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Paper 7
Entered: October 21, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CARFAX, INC.,
Petitioner,

v.

RED MOUNTAIN TECHNOLOGIES, LLC,
Patent Owner.

Case CBM2015-00115
Patent 8,731,977 B1

Before PATRICK M. BOUCHER, JO-ANNE M. KOKOSKI, and JAMES A. WORTH, *Administrative Patent Judges*.

WORTH, *Administrative Patent Judge*.

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

I. INTRODUCTION

On April 27, 2015, Petitioner Carfax, Inc. ("Carfax") filed a Petition (Paper 2, "Pet.") requesting covered business method review of claims 1–19 of U.S. Patent No. 8,731,977 B1 ("the '977 patent," Ex. 1001). On July 24, 2015, Patent Owner Red Mountain Technologies, LLC ("Red Mountain") filed a Preliminary Response (Paper 6, "Prelim. Resp.").

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted "unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable." For the reasons set forth below, we do not institute a covered business method review for the challenged claims.

A. Related Matters

The parties identify the following district court proceeding as a related matter: *Carfax, Inc. v. Red Mountain Technologies, LLC*, Case No. 1:14-cv-01590 (E.D. Va.) (filed November 20, 2014) ("the DJ Action"). Pet. 1; Paper 5, 2. In that case, Carfax requested, *inter alia*, a Declaratory Judgment that Carfax does not infringe the '977 patent. Ex. 1009 ¶¶ 3, 42–45.[1] In the Complaint, Carfax averred that it was seeking the declaratory judgment because Red Mountain had threatened Progressive Insurance Inc. ("Progressive"), a client or potential client of Carfax, with suit for potential infringement of the '977 patent. *Id.* ¶¶ 23–25, 42; Ex. 2003, 2.

[1] The original Complaint also alleged infringement of U.S. Patent Nos. 8,255,243 ("the '243 patent") and 8,255,244 ("the '244 patent") and tortious interference under Virginia state common law. Ex. 1009 ¶¶ 1–2. The District Court granted Red Mountain's motion to dismiss these other counts of the original Complaint. *See* Ex. 2003, 1.

On April 9, 2015, Red Mountain extended a covenant not to sue to Progressive with respect to the '977 patent. Ex. 2002, 1–2. On April 22, 2015, Red Mountain extended a covenant not to sue to Carfax with respect to the '977 patent. Ex. 1005, 1–2.

On June 5, 2015, the District Court denied Carfax's motion seeking leave to amend the Complaint to add a count for declaratory judgment of invalidity of the '977 patent. Ex. 2003, 1–4.

B. The '977 Patent (Ex. 1001)

The '977 patent, titled "System and Method for Analyzing and Using Vehicle Historical Data," relates to the analysis and use of vehicle history data to determine the future risk associated with a particular vehicle for use in underwriting and rating insurance policies, vehicle financing, or vehicle warranties. Ex. 1001, at [54], [57], 1:1–10. In particular, certain vehicle history data are statistically correlated to loss, and a variable can be tested to determine if that variable is predictive of future loss. *Id.* at 4:11–14, 8:45–50. Vehicle history data include whether the vehicle has had or has been subject to reconditioning, water damage, fire damage, insurance loss, missing/defective air bag, major repair, major damage, failed emission inspection, failed safety inspection, defective brakes, livery use, new title records, a reported accident, repossession, or odometer discrepancies. *Id.* at 4:57–5:20. Regression modeling based on chosen variables over time, where variables are weighted based on the frequency and severity of a vehicle variable relative to a data set, can be used to generate a risk score for a vehicle. *Id.* at 11:45–13:1.

C. Illustrative Claim

Claims 1 and 17 are independent claims. Claim 1, reproduced below, is illustrative of the subject matter at issue.

> 1. A method of determining risk for a vehicle comprising:
>
> a.) obtaining vehicle history data for the vehicle from a computerized vehicle history database based on the vehicle's vehicle identification number (VIN);
>
> b.) selecting at least two vehicle variables determined to impact the risk of future loss associated with a vehicle, where at least one of the selected vehicle variable has a plurality of time dependent risk levels that are each associated with a different predetermined timeframe period for the selected vehicle variable;
>
> c.) assigning numerically weighted values to vehicle variables and the plurality of time dependent risk levels associated with different predetermined timeframe periods for the selected vehicle variable;
>
> d.) storing the selected vehicle variables, time dependent risk levels, and numerically weighted values in an electronic non-transitory memory storage media;
>
> e.) analyzing the vehicle history data with a users [sic] computer system to determine the applicability of (i) the selected vehicle variables, and (ii) the time dependent risk levels associated with different predetermined timeframe periods; and
>
> f.) generating a risk score for the vehicle based on the applicability of the selected vehicle variables, the plurality of time dependent risk levels and the numerically weighted assigned values.

Ex. 1001, 22:49–23:7.

D. The Alleged Ground of Unpatentability

Petitioner contends that claims 1–19 are unpatentable on the following ground (Pet. 7, 13–47):

References	Basis	Claims Challenged
Not Applicable	§ 101	1–19

II. ANALYSIS

The parties dispute whether Carfax has standing to seek review of the '977 patent under the transitional program for reviewing covered business method patents. Pet. 2–6; Prelim. Resp. 5–12. Under 37 C.F.R. § 42.302(a), a person may not file a petition for covered business method patent review "unless the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner has been sued for infringement of the patent or has been charged with infringement under that patent." For purposes of determining whether this standing requirement is met, "[c]harged with infringement means a real and substantial controversy regarding infringement of a covered business method patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court." *Id.*

Carfax contends that Red Mountain threatened to sue Progressive for patent infringement, and "[t]he threats by [Red Mountain] are sufficient to provide Carfax with standing to bring the currently pending DJ Action, and indicate Carfax 'has been charged with infringement' of the '977 Patent under the definition provided in 37 C.F.R. § 42.302(a)." Pet. 3–4. Carfax further contends that "[t]he use of the past tense phrase 'has been charged' indicates that a past charge of infringement is sufficient to remove the bar from filing a petition, regardless of whether the charge exists at the time of

filing of the petition for CBM Review. The Red Mountain Letter does not change the fact that Petitioner 'has been charged with infringement.'" *Id.* at 4.

Red Mountain disagrees, arguing that the "clear and express definition of 'charged with infringement' requires a 'real and substantial controversy' [and the] covenants not to sue discussed above removed any 'real and substantial controversy' between [Red Mountain] and Carfax under 37 C.F.R. § 42.302(a)." Prelim. Resp. 10. Red Mountain further states that, under 37 C.F.R. § 42.302(a), "[t]he plain language requires that the 'real and substantial controversy . . . exists' — not existed," at the time of filing of the petition. *Id.* at 10–11.

We have examined the covenants-not-to-sue issued by Red Mountain to Progressive and Carfax on April 9 and 22, 2015, respectively. Ex. 1005; Ex. 2002. The language of the covenants-not-to-sue is broad. For example, the covenant to Carfax states that:

> Red Mountain, including any of its successors, predecessors, affiliates, subsidiaries, assigns, officers, directors and agents, hereby unconditionally and irrevocably promises and covenants that it will never assert the '977 Patent against Carfax or any of Carfax's customers, successors, predecessors, affiliates, subsidiaries, assigns, officers, and directors. This covenant not to sue shall forever serve as a bar to any attempt by Red Mountain (or anyone else) to assert the '977 Patent against Carfax or any Carfax customer.

Ex. 1005 ¶ 1. Based on this language and the timing of Red Mountain's grants of the covenants-not-to-sue to Carfax and Progressive, we agree with Red Mountain that there was no "real and substantial controversy" regarding infringement when the Petition was filed on April 25, 2015. Accordingly, based on the record before us, we determine that Carfax had not been

"charged with infringement" under 37 C.F.R. § 42.302(a), and therefore does not have standing to file the Petition.

III. CONCLUSION

For the foregoing reasons, we determine that Carfax does not satisfy the standing requirement for filing a petition for covered business method patent review.

IV. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the Petition is *denied*; and

FURTHER ORDERED that a covered business method review is not instituted.

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