UNITED STATES PATENT AND TRADEMARK OFFICE
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BEFORE THE PATENT TRIAL AND APPEAL BOARD
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J.P. MORGAN CHASE & CO., JPMORGAN CHASE BANK, NAT'L
ASS'N, CHASE BANK USA, NAT'L ASS'N, CHASE PAYMENTECH
SOLUTIONS LLC, AND PAYMENTECH LLC,
Petitioner,

v.

INTELLECTUAL VENTURES II LLC,
Patent Owner.
_____

Case CBM2014-00160
Patent 5,745,574
_____

Before KRISTEN L. DROESCH, JENNIFER S. BISK, and
JUSTIN BUSCH, *Administrative Patent Judges.*

BUSCH, *Administrative Patent Judge*.

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

INTRODUCTION

J.P. Morgan Chase & Co, JPMorgan Chase Bank, National

Association, Chase Bank USA, National Association, Chase Paymentech

Solutions LLC, and Paymentech LLC (collectively, "Petitioner") filed a

Petition (Paper 2, "Pet.") requesting a covered business method ("CBM") patent review of claims 18–31 ("the challenged claims") of U.S. Patent No. 5,745,574 (Ex. 1001, "the '574 patent") on July 18, 2014. Intellectual Ventures II LLC ("Patent Owner") filed a Preliminary Response on November 3, 2014. Paper 8 ("Prelim. Resp."). We have jurisdiction under 35 U.S.C. § 324.

We institute review of a CBM patent if the Petitioner "demonstrate[s] that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable." We have reviewed the aforementioned papers. For the reasons given below, we determine Petitioner has failed to meet the jurisdictional requirements of § 18 of the America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) ("AIA"). Accordingly, we do not institute a CBM patent review of the challenged claims.

Related Matters

Petitioner indicates that the '574 patent was asserted against Petitioner in *Intellectual Ventures II LLC v. JP Morgan Chase & Co.*, No. 1:13-cv-3777 (S.D.N.Y.). Pet. 3. Petitioner identifies eight other federal district court proceedings and two proceedings before the Board, IPR2014-00660 (trial instituted on Oct. 20, 2014) and IPR2014-00724 (trial instituted on Nov. 6, 2014), involving the '574 patent. *Id.* at 3–4. Patent Owner identifies one additional proceeding before the Board, IPR2014-01410 (trial instituted on Dec. 18, 2014, and consolidated with IPR2014-00660), in which the '574 patent is involved. Paper 7, 2.

The '574 Patent (Ex. 1001)

The '574 patent relates to public key encryption (PKE), which is used for securing and authenticating transmissions over unsecure networks. Ex. 1001, 1:6–8, 1:10–2:9. To use PKE for authenticating transmissions, a transmitted message is encrypted with a sender's private encryption key (a key known only to the sender) that can only be decrypted by the sender's public encryption key (freely available), ensuring that the message was sent by the sender. *Id.* at 1:57–65. A public key infrastructure (PKI), with a hierarchical system of encrypting public lower nodes' public keys, allows for a common point of trust between two parties who wish to communicate with each other. *Id.* at 3:16–39. The '574 patent explains that some of the problems with conventional PKE systems include that such systems do not have a "consistent public key infrastructure which can actually and automatically provide the certifications required for a public key system[, a] hierarchical arrangement of certifying authorities which can cross policy certifying authority boundaries[, or a convenient and transparent] way for permitting secure transactions to cross organizational boundaries." *Id.* at 4:41–51. The '574 patent purports to "provid[e] a full, correct, consistent and very general security infrastructure which will support global secure electronic transactions across organizational, political and policy certifying authority boundaries." *Id.* at 4:55–59.

The challenged claims recite various processes used within a PKI system to request, issue, and update public key certificates, add nodes or entities (described as "computer processes" in the '574 patent) to the hierarchy, and verify and validate certificates received. Figure 4 of the '574 patent is reproduced below:
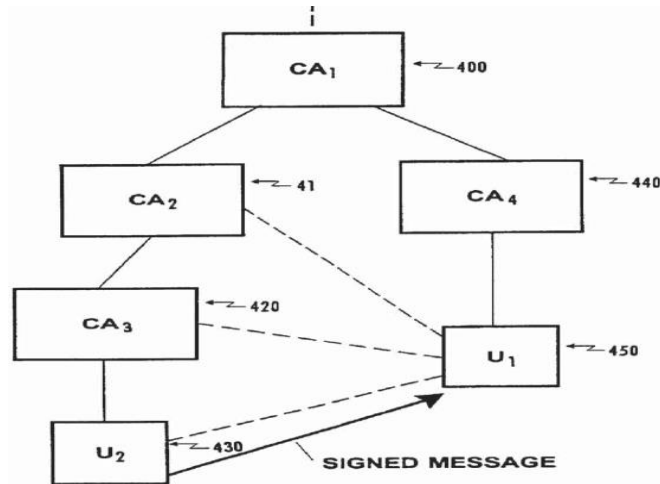

Figure 4 depicts a logical representation of a portion of a hierarchical PKI and one way in which that infrastructure may be used to verify transactions. Ex. 1001, 8:17–29. As can be seen in Figure 4, a hierarchy includes certification authorities (CAs) CA_1–CA_4 and users U_1, U_2. *Id.* at Fig. 4. Not depicted in Figure 4 above the certification authorities is a policy certifying authority (PCA), "which defines a particular set of certification policies [and] set[s] the standards for their particular certification sub-hierarchies." *Id.* at 9:26–30. Each of the CAs follows the policies set by the PCA they fall under and can then certify CAs underneath them "in a hierarchical fashion until ultimately the end users are certified at the bottom of the hierarchy." *Id.* at 9:37–43.

Of the challenged claims in the '574 patent, claims 18, 23, 28, 30, and 31 are independent. Claims 18, 23, 28, 30, and 31 are each directed to

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methods for implementing portions of the entire process of using PKE to certify secure communications. Claim 18 is illustrative and recites:

> 18. In a certification system for secure communications containing computer processes arranged in a certification infrastructure, a method of requesting and issuing a public key certificate, comprising:
>
> a. at a requesting computer process, generating a data structure containing the data items required for a public key certificate, including a public key, self-signing the data structure and sending the signed data structure as a certificate signature request to a computer process authorized as an issuing certification authority, and
>
> b. at said computer process authorized as an issuing certification authority, verifying the authenticity of said request, and if authentic, certifying and returning the data structure in a certificate signature reply.

Ex. 1001, 19:47–61.

The Asserted Grounds & Prior Art

Petitioner asserts the challenged claims are unpatentable under 35 U.S.C. § 101 as directed to a patent-ineligible abstract idea.

ANALYSIS

Under § 18(a)(1)(E) of the AIA, the Board may institute a transitional proceeding only for a patent that is a CBM 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.

The determination of whether a patent is eligible for CBM patent review is based on what the patent claims. A patent having just one claim directed to subject matter falling within the definition of a CBM patent is eligible for review even if the patent includes additional claims that are not directed to such subject matter. *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).

The legislative history explains that the definition of a CBM 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). The legislative history states further "[a]t its most basic, a financial product is an agreement between two parties stipulating movements of money." *Id*. The breadth of interpretation, however, has limits and does not cover every method that *might* be used in a way that is incidental or complementary to a financial activity.

As Petitioner states, "[t]he '574 [p]atent is directed to requesting, issuing, obtaining, validating, or updating a public key certificate," which Petitioner asserts "is undoubtedly 'data processing' within the meaning of 37 C.F.R. [§] 42.301(a)." Pet. 12 (emphasis omitted). Additionally, Petitioner argues processing public key certificates is "data processing [] used in the practice, administration, or management of a financial product or service" for various reasons. *Id.* In particular, Petitioner's bases for asserting the '574 patent qualifies as a CBM patent are: (1) the claims of the '574 patent

are directed to activities tied to processing financial transactions (*id.* at 14–18); (2) the '574 patent's specification describes secure electronic transactions tied to processing financial transactions (*id.* at 18–20); (3) the '574 patent's prosecution history indicates that the claimed invention relates to practicing a financial product or service (*id.* at 20–22); (4) public key certificates are integral to modern financial transactions (*id.* at 12–14); (5) Patent Owner has accused companies from the banking industry of infringing the claims of the '574 patent (*id.* at 22–28); and (6) Patent Owner has accused Petitioner's website, providing financial services, of infringing the claims of the '574 patent (*id.*).

Patent Owner counters that the '574 patent is directed to and claims technologies that are common in business environments and have no particular relation limited to the financial services sector, and that Petitioner has failed to show otherwise. Prelim. Resp. 28–38. Patent Owner also asserts that a determination of whether a patent is eligible for CBM patent review is based upon what the patent claims, not the nature of the accused products, and that Petitioner's argument is based on an improper interpretation of the statute regarding what subject matter should be considered a covered business method. *Id.* at 38–55.

Arguments Regarding the Specification and Claims of the '574 Patent

Petitioner argues the specification, claims, and prosecution history of the '574 patent demonstrate that the '574 patent claims a covered business method. Pet. 14–22. In particular, Petitioner argues that the '574 patent specification describes the invention as addressing secure transactions "used for "all types of electronic transactions and applications." *Id.* at 19 (quoting Ex. 1001, 5:17–18). Petitioner also points to a document, incorporated by

reference into the specification of the '574 patent, which addresses privacy enhancements for public key infrastructures and explains that commercial organizations are one type of organization that may serve as a certificate authority. *Id.* at 20. Thus, Petitioner asserts that the specification of the '574 patent indicates the invention is intended to be used with "secure electronic transactions engaged in by ***commercial*** entities." *Id.* Petitioner further argues that the specification and the claims of the '574 patent discuss that certification authorities may also serve as escrow agencies, clearing houses, and electronic notaries. *Id.* at 14–17, 19. Petitioner argues that claim 23, which relates to "verifying the authenticity of a sender in the context of 'secure electronic transactions,'" is tied to financial transaction processing because Patent Owner's infringement contentions assert that bank transactions infringe claim 23. *Id.* at 16–17.

Patent Owner asserts that the statute authorizing review of CBM patents was not meant to be applied "to technologies common in business environments across sectors and that have no particular relation to the financial services sector, such as computers, communications networks, and business software." Prelim. Resp. 35 (quoting 157 Cong. Rec. S5441 (Sept. 8, 2011) (statement of Sen. Leahy)) (emphasis omitted). Patent Owner argues that the claims are applicable generally to secure electronic transactions of all types, and are not particularly tied to financial services. *Id.* at 37–38. Patent Owner also explains that although certification authorities *may*, they need not, function as a clearing house or escrow agency (*id*. at 32–33); clearing houses and escrow agencies are not necessarily related to financial services; and the specification does not define those entities as being related to financial services (*id.* at 31–33).

Arguments Regarding the Prosecution History of the '574 Patent

Petitioner points to the fact that, during prosecution, the examiner's original "Field of Search" included a class that is "currently listed within Class 705 (as subclass FOR 124), which contains patents directed to 'Data Processing: Financial, Business Practice, Management, or Cost/Price Determination' and originally 'was used as the template for the definition of business method patents in section 18.'" Pet. 20–21. Petitioner also asserts many of the various prior art references cited by the Examiner in the prosecution of the '574 patent relate to financial services or products. *Id.* at 21–22. Petitioner argues those facts relating to the prosecution of the '574 patent provide "evidence that the Examiner believed that the invention was related to financial services." *Id.* at 22.

Patent Owner argues that the prosecution history of the '574 patent is irrelevant because a determination of whether a patent is a CBM patent depends on what is claimed in the patent. *Id.* at 37.

Accused Infringing Products and Use of PKE Technology Generally

Petitioner argues that "public key certificates are used in ***nearly all*** electronic financial transactions," "form the baseline of security requirements for financial services," and are involved in "***nearly all*** worldwide electronic credit card transactions." Pet. 13. Petitioner asserts that, because public key certificates are required to ensure the integrity of most credit card transactions, which "are indisputably 'financial' transactions," "the '574 Patent, which specifically focuses on ***public key certificates***, is directed to an 'activity that is incidental to financial processing.'" *Id.* at 14. Petitioner argues Patent Owner's allegations of infringement, based on banks' "compliance with the PCI standard for

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electronic financial transactions" and the fact that Petitioner's allegedly infringing website provides financial services, provide additional evidence that the '574 patent is directed to financial products and services. Pet. 23–27. Petitioner asserts the actual use in (and requirement by) the financial services industry of the technology allegedly claimed in the '574 patent renders the '574 patent a CBM patent, notwithstanding the fact that public key certificates have non-financial applications. *Id.* at 25–26.

Patent Owner asserts the widespread use of public key certificates in electronic financial transactions is immaterial and comparable to asserting that a patent on a stapler would qualify as a CBM patent because most financial service firms use staplers to collate financial documents. Prelim. Resp. 28–29. Patent Owner argues that, although the claimed methods for using public key certificates can be used in electronic financial transactions, "the claimed operations can generally be used to secure or authenticate *any* type of document related to *any* industry." *Id.* at 29. Patent Owner contends the statute is not interpreted properly in a way that would render a patent a covered business method based on infringement allegations and the use of the claimed technology in the financial services industry. *Id.* at 38–58. Patent Owner argues that the statute is directed to what patents *claim* (*id.* at 39–41), and that a determination based on whether the accused products or services relate to financial services is against the practice of the Board (*id.* at 41–43). Patent Owner further asserts Petitioner's argument is based on a theory that requires an asserted patent to recite every element of an accused product (*id.* at 51–53). Finally, Patent Owner argues that Petitioner's interpretation of the statute would go beyond Congressional intent (*id.* at 44–50), overly burden the Board by requiring it to assess the nature of accused

products (*id.* at 50–51), and result in inconsistent findings depending upon the nature of a Petitioner's accused product (*id.* at 53–55).

Conclusion

As discussed above, the AIA defines a CBM patent as "a patent that **claims** a method . . . for performing data processing . . . used in the practice, administration, or management of a financial product or service." AIA § 18(d)(1) (emphasis added); 37 C.F.R. § 42.301(a). Therefore, for purposes of determining whether a patent is eligible for review as a CBM patent, we focus on the claims. 77 Fed. Reg. at 48,736 (Response to Comment 8) ("Determination of whether a patent is a covered business method patent will be made based on the claims.").

We, therefore, do not find the nature of Petitioner's accused product determinative of whether the '574 patent is a CBM patent. Nor do we find persuasive Petitioner's argument that the '574 patent is a CBM patent because the Examiner cited references allegedly relating to financial services or products, or because the original "Field of Search" used by the Examiner encompassed financial services or products. Those facts merely provide evidence of what the Examiner found may be relevant to the patentability of the claims in the '574 patent, or certain features recited in those claims.

The claims of the '574 patent describe methods for implementing portions of the entire process of using public key encryption to certify secure electronic communications. The claims, therefore, have general utility not limited or specific to any application. We agree with Patent Owner's explanation that electronic transactions, escrow agencies, clearing houses, and notaries are not specific to financial transactions and cover various types of transactions separate from financial transactions. We also do not find

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anything in the specification of the '574 patent that particularly limits the invention to the financial services sector. We do not see anything in the claims, specification, or prosecution history of the '574 patent, pointed to by Petitioner or otherwise, showing that the '574 patent is directed to "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" or "activities that are financial in nature, incidental to a financial activity or complementary to a financial activity."

We are not persuaded by Petitioner's arguments that the '574 patent is a CBM patent, as defined by the AIA and, thus, we do not institute a CBM patent review of the challenged claims.

ORDER

In view of the foregoing, it is hereby:

ORDERED that no trial is instituted.

CBM2014-00160
Patent 5,745,574

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