
Tumminaro, Ogilvy, Ondrus, and Tripp	15
Tumminaro, Ogilvy, Ondrus, and Deschryver	16

Petitioner also relies upon declaration testimony of Norman M. Sadeh-Konieczpol, Ph.D. in support of its challenges. Dr. Sadeh-Konieczpol's declaration is dated July 17, 2014, and is provided as Exhibit 1002.

⁴ U.S. Pat. App. Pub. No. 2007/0185785 A1, pub. Aug. 7, 2007 (Ex. 1008).

⁵ U.S. Pat. App. Pub. No. 2006/0143087 A1, pub. June 29, 2006 (Ex. 1009).

⁶ U.S. Pat. App. Pub. No. 2002/0143655 A1, pub. Oct. 3, 2002 (Ex. 1013).

⁷ PCT Pub. No. WO 2007/008686 A2, pub. Jan. 18, 2007 (Ex. 1010).

⁸ U.S. Pat. App. Pub. No. 2007/0255652 A1, pub. Nov. 1, 2007 (Ex. 1011).

⁹ PCT Pub. No. WO 2006/000021 A1, pub. Jan. 5, 2006 (Ex. 1012).

C. Claim Construction

In a covered business method patent review, claim terms in an unexpired patent are interpreted according to their broadest reasonable construction in light of the specification of the patent in which they appear. 37 C.F.R. § 42.300(b). Claim terms are given their ordinary and customary meaning, as would be understood by one of ordinary skill in the art in the context of the entire disclosure. *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007).

Petitioner proposes constructions for several claim terms. Pet. 12–18. Patent Owner argues that several of Petitioner’s constructions are unreasonably broad for failing to limit them to requiring “line item data.” Prelim. Resp. 36–39. We disagree and address this issue in Section II.E, *infra*.

D. Standing to Seek Covered Business Method Patent Review

Under § 18(a)(1)(E) of the AIA, the Board may institute a transitional proceeding only for a patent that is a covered business method patent. Section 18(d)(1) of the AIA defines the term “covered business method patent” to mean:

a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

AIA, 125 Stat. at 331.

The determination of whether a patent is eligible for covered business method patent review is based on what the patent claims. A patent having even one claim directed to a covered business method is eligible for review,

even if the patent includes additional claims. *See Transitional Program for Covered Business Method Patents – Definitions of Covered Business Method Patent and Technological Invention; Final Rule*, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (Response to Comment 8).

1. Petitioner Has Been Sued for Infringement of the '808 Patent

Section 18 of the AIA limits reviews to persons or their privies that have been sued or charged with infringement of a covered business method patent. AIA, §§ 18(a)(1)(B) and 18(d)(1).

Petitioner represents that Patent Owner has sued Petitioner for infringement of the '808 patent in *Think Computer Corp. v. Square, Inc.*, No. 5:14-cv-01374-PSG (N.D. Cal.). Pet. 10; Ex. 1014. Patent Owner does not dispute this statement. Therefore, if we determine that the '808 patent qualifies as a covered business method patent, Petitioner has met this requirement. *See* 37 C.F.R. § 42.302(a).

2. Claims 1–11, 13–17, and 19–22 are Directed to Financial Products and Services

The AIA legislative history explains that the definition of a covered business method patent was drafted to encompass patents “claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity” and that “financial product or service” should be interpreted broadly. 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer).

Petitioner argues that claims 1–11, 13–17, and 19–22 are directed to financial products or services because they concern the handling of electronic payments. Pet. 8. For example, claim 1 calls for “transferring

funds for a purchase price total.” Patent Owner does not dispute that this requirement is met. Prelim. Resp. 1.

Accordingly, we are persuaded that claims 1–11, 13–17, and 19–22 are directed to financial products or services.

3. Claims 1–11, 13–17, and 19–22 Are Not Directed to a Technological Invention

The definition of “covered business method patent” in § 18(d)(1) of the AIA excludes patents for “technological inventions.” AIA, 125 Stat. at 331. For guidance, we look to 37 C.F.R. § 42.301(b), which defines the term “technological invention” and requires a case-by-case consideration of “whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.” The following claim drafting techniques, for example, typically do not render a patent a “technological invention”:

(a) Mere recitation of known technologies, such as computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, or specialized machines, such as an ATM or point of sale device.

(b) Reciting the use of known prior art technology to accomplish a process or method, even if that process or method is novel and non-obvious.

(c) Combining prior art structures to achieve the normal, expected, or predictable result of that combination.

Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,763–64 (Aug. 14, 2012). Therefore, to qualify under the “technological invention” exception to covered business method patent review, it is not enough that the

claimed invention makes use of technological systems, features, or components.

Petitioner contends that the '808 patent is not directed to a technological invention. Pet. 9–10. Petitioner argues that the claims are not excluded from covered business method patent review merely because they recite generic computer technology such as “merchant terminal,” “purchaser terminal,” and “a user ID token.” *Id.* at 9. Petitioner contends that the '808 patent avoids tying any limitation to a particular technical device. *Id.* (citing Ex. 1001, 1:64–66 (“[t]he electronic terminal may be . . . any suitable internet-enabled device”); *id.* at 3:40–44, 4:67–5:9 (ascribing various functions to “any suitable” implementation or device)).

Patent Owner responds that the claims of the '808 patent recite technological features such as “integrat[ing] a digital product catalog with the payments infrastructure” and “a system where account roles are flexible.” Prelim. Resp. 7. Patent Owner also argues that the '808 patent provides technical solutions for numerous technical problems. *Id.* at 7–8.

Upon consideration of the parties' arguments, we are persuaded that claim 1, at least, does not recite a technological invention. We agree with Petitioner that none of the elements recited in claim 1 amounts to more than known technology. The features Patent Owner points out are not recited in claim 1, and even if they emerge from the recited combination of conventional elements, the result is not a technological invention. “Mere recitation of known technologies, such as computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, or specialized machines,” typically is not enough to show a technological

invention. *Office Patent Trial Practice Guide*, 77 Fed. Reg. at 48,764. Nor is “[r]eciting the use of known prior art technology to accomplish a process or method, even if that process or method is novel and non-obvious.” *Id.* The recitations of generic computer elements in the ’808 patent claims are insufficient to show that the claimed invention is technological.¹⁰

In sum, we are persuaded, on this record, that the subject matter of claim 1, at least, does not solve a technical problem using a technical solution and, thus, is not a technological invention. Accordingly, the ’808 patent is eligible for covered business method patent review.

E. Obviousness of Claims 1–3, 5–7, 17, and 20–22 over Bemmell and Dalzell

Petitioner argues that the “combination of [Bemmell and Dalzell] discloses” all limitations of each of claims 1–3, 5–7, 17, and 20–22. Pet. 18. In particular, Petitioner argues that Bemmell discloses the claimed systems and methods except for “bi-directional” transaction accounts (i.e., individual accounts that can be assigned a purchaser role or a merchant role in a particular transaction) or a product catalog stored in the payment server. *Id.* Petitioner argues that it would have been obvious to combine the disclosures of Bemmell and Dalzell, because Dalzell discloses that its systems can be employed in mobile devices and kiosks, and because Bemmell discloses that

¹⁰ Patent Owner calls our attention to the decisions denying institution in CBM2014-00123 and CBM2014-00124. Paper 8. Given the case-by-case basis on which the “technological invention” issue is to be decided, 37 C.F.R. § 42.301(b), we determine that those decisions do not compel the same result here.

its systems may be employed in online merchant transactions. *Id.* at 25 (citing Ex. 1006 ¶¶ 45, 121, 122;¹¹ Ex. 1005 ¶ 86).

Patent Owner argues that Petitioner fails to address how Bemmell or Dalzell discloses “line item data.” Prelim. Resp. 42. Patent Owner argues that the limitations “purchase list,” “product catalog,” and “transaction record” all include “line item data” as a limitation. Patent Owner cites column 8, lines 5–10 of the ’808 patent specification in support of this argument, as well as Exhibit 2005, which is a declaration submitted by inventor Aaron J. Greenspan under 37 C.F.R. § 1.131 during prosecution of the application on which the ’808 patent was granted. *Id.* at 42–43.¹²

This argument is unpersuasive because the evidence Patent Owner cites does not, on the present record, indicate that one of ordinary skill in the art would have understood that a “purchase list,” “product catalog,” or a “transaction record” necessarily would include “line item data,” as those terms are used in the ’808 patent specification. The phrase “line item” occurs only three times in the specification, all within the cited passage in column 8. Patent Owner does not explain credibly how one of ordinary skill would understand from these passing references what “line item data” is, or

¹¹ We interpret Petitioner’s citation to Exhibit 1005 at line 9 on page 25 to be a typographical error for which Exhibit 1006 was intended.

¹² Patent Owner cites a passage at “9:26” of Exhibit 2005 as support for this argument. *E.g.*, Prelim. Resp. 43. There is no discussion of “line item data” on line 26 of page 9 of Exhibit 2005. Elsewhere in the Preliminary Response, Patent Owner cites Exhibit 2005 at page 2, line 26 to page 3, line 18 as evidence that the specification of the ’808 patent discloses that, for example, a “purchase list” contains itemized information also known as line item data. *E.g.*, Prelim. Resp. 37. We direct our attention to that passage in consideration of Patent Owner’s argument.

that it necessarily forms part of elements recited in the claims. The passage from Mr. Greenspan's declaration explains what Mr. Greenspan considers line item data to be, but it explains neither how his understanding can be gleaned from the specification, nor whether it represents the understanding of one of ordinary skill.

Patent Owner also argues that Petitioner fails to analyze the differences between the claims and the prior art. Prelim. Resp. 45–47. We disagree. Petitioner acknowledges, for example, that Bemmell does not disclose the claimed “bidirectional” accounts. *See* Pet. 18. Petitioner's claim charts also serve to identify differences between the claims and the prior art by, e.g., not citing a given reference for disclosure of a particular limitation.

Patent Owner argues that Petitioner relies upon an unsupported expert opinion to support the Bemmell/Dalzell combination. Prelim. Resp. 47–49. According to Patent Owner, Dr. Sadeh-Konieczpol provides no evidence to support his assertion that it was commonplace in the industry to combine complementary features, nor does he identify which features were complementary. *Id.* We disagree. Dr. Sadeh-Konieczpol bases his conclusions at least in part on specific disclosures in Dalzell and Bemmell. *See, e.g.*, Ex. 1002 ¶¶ 137–40.

Patent Owner argues that it was instead not the industry standard to integrate product catalogs into payment systems. Prelim. Resp. at 48. Patent Owner makes several factual assertions in support of this argument. *Id.* We are unable to give weight to these arguments at this stage of the proceeding, in the absence of supporting evidence. Patent Owner will have an opportunity to present supporting evidence during the proceeding.

Patent Owner argues that Petitioner fails to address the predictability of the results of combining Bemmell and Dalzell, and that the mere possibility that references may be combined does not render the combination obvious unless the results would have been predictable to one of ordinary skill. *Id.* at 49–51 (citing *KSR Int’l v. Teleflex Inc.*, 550 U.S. 398, 417 (2007)). We disagree. For the purposes of this decision, we are persuaded that Dr. Sadeh-Konieczpol’s testimony that “a person of ordinary skill in the art would be able to combine Dalzell and Bemmell to implement an electronic marketplace that extends to encompass physical points of sale where mobile devices are used to verify the identity of buyers,” Ex. 1002 ¶ 138, addresses the issue of predictability.

Patent Owner argues that Dalzell teaches away from its combination with Bemmell because Dalzell’s payment system is separate from the marketplace. Prelim. Resp. 52. In particular, Patent Owner argues that “backend payment processing system 548” is “completely separate” from marketplace web site 515, as shown in Figure 5A of Dalzell. *Id.* We disagree. In describing Figure 5A, Dalzell explains that “marketplace website system 515 preferably *includes* or communicates with backend payment processing system 548.” Ex. 1006 ¶ 120 (emphasis added). Patent Owner’s argument that the payment system is “completely separate” from the marketplace system is refuted by this disclosure in Dalzell.

Patent Owner argues that Bemmell teaches away from its combination from Dalzell because “[t]he POS Terminal – 110’ in Figure 1 shows the payment system *separate* from the merchant’s system and product catalog.” Prelim. Resp. 52 (citing Ex. 1005, Fig. 1). This argument is not persuasive, because Patent Owner does not explain how Bemmell’s depiction of POS

Terminal 110 in Figure 1 as being separate from the rest of the illustrated system amounts to discouragement from storing a product catalog in a payment system. *See In re Gurley*, 27 F.3d 551, 553 (Fed. Cir. 1994).

Upon consideration of Petitioner's evidence and arguments supporting it challenge, and further in consideration of Patent Owner's arguments in response, we determine that Petitioner has demonstrated that it is more likely than not, on the present record, that claims 1–3, 5–7, 17, and 20–22 are unpatentable under 35 U.S.C. § 103(a) for obviousness over Bemmell and Dalzell.

F. Obviousness of Claim 4 over Bemmell, Dalzell, and Carlson

Petitioner argues that the subject matter of claim 4 would have been obvious over the combination of Bemmell, Dalzell, and Carlson. Pet. 42–43. Patent Owner does not direct any argument in the Preliminary Response to this particular challenge. We have considered the arguments and evidence of record concerning this challenge and are persuaded that it is more likely than not, on the present record, that claim 4 is unpatentable on this basis.

G. Obviousness of Claims 9, 10, and 13–15 over Bemmell, Dalzell, and Tripp

Petitioner argues that the subject matter of claims 9, 10, and 13–15 would have been obvious over the combination of Bemmell, Dalzell, and Tripp. Pet. 43–46. Patent Owner does not direct any argument in the Preliminary Response to this particular challenge. We have considered the arguments and evidence of record concerning this challenge and are persuaded that it is more likely than not, on the present record, that claims 9, 10, and 13–15 are unpatentable on this basis.

H. Obviousness of Claim 11 over Bemmell, Dalzell, and Elston

Petitioner argues that the subject matter of claim 11 would have been obvious over the combination of Bemmell, Dalzell, and Elston. Pet. 46–48. Patent Owner does not direct any argument in the Preliminary Response to this particular challenge. We have considered the arguments and evidence of record concerning this challenge and are persuaded that it is more likely than not, on the present record, that claim 11 is unpatentable on this basis.

I. Obviousness of Claim 16 over Bemmell, Dalzell, and Deschryver

Petitioner argues that the subject matter of claim 16 would have been obvious over the combination of Bemmell, Dalzell, and Deschryver. Pet. 48–50. Patent Owner does not direct any argument in the Preliminary Response to this particular challenge. We have considered the arguments and evidence of record concerning this challenge and are persuaded that it is more likely than not, on the present record, that claim 16 is unpatentable on this basis.

J. Challenges Involving Ondrus

Petitioner challenges claims 1–11, 13–17, and 19–22 over various combinations of references that include Ondrus. Pet. 11–22; Section II.B, *supra*. We deny Petitioner’s request to institute review on any of these grounds because we determine, for the reasons Patent Owner gives at pages 26–28 of the Preliminary Response, that Petitioner has not demonstrated that Ondrus qualifies as a citable reference under AIA § 18(a)(1)(C). In particular, we agree with Patent Owner that Petitioner has not shown that Ondrus was accessible to the public prior to the effective filing date of the ’808 patent, because Petitioner presents no credible evidence that the

document filed as Exhibit 1007 actually was “disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art, exercising reasonable diligence, can locate it.”

Prelim. Resp. 26-27 (quoting *In re Wyer*, 655 F.2d 221 (CCPA 1981) (internal quotations omitted).

III. CONCLUSION

Petitioner has demonstrated that it is more likely than not, on the present record, that claims 1–7, 9–11, 13–17, and 20–22 are unpatentable. Petitioner has not demonstrated that it is more likely than not that claims 8 and 19 are unpatentable. The Board has not made a final determination on the patentability of the challenged claims.

IV. ORDER

Accordingly, it is

ORDERED that a covered business method patent review is hereby instituted as to claims 1–7, 9–11, 13–17, and 20–22 U.S. Patent No. 8,396,808 B2 on the following grounds of unpatentability:

- A. Obviousness of claims 1–3, 5–7, 17, and 20–22 over Bemmell and Dalzell;
- B. Obviousness of claim 4 over Bemmell, Dalzell, and Carlson;
- C. Obviousness of claims 9, 10, and 13–15 over Bemmell, Dalzell, and Tripp;
- D. Obviousness of claim 11 over Bemmell, Dalzell, and Elston; and
- E. Obviousness of claim 16 over Bemmell, Dalzell, and Deschryver;

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and

37 C.F.R. § 42.4, notice is hereby given of the institution of a trial, the trial commencing on the entry date of this decision; and

FURTHER ORDERED that the trial is limited to the grounds identified above, and no other grounds are authorized.

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