

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

LIFE TECHNOLOGIES CORPORATION,
Petitioner,

v.

UNISONE STRATEGIC IP, INC.,
Patent Owner.

Case CBM2016-00025
Patent 6,996,538 B2/C1

PATENT OWNER'S NOTICE OF APPEAL

Director of the United States Patent and Trademark Office
c/o Office of the General Counsel
Madison Building East, 10B20
600 Dulany Street
Alexandria, VA 22314-5793

Pursuant to 35 U.S.C. §§ 141-142 and 37 C.F.R. § 90.2(a), notice is hereby given that Patent Owner Unisone Strategic IP, Inc. (Unisone) hereby appeals to the United States Court of Appeals for the Federal Circuit from the Final Written Decision entered on June 23, 2017 (Paper 24), and from all underlying orders, decisions, rulings, and opinions entered in this proceeding.

In accordance with 37 C.F.R. § 90.2(a)(3)(ii), Unisone further states that the issues on appeal include, but are not limited to: (1) the Board's determination that the '538 patent (and each challenged claim) is eligible for Covered Business Method review, including the Board's finding that the patent is not for technological inventions; (2) the Board's determination that claims 1, 14, 19, 22-28, 32, 34-36, and 45 of the '538 patent are unpatentable under 35 U.S.C. § 101; (3) the Board's improper allocation of the burden of proof on the § 101 issue; (4) the Board's determination that Congress authorized § 101 challenges in CBM proceedings; (5) the Board's determination that post-grant review was not barred, improper, or unauthorized via estoppel; (6) the unconstitutionality of CBM review under Article III and the Seventh Amendment; (7) the invalidity of the proceedings

as a result of the Director's unlawful delegation of the institution function to the Board, and the Board's unauthorized exercise of that function; and (8) any finding or determination supporting or relating to these issues, as well as all other issues decided adversely to Unisone in any orders, decisions, rulings, and opinions.

Concurrently with this submission, a copy of this Notice of Appeal is being filed with the Patent Trial and Appeal Board. In addition, required copies of this Notice of Appeal, along with the docketing fee, are being filed with the Clerk's Office for the United States Court of Appeals for the Federal Circuit.

Respectfully submitted.

Dated: August 24, 2017

/ Richard Torczon /
Richard Torczon, Lead Counsel
Reg. No. 34,448

CERTIFICATE OF FILING AND SERVICE

I hereby certify that on August 24, 2017, in addition to being filed electronically through the Patent Trial and Appeal Board's Patent Review Processing System, a copy of the foregoing Notice of Appeal was filed by hand with the Director of the United States Patent and Trademark Office, at the following address:

Director of the United States Patent and Trademark Office
c/o Office of the General Counsel
Madison Building East, 10B20
600 Dulany Street
Alexandria, VA 22314-5793

I also hereby certify that on August 24, 2017, the required copies of the foregoing Notice of Appeal were filed electronically and by paper copy with the Clerk's Office of the United States Court of Appeals for the Federal Circuit, at the following address:

United States Court of Appeals for the Federal Circuit
717 Madison Place, N.W., Suite 401
Washington, D.C. 20439

I further hereby certify that on August 24, 2017, copies of the foregoing Notice of Appeal were served, via electronic mail and Federal Express, on the following counsel of record for Petitioner:

Michael L. Kiklis
Oblon, McClelland, Maier & Neustadt, LLP
1940 Duke Street
Alexandria, VA 22314
Tel.: (703) 413-2707
Fax: (703) 413-2220
CPDocketKiklis@oblon.com
mkiklis@oblon.com

Dated: August 24, 2017

/ Richard Torczon /
Richard Torczon, Lead Counsel
Reg. No. 34,448

ADDENDUM

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

LIFE TECHNOLOGIES CORPORATION,
Petitioner,

v.

UNISONE STRATEGIC IP, INC.,
Patent Owner.

Case CBM2016-00025
Patent 6,996,538 B2/C1

Before SCOTT C. WEIDENFELLER, *Vice Chief Administrative Patent Judge*, HYUN J. JUNG and NEIL T. POWELL,
Administrative Patent Judges.

JUNG, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

I. INTRODUCTION

A. Background

Based on our review of a Petition (Paper 2, “Pet.”) filed by Life Technologies Corporation (“Petitioner”) and a Preliminary Response (Paper 6, “Prelim. Resp”) filed by Unisone Strategic IP, Inc. (“Patent Owner”), we instituted covered business method patent review of claims 1, 14, 19, 22–28, 32, 34–36, and 45 of U.S. Patent No. 6,996,538 B2/C1 (Ex. 1001, “the ’538 patent”) under § 18 of the Leahy-Smith America Invents Act (“AIA”)¹ on the sole ground that, under 35 U.S.C. § 101, the challenged claims recite patent-ineligible subject matter. Paper 7 (“Dec. on Inst.”) 2, 33.

After institution, Patent Owner did not file a Patent Owner Response or take any further actions until ordered by the Board. *See* Paper 11 (Order); Papers 15, 16 (Patent Owner’s responses to Order); Papers 17, 19 (Patent Owner’s change-of-information notices). We ordered Patent Owner to show cause why adverse judgment should not be entered against it, and we ordered the parties to file papers regarding whether the ’538 patent is a covered business method patent in view of recent case law. Paper 11; *see also* Paper 15, 1 (Patent Owner stating “the Board ordered the patent owner (Unisone) to ‘file a paper not exceeding fifteen (15) pages that shows cause why adverse judgment should not be entered against it.’”); Paper 16, 1 (Patent Owner stating “the Board authorized the patent owner (Unisone) to ‘file a paper not exceeding fifteen (15) pages with arguments as to why U.S. Patent No. 6,996,538 B2/C1 (Ex. 1001) is not a covered business method

¹ Pub. L. No. 112-29, 125 Stat. 284, 296-07 (2011).

[CBM] patent.’’).

Petitioner requested oral argument “to the extent the Board has any questions regarding Petitioner’s arguments in this proceeding.” Paper 10, 1. During a telephone conference ordered by the Board to discuss Patent Owner’s failure to file a response, Petitioner’s counsel was asked “Would the Petitioner consider withdrawing its request for oral arguments if Patent owner indicates, in some manner, that it does not intend to attend?” and Petitioner’s counsel answered “No.” Ex. 1037, 8:14–19. Petitioner also indicated that the Board should issue a decision on the merits. Ex. 1037, 7:3–5 (Petitioner’s counsel stating “we’re not seeking an adverse judgment; we’re seeking a judgment on the merits.”). An oral hearing was held on April 21, 2017, and a transcript of the hearing is included in the record (Paper 23, “Tr.”).

We have jurisdiction under 35 U.S.C. § 6. We issue this Final Written Decision pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Petitioner has demonstrated by a preponderance of the evidence that claims 1, 14, 19, 22–28, 32, 34–36, and 45 of the ’538 patent are unpatentable under 35 U.S.C. § 101 as being directed to non-statutory subject matter.

B. Related Matters

The parties indicate that the ’538 patent is the subject of the following district court cases: *Unisone Strategic IP, Inc., v. TraceLink, Inc.*, 3-13-cv-01743 (S.D. Ca.) (2013); *Unisone Strategic IP, Inc. v. Life Technologies Corp.*, 3-13-cv-01278 (S.D. Ca.) (2013). Pet. 5–6; Paper 5, 2. The parties also indicate Petitioner has challenged other claims of the ’538 patent in CBM2015-00037. Pet. 6; Paper 5, 2. In a Final Written Decision issued in

that case, we determined that Petitioner demonstrated by a preponderance of the evidence that claims 52, 62, 67, 70–76, 81, 83–85, and 96 of the '538 patent were unpatentable under 35 U.S.C. § 101 as being directed to non-statutory subject matter. *Life Technologies Corp. v. Unisone Strategic IP, Inc.*, Case No. CBM2015-00037, Paper 37, slip op. at 41, 45 (PTAB June 28, 2016).

C. The '538 Patent

The '538 patent relates to methods and systems of electronic inventory tracking by a third party, for example via the Internet. Ex. 1001, Abstract, 1:18–20, 46–58. The specification states that the “present invention improves upon the prior art by shifting the burden of inventory tracking onto a third party; this concept is referred to as vendor managed inventory, or VMI.” *Id.* at 1:45–48. As further stated, “[w]hen a third party provides VMI services for multiple companies, it gains significant buying power which it can use to negotiate better deals, improve supplier responsiveness, and streamline the buying process.” *Id.* at 1:48–52.

The methods and systems facilitate “inventory management by tracking inventory and automatically contacting suppliers, manufacturers, or distributors when additional supplies are needed.” *Id.* at 1:59–63, 2:45–50. As also described in the specification, “[w]hile purchasing is a large part of inventory maintenance, the present invention may also facilitate other transactions,” such as allowing “customers to resell products or equipment to other businesses,” or other communication between customers. *Id.* at 2:7–11; 4:37–51.

Figure 1 of the '538 patent is reproduced below.

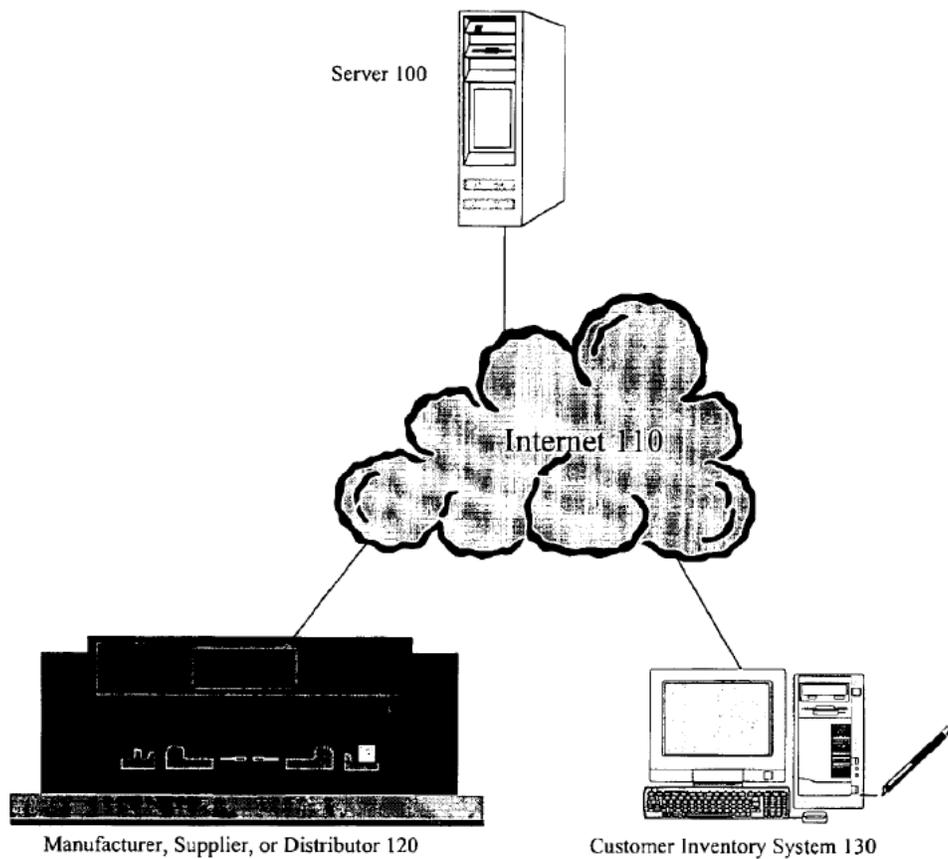


Figure 1

Figure 1 is a block diagram showing “the major hardware components of the present invention.” *Id.* at 2:23–24; 2:54–55. Figure 1 depicts Server 100, Internet 110, and Customer Inventory System 130, which “may be used to track inventory, place special orders, and interact with other customers.” *Id.* at 2:54–60.

As part of Customer Inventory System 130, a “client may include

custom software, such as an application written in Visual Basic, JAVA, or C; commercial software, such as a web page accessible through a web browser; or a combination of custom and commercial software.” *Id.* at 2:58–3:2. Customer Inventory System 130 also “may allow manual inventory tracking, semi-automated inventory tracking, or inventory may be dispensed using automated systems.” *Id.* at 3:3–10.

Figure 2 in the ’538 patent presents an embodiment of Server 100, and “software components of the present invention.” *Id.* at 2:25–27, 4:58–65. In a block diagram format, Figure 2 generally depicts Firewall 210, Web Server 220, Database Server 230, and Application Server 240. *Id.* at 4:61–65. The specification indicates that examples of Web Server 220 and Database Server 230 include commercially available software. *Id.* at 5:1–25.

As described in the specification, “Application Server 240 may contain business rules associated with the present invention, which can be used to interpret Database Server 230 data,” and also may monitor inventory levels, contact vendors, adjust inventory information, and facilitate resale of equipment or products, based on information stored in Database Server 230. *Id.* at 5:26–37. “Web Server 220, Database Server 230, and Application Server 240 each represent software which may run on the same computer, or on multiple computers.” *Id.* at 5:38–42.

The ’538 patent states that one can outfit supply closets or other storage with a Radio Frequency Identification (“RFID”) portal. *Id.* at 3:34–37. Figure 5 is reproduced below.

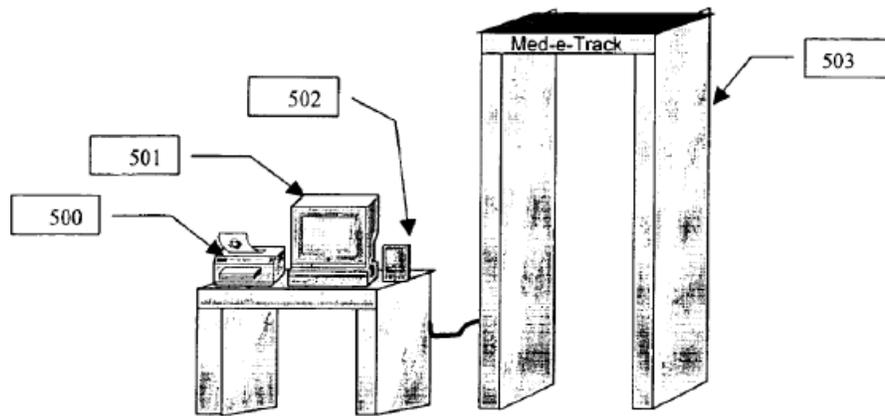


Figure 5

Figure 5 depicts a sample of an RFID portal (Block 500) and related computer equipment. *Id.* at 2:33–34. In relation to inventory tracking, the '538 patent describes that “RFID portals can detect or scan RFID tags as such tags pass through a portal,” and “[t]he present invention can monitor RFID tag identifiers, including identifiers assigned to individuals, such that access to a storage area can be monitored, and items removed by an individual can be tracked without any direct user interaction.” *Id.* at 3:37–44, 8:19–30 (stating that product identifiers may be entered into a system through a passive user interface such as, for example, through RFID tags worn by or associated with an employee).

D. Illustrative Claim

Petitioner challenges claims 1, 14, 19, 22–28, 32, 34–36, and 45. Of the challenged claims, claims 1 (system), 19 (method), and 32 (computer program product) are independent. Claim 19 is illustrative of the claimed

subject matter and is reproduced below, as allowed in *ex parte*

Reexamination Control No. 90/013,050 (Ex. 1008):

19. A method for inventory management, comprising:
 - (a) collecting and storing, on one or more databases having client software, at least the following data:
 - (1) customer inventory information, the customer inventory information including a number of items at a customer,
 - (2) inventory and cost information for a plurality of manufacturers, suppliers, or distributors, the inventory information for a plurality of manufacturers, suppliers, or distributors including: a product identifier and a number of items in manufacturer, supplier, or distributor inventory, and
 - (3) inventory restocking parameters provided by said customer;
 - (b) evaluating via at least one computer said customer inventory information and inventory or cost information for a plurality of manufacturers, suppliers, or distributors inventory or cost information for a plurality of users selected from the group consisting of customers, manufacturers, suppliers, and distributors in light of said restocking parameters provided by said customer;
 - (c) ordering manufacturer, supplier, or distributor inventory which best fulfills said inventory restocking parameters provided by said customer;
 - (d) tracking inventory items in said databases for (1) the number of items at said customer and (2) the number of items at said manufacturer, supplier, or distributor, as inventory items are added to, restocked to, or removed from said inventories, wherein said tracking is executed by detecting an RFID tag associated with each said inventory item;
 - (e) updating said data on said one or more databases, using information obtained in said inventory tracking, through at least one software interface to said databases; and
 - (f) providing access via client software to information in said one or more databases to each said customer, manufacturer, supplier, or distributor, wherein said client software allows one

or more customers, manufacturers, suppliers, or distributors to be classified into groups, and where permissions or roles are assigned to such groups.

Ex. 1008, 13–14; 32, 2:9–52.

II. ANALYSIS

A. *Claim Construction*

Although Petitioner presents constructions for several claim terms (Pet. 39), we determine that no terms require express construction for purposes of this Decision. *Vivid Techs., Inc. v. Am. Sci. & Eng’g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999) (only claim terms in controversy need to be construed, and only to the extent necessary to resolve the controversy).

B. *Patent Owner Response to Order*

The Scheduling Order for this proceeding states that “[i]f the patent owner elects not to file either a response to the petition or a motion to amend, . . . [t]he patent owner is cautioned that any arguments for patentability not raised in the response will be deemed waived.” Paper 8, 3. Patent Owner’s counsel stated that “Patent owner has been advised of all the orders from the board, but he has indicated desire to continue pursuing this.” Ex. 1037, 6:9–12; *see also* Paper 15, 5 (Patent Owner noting that the Scheduling Order cautions that “any arguments for patentability not raised in the response will be deemed waived”).

In its Patent Owner Response to Order to Show Cause, Patent Owner contends that it “has consistently maintained that the Board’s proceedings against this patent are improper under the authorizing statute.” Paper 15, 1; *see also* Paper 16, 1 (arguing similarly). Patent Owner also contends that the

'538 patent is not a covered business method patent and thus, the Board lacks jurisdiction to conduct a covered business method patent review. Paper 15, 1–2; Paper 16, 1. Patent Owner further contends that an argument regarding lack of jurisdiction can be raised at any time, and thus, such an argument cannot be waived. Paper 15, 1; *see also id.* at 5–6 (stating “CBM eligibility is a subject-matter jurisdiction argument, not a patentability argument” and “has not been waived under the terms of the scheduling order”).

Specifically, Patent Owner argues that Petitioner has not shown that the '538 patent meets the statutory definition of the AIA § 18(d)(1), that the specification's description of storing price data is not sufficient, that aspects of the specification not recited in the claims are insufficient, and that Petitioner has not provided evidence that recited activities are inherently financial. Paper 15, 2–4; Paper 16, 4–5. Patent Owner also argues that the challenged claims are directed to a specific type of inventory management system, do not recite a sales function or financial transactions, do not provide for payment, do not recite a payment system, and deal with inventory tracking and ordering. Paper 15, 3–5; Paper 16, 3, 5–6, 8–12. Patent Owner further argues that the specification distinguishes between ordering inventory and payment for inventory. Paper 15, 4 (citing Ex. 1001, 11:47–51); Paper 16, 9. Patent Owner contends that these arguments were made at the outset of the proceeding and that the “record has always contained the arguments and facts for terminating this proceeding.” Paper 15, 5 (citing Prelim. Resp. 8–10).

Although we agree that the record contains Patent Owner's arguments made at the outset of the proceeding, we are not persuaded that the lack of

any Patent Owner action since instituting trial can be viewed as Patent Owner “consistently maintain[ing] that the Board’s proceedings against this patent are improper under the authorizing statute.” *See* Paper 15, 1. Patent Owner did not request rehearing of our Decision on Institution, and it did not arrange a conference call with the Board when it elected not to file a response to the Petition. *See* Paper 8, 3 (“If the patent owner elects not to file either a response to the petition or a motion to amend, the patent owner must arrange a conference call with the parties and the Board.”). Patent Owner does not point to any filing or communication, nor can we find any, that indicates Patent Owner attempted to arrange a call as ordered in the Scheduling Order or that Patent Owner was maintaining any particular argument in this proceeding. Furthermore, Patent Owner did not file a notice of appeal for our Final Written Decision in Case CBM2015-00037 that determined that claims 52, 62, 67, 70–76, 81, 83–85, and 96 of the ’538 patent are unpatentable. Paper 16, 7 (“Unisone did not appeal the Board’s decision that a set of claims in the involved patent were CBM-eligible in the previous trial”); Tr. 31:13–16 (Patent Owner’s counsel stating in arguments regarding public notice that “when the Board entered a final written decision that was not appealed in the last case, the public was on notice that Claim 67 no longer existed.”). In sum, we determine that the complete lack of any action by Patent Owner does not demonstrate Patent Owner consistently maintaining that this proceeding is improper under the authorizing statute, and we determine that no reasonable inference supporting Patent Owner’s position can be drawn from such lack of action.

C. Covered Business Method Patent

In response to our Order to show cause why adverse judgment should

not be entered against Patent Owner, Patent Owner raises the issue of whether the '538 patent is a covered business method patent. Paper 15, 1–4; Paper 16, 2–13. We, therefore, take the opportunity to reassess whether the challenged patent is a covered business method patent in view of recent case law.

1. Sued or Charged with Infringement

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. Section 18 limits review to persons or their privies that have been sued or charged with infringement of a “covered business method patent,” which does not include patents for “technological inventions.” AIA §§ 18(a)(1)(B), 18(d)(1). “Charged 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.” 37 C.F.R. § 42.302.

Petitioner states that it was sued for infringement of the '538 patent in *Unisone Strategic IP, Inc. v. Life Technologies Corp.*, 3-13-cv-01278 (S.D. Ca.), and is not estopped from challenging the '538 patent in this proceeding. Pet. 18 (citing Ex. 1005). Patent Owner presents no arguments that Petitioner has not been sued or charged with infringement of the '538 patent. The record persuades us that Petitioner has been sued or charged with infringement of the '538 patent, and we, thus, turn to whether the '538 patent is a covered business method patent.

2. Financial Product or Service

Petitioner asserts that the challenged claims are directed to “methods and computer systems for activities that are financial in nature, *i.e.*,

inventory management to support product sales, including customer interfaces and data management related thereto, as well as tracking and storing cost information related to those products.” Pet. 7 (citing Ex. 1006 ¶¶ 60–62). Petitioner points to claim language such as “collecting and storing . . . inventory and cost information,” as recited in claim 19. *Id.* at 8–9. Petitioner also points to where the specification states that “purchasing is a large part of inventory maintenance,” and states that the invention facilitates the resale of products. *Id.* at 9–10 (citing Ex. 1001, 2:7–19, 5:31–36).

Patent Owner contends that Petitioner has not shown that the ’538 patent includes a claim that meets that statutory language of the AIA § 18(d)(1), as now construed. Paper 15, 2–3; Paper 16, 3–6, 8–12. Patent Owner asserts that “the claims are directed to a specific type of inventory management system and method that exists apart from any sales transaction or payment system that might be involved in the alleged (but unclaimed) ‘sales function’ on which [Petitioner] relies for jurisdiction.” Paper 15, 3 (citing Pet. 9). Patent Owner also asserts that the “challenged claims deal with inventory tracking and ordering, not a sales transaction or a payment system, and thus do not recite a covered business method as defined by the AIA.” Paper 15, 5. Patent Owner additionally asserts that “no financial transaction are recited,” “the claims do not provide for payment,” and “a payment system is not recited in the claims.” Paper 15, 4. Patent Owner further asserts that Petitioner “continues to rely on unclaimed ‘sales function’ and scattered use of sales-related words in the specification and claims” (Paper 16, 3), and that Petitioner “cannot point to any claim language regarding requiring, much less facilitating, sales” (*id.* at 5). *See*

also id. at 8 (arguing “claims themselves do not determine the price or require the use of the specified price for any purpose, including transacting a sale”), 10 (arguing “the involved claims do not recite a mechanism for the claimed system to determine price or make an offer to sale”), 11 (arguing “it is the user not the claimed system that determines the price”).

Regarding specific limitations, Patent Owner asserts that “storing price data is insufficient” and that Petitioner has presented no evidence that collecting cost information and ordering inventory are inherently financial. Paper 15, 3–4. Patent Owner also asserts that there is “no evidence that inventory management per se inherently involves a sale” (Paper 16, 6) and that Petitioner “does not and cannot show that ordering inventory in itself is financial” and “sales price can be used for non-financial purposes” (Paper 16, 9, 12).

Patent Owner also argues that citations to the specification of the ’538 patent regarding “price and tax data,” “computer technology that can be used to broker inventory resale,” and other unrecited aspects do not support eligibility for covered business method patent review. Paper 15, 3 (citing Pet. 9–10). Patent Owner contends that the specification “distinguishes between the act of ordering inventory (claimed) and payment for inventory (not claimed)” (Paper 15, 4), “treats payment activities as optional additions” (Paper 16, 6 (citing Ex. 1001, 11:47–51)), describes embodiments without a financial transaction (*id.* (citing Ex. 1001, 3:45–60)), and “makes clear that sales are not inherent” (*id.*) or a “necessary part of the claimed invention” (*id.* at 9). Patent Owner also provides arguments regarding Petitioner’s declarant testimony and claim construction. *Id.* at 10, 12.

The “term ‘covered business method patent’ means 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 § 18(d)(1). “As a matter of statutory construction, the definition of ‘covered business method’ is not limited to products and services of only the financial industry, or to patents owned by or directly affecting the activities of financial institutions such as banks and brokerage houses,” and the “plain text of the statutory definition contained in § 18(d)(1) . . . on its face covers a wide range of finance-related activities.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1325 (Fed. Cir. 2015); *see also* CBM Rules, 77 Fed. Reg. at 48,735–36. To be eligible for review, a patent need only have one claim directed to a covered business method, and not a technological invention. CBM Rules, 77 Fed. Reg. at 48,736. For the purposes of our analysis here, we focus on method claim 19 as representative.

Based on the record before us, Petitioner has established persuasively that the subject matter recited in the challenged claims meets the statutory definition of the AIA § 18(d)(1). For example, claim 19 recites “*collecting and storing*, on one or more databases . . . inventory and *cost information*” and “inventory restocking parameters provided by said customer,” and “*ordering . . . inventory* which best fulfills said inventory restocking parameters provided by said customer,” and “*providing access* via client software *to information* in said one or more databases to each said customer.” Ex. 1008, 13–14, 2:9–52 (emphasis added); *see also* Ex. 1006 ¶ 60 (Petitioner’s declarant testifying that claims 1, 14, 19, 32, and 45 are directed to a financial product or service). We are persuaded that, at least,

the recited steps of collecting cost information, providing customer access to that information, and ordering inventory based on information provided by a customer amount to, and meet the statutory requirements for, “performing data processing or other operations used in the practice, administration, or management of a financial product or service.” *See* AIA § 18(d)(1). We determine that, at least, claim 19 “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” and therefore, meets the statutory definition of the AIA § 18(d)(1).

Moreover, for the same reasons discussed above, we determine that, at least, claim 19 is directed to activities that are “financial in nature.” *See Unwired Planet, LLC v. Google, Inc.*, 841 F.3d 1376, 1380 n.5 (Fed. Cir. 2016) (“we endorsed the ‘financial in nature’ portion of the standard as consistent with the statutory definition of ‘covered business method patent’ in *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1340 (Fed. Cir. 2016)).”

Additionally, our determination based on claim 19 is consistent with the specification of the ’538 patent, which we find confirms the challenged claims’ connection to “performing data processing or other operations used in the practice, administration, or management of a financial product or service” by stating that “purchasing is a large part of inventory maintenance.” Ex. 1001, 2:7–11, 4:37–51; *see also* Ex. 1006 ¶¶ 54–56 (Petitioner’s declarant providing what one of ordinary skill in the art would have understood from the specification of the ’538 patent). The specification also describes its invention in the context of “gain[ing] significant buying power,” which can be used “to negotiate better deals,

improve supplier responsiveness, and streamline the buying process.”
Ex. 1001, 1:48–52; *see also* Ex. 1006 ¶ 55 (Petitioner’s declarant testimony regarding “vendor managed inventory” as described in the ’538 patent).

Petitioner persuasively demonstrates that, at least, claim 19 of the ’538 patent meets the statutory definition of the AIA § 18(d)(1) even when considering Patent Owner’s arguments that the claims do not recite a financial transaction or sales, do not provide for payment, do not require a payment system, and do not determine price. *See* Paper 15, 4–5; Paper 16, 3, 5–6, 8, 9, 11–12. Section 18(d)(1) of the AIA does not include such requirements. *See Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1325 (Fed. Cir. 2015) (stating “as a matter of statutory construction, the definition of ‘covered business method’ is not limited to products and services of only the financial industry, or to patents owned by or directly affecting the activities of financial institutions such as banks and brokerage houses,” and the “plain text of the statutory definition contained in § 18(d)(1) . . . on its face covers a wide range of finance-related activities.”).

We are also persuaded that Petitioner shows that at least one claim of the ’538 patent meets the statutory definition of the AIA § 18(d)(1) even though Patent Owner argues that the challenged claims are directed to a “specific type of inventory management system . . . apart from any sales transaction or payment system” and “deal with inventory tracking and ordering, not a sales transaction or a payment system.” Claim 19 recites, *inter alia*, “ordering manufacturer, supplier, or distributor inventory which best fulfills said inventory restocking parameters,” which we determine necessarily relates to “performing data processing or other operations used in the practice, administration, or management of a financial product or

service.” *See also* Ex. 1001, 2:7–11, 4:37–51 (stating “purchasing is a large part of inventory maintenance”). We also determine that for similar reasons, the same step of claim 19 recites an activity that is “financial in nature.”

Thus, we determine that, at least, claim 19 of the ’538 patent meets the statutory definition of a “covered business method patent” in § 18(d)(1) of the AIA.

3. Exclusion for Technological Inventions

The definition of “covered business method patent” in § 18(d)(1) of the AIA does not include patents for “technological inventions.” To determine whether a patent is for a technological invention, we consider “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.” 37 C.F.R. § 42.301(b).

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).

Petitioner presents arguments that the challenged claims do not fall

within § 18(d)(1)'s exclusion for “technological inventions” because the claims (1) fail to recite a novel and unobvious technological feature, and (2) fail to recite a technical solution that solves a technical problem. Pet. 10–18 (citing *Versata*, 793 F.3d at 1326 (quoting 37 C.F.R. § 42.301)).

a. A Technological Feature that is Novel and Unobvious over the Prior Art

In relation to the first prong, Petitioner contends that describing “a general purpose computer that facilitates operations through uninventive steps” is not a technological invention. Pet. 11–12; Ex. 1006 ¶ 64.

Petitioner points to where the specification of the '538 patent describes Customer Inventory System 130 and Server 100 very generally. Pet. 12. In addition, according to Petitioner, Web Server 220, Database Server 230, and Application Server 240, as described in the specification, are conventional computers. Pet. 12; Ex. 1006 ¶ 64. Petitioner contends that none of these components require any particular processor, architecture, or secondary storage device, and that all are commercially available. Pet. 12–13.

Petitioner also argues that the specification describes “business rules” added to a commercially available Database Server 230 correspond to generic decision rules for inventory management. *Id.* at 13; Ex. 1006 ¶ 65.

Petitioner also points to a Notice of Intent to Issue a reexamination certificate in relation to the '538 patent. Pet. 13–14 (quoting Ex. 1008). Petitioner contends, when allowing the reexamined claims, the Examiner “believed that the patentable features were not a new computer, a new database, a new RFID detection system, or anything technical, but rather . . . based upon *the kind of information* in the system.” *Id.* at 14; Ex. 1006 ¶¶ 66–67; Ex. 1008, 6–7. Petitioner further contends that, even assuming the

method of using certain inventory related data was novel, such data are not “technological” features. Pet. 11–12; Ex. 1006 ¶ 67.

Patent Owner does not present any new arguments regarding “whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art” in its response to the Order to show cause. *See* Paper 15, 1–5. Patent Owner also states that it “fully briefed the issue” in its Preliminary Response at pages 11–18.” Paper 16, 5. The only arguments from Patent Owner regarding whether any of the challenged claims of the ’538 patent, as a whole, recites a technological feature that is novel and unobvious over the prior art are in the Patent Owner Preliminary Response, as stated by Patent Owner. We found those arguments unpersuasive for the reasons stated in our Decision on Institution. Also, as indicated by Patent Owner, the record before us presents no new argument or evidence since our Decision on Institution.

Therefore, the record persuades us that challenged claim 19 “does not claim an improvement in any computer-related technology but merely the use of various inventory-related information with already existing computer and RFID technology.” Pet. 17; *see also id.* at 11–17 (arguing the ’538 patent does not require a novel and unobvious technological feature). We agree with Petitioner that the purported patentability is in the information used (Ex. 1006 ¶¶ 63, 67), that the hardware described in the ’538 patent is conventional computers (Pet. 11–12; Ex. 1006 ¶¶ 64, 67), that commercially available software can be used to carry out the claimed subject matter (Pet. 12–13; Ex. 1006 ¶ 65), that the business rules of the ’538 patent are generic decision rules (Pet. 13; Ex. 1006 ¶ 65), and that the disclosed RFID technology of the ’538 patent is conventional and generic (Pet. 15–16; Ex.

1006 ¶¶ 68–70).

Thus, we determine that, at least, claim 19, as a whole, fails to recite a technological feature that is novel and unobvious over the prior art (*see* 37 C.F.R. § 42.301(b)), that would exclude the '538 patent from the statutory definition of the AIA §18(d)(1).

b. Solves a Technical Problem with a Technical Solution

In relation to “whether the claimed subject matter as a whole . . . solves a technical problem using a technical solution” (37 C.F.R. § 42.301(b)), Petitioner contends that the '538 patent “does not claim an improvement in any computer-related technology but merely the use of various inventory-related information with already existing computer technology.” Pet. 17–18 (citing Ex. 1006 ¶¶ 62–65, 69, 70). Petitioner quotes the Federal Circuit as explaining that, if an invention can be achieved “in any type of computer system or programming or processing environment, and accordingly no specific, unconventional software, computer equipment, tools or processing capabilities are required,” the invention does “not solve a technical problem using a technical solution.” *Id.* at 17–18 (quoting *Versata*, 793 F.3d at 1327).

Patent Owner does not present any new arguments regarding “whether the claimed subject matter as a whole . . . solves a technical problem using a technical solution” in its response to show cause. *See* Paper 15, 1–5. Patent Owner also states that it “fully briefed the issue” in its Preliminary Response at pages 11–18.” Paper 16, 5. The only arguments from Patent Owner regarding whether any of the challenged claims of the '538 patent, as a whole, solves a technical problem using a technical solution are in the Patent Owner Preliminary Response, as stated by Patent Owner. We found those

arguments unpersuasive for the reasons stated in our Decision on Institution. Also, as indicated by Patent Owner, the record before us presents no new argument or evidence since our Decision on Institution.

Accordingly, the record persuades us that a method of collecting, evaluating, tracking, updating, and providing access to specific inventory related information, and ordering inventory based on certain information, do not relate to a technical problem. Pet. 17; Ex. 1006 ¶ 71. We agree with Petitioner that the '538 patent does not provide a technical solution that solves a technical problem. Pet. 17. The record persuades us that “shifting the burden of inventory tracking onto a third party” so as “to reduce delivery costs, to reduce labor costs, and to allow users to take advantage of manufacturer specials” are not technical problems. *Id.*; Ex. 1006 ¶ 71. Also, the ability to make inventory decisions for multiple sellers, as well as the ability to apply “business rules” as understood in the field of information technology does not provide a “technical solution” in relation to an improvement of the technical equipment itself, i.e., the recited databases, software, or RFID tag. *See* Ex. 1006 ¶ 71. Rather, the ability to make inventory decisions for multiple sellers and “business rules” come from knowing what data and information to place, analyze, use, track, and manipulate (e.g., by assigning “permissions or roles”) on those databases, software, and RFID technology. Analyzing, using, tracking, and manipulating data and information do not correspond to a technical solution that solves a technical problem.

Thus, we determine that, at least, claim 19, as a whole, fails to solve a technical problem using a technical solution (*see* 37 C.F.R. § 42.301(b)), that would exclude the '538 patent from the statutory definition of the AIA

§18(d)(1).

4. Conclusion

In view of the foregoing, we conclude that the '538 patent is a covered business method patent under the AIA § 18(d)(1) and is eligible for review using the transitional covered business method patent program.

D. Challenge Under 35 U.S.C. § 101

Petitioner challenges claims 1, 14, 19, 22–28, 32, 34–36, and 45 as being directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 43–80.

Patent Owner presents no arguments regarding Petitioner's challenge that claims 1, 14, 19, 22–28, 32, 34–36, and 45 are directed to patent-ineligible subject matter under 35 U.S.C. § 101. Patent Owner acknowledges that the Scheduling Order (Paper 8, 3) cautions that “any arguments for patentability not raised in the response will be deemed waived.” Paper 15, 5. Patent Owner's counsel also stated that “Patent owner has been advised of all the orders from the board.” Ex. 1037, 6:9–12.

In view of the record before us, we determine that Patent Owner has been cautioned and advised regarding waiver of patentability arguments, and because Patent Owner has not raised any arguments for patentability, we find that it has waived its arguments regarding Petitioner's challenge of claims 1, 14, 19, 22–28, 32, 34–36, and 45 as directed to patent-ineligible subject matter. Therefore, the record now is the same as with our Decision on Institution. For the reasons stated in that decision, we conclude that claims 1, 14, 19, 22–28, 32, 34–36, and 45 are unpatentable under 35 U.S.C. § 101.

III. ORDER

Accordingly, it is:

ORDERED that claims 1, 14, 19, 22–28, 32, 34–36, and 45 of U.S. Patent No. 6,996,538 B2/C1 are unpatentable; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

PETITIONER:

Michael Kiklis
Katherine Cappaert
OBLON, McCLELLAND, MAIER & NEUSTADT, LLP
CPDocketKiklis@oblon.com
CPDocketCappaert@oblon.com

PATENT OWNER:

Richard Torczon
Michael Rosato
Matthew Argenti
Wesley Derryberry
WILSON SONSINI GOODRICH & ROSATI
rtorczon@wsgr.com
mrosato@wsgr.com
margenti@wsgr.com
wderryberry@wsgr.com