

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

TIZ INC. d/b/a PROVI,
Petitioner,

v.

JASON K. SMITH,
Patent Owner.

CBM2020-00029
Patent 10,467,585 B2

Before JUSTIN T. ARBES, STACEY G. WHITE, and
FRANCES L. IPPOLITO, *Administrative Patent Judges*.

IPPOLITO, *Administrative Patent Judge*.

DECISION

Granting Institution of Covered Business Method Patent Review
35 U.S.C. § 324

I. INTRODUCTION

TIZ Inc. d/b/a PROVI (“Petitioner”) filed a Corrected Petition (Paper 11, “Petition” or “Pet.”)¹ requesting covered business method (“CBM”) patent review of claims 1–19 of U.S. Patent No. 10,467,585 B2 (Ex. 1001, “the ’585 patent”) under section 18 of the Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284, 331 (2011) (“AIA”). Patent Owner filed a Preliminary Response. Paper 12 (“Prelim. Resp.”). Following authorization by the panel (Paper 13), Petitioner filed a Reply (Paper 14, “Reply”) to Patent Owner’s Preliminary Response and Patent Owner filed a Sur-reply (Paper 16, “Sur-reply”) to Petitioner’s Reply.

Under 35 U.S.C. § 324(a),² a covered business method patent review may not be instituted “unless . . . the information presented in the petition . . . , if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.” 35 U.S.C. § 324(a) (2018).

For the reasons that follow, we determine that the challenged patent qualifies as a covered business method patent. We further determine, after taking into account Patent Owner’s Preliminary Response, that the information presented in the Petition sufficiently demonstrates on the present record that at least one of the challenged claims more likely than not is unpatentable. Accordingly, we institute a covered business method patent review of the challenged claims.

A. Related Matters

The parties have not identified any related matters. Pet. 3; Paper 4, 2.

¹ We granted Petitioner authorization to file a Corrected Petition on December 2, 2020. Paper 10.

² See 37 C.F.R. § 42.300(a).

B. The '585 Patent

The '585 patent relates to an integrated computer system for acquiring and managing beverage inventories. Ex. 1001, 1:15–18. According to the '585 patent, “[t]raditional systems for managing beverage inventories are largely fragmented with each party to the system maintaining its own distinct interfaces, capabilities, and limitations.” *Id.* at 1:22–25. For example, a merchant, distributor, and supplier may each have their own unique inventory system, which can create problems from the merchant perspective. *Id.* at 1:25–36. The '585 patent discloses a system that purports to avoid these problems by using a centralized content management system to provide a streamlined and robust system of managing beverage product inventory and ordering. *Id.* at 2:48–51, 56–59.

Figure 1 of the '585 patent, reproduced below, illustrates networked beverage inventory management system 100. *Id.* at 3:1–3.

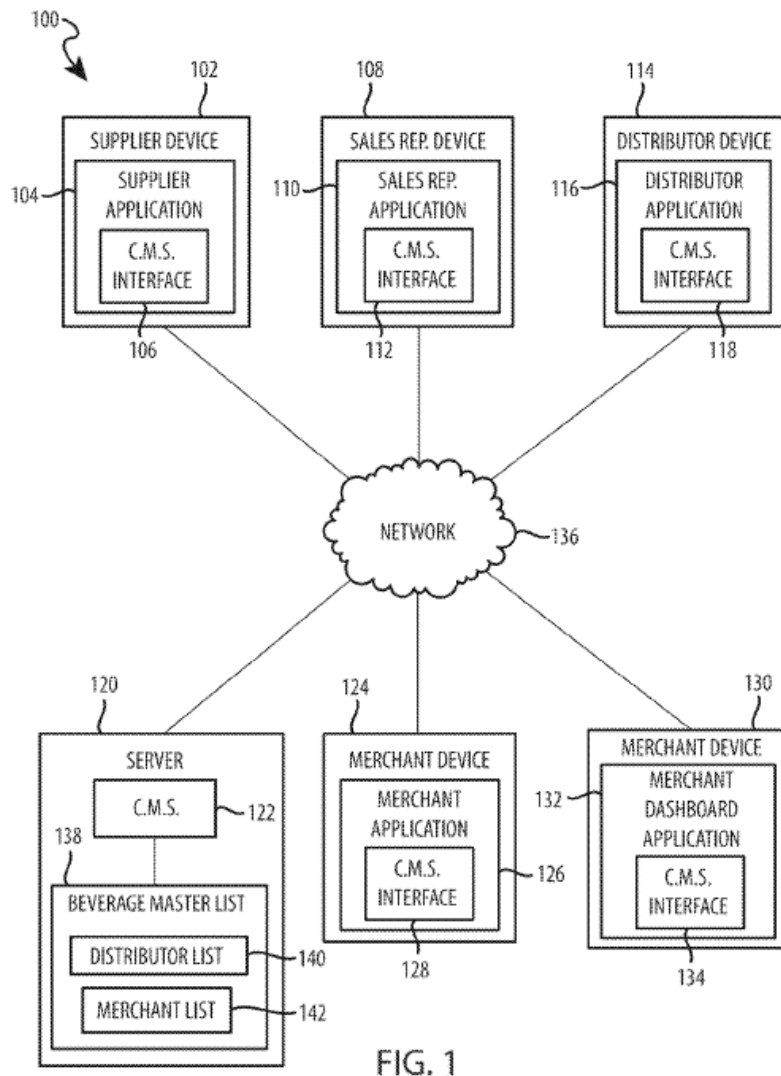


FIG. 1

Figure 1 illustrates networked beverage inventory management system 100. *Id.* at 3:1–3.

Networked beverage inventory management system 100 includes supplier device 102, sales representative device 108, distributor device 114, server 120, and merchant devices 124 and 130, all connected over network 136. *Id.* at 3:5–9. Server 120 includes content management system (“CMS”) 122 that maintains “current and past beverage product orders, as well as storing and updating inventory and par value information for various entities in the beverage product supply chain (e.g., merchants, distributors,

and suppliers).” *Id.* at 3:33–38. The ’585 patent defines “par value” for a product as “the minimum units of a given product that the merchant wishes to have on hand.” *Id.* at 5:44–46. Server 120 also includes master beverage list 138, which is a database containing product information for a plurality of beverage products and may contain distributor product list 140 and merchant product list 142. *Id.* at 3:49–52, 57–59. Supplier device 102 includes supplier application 104, which has CMS interface 106 and is capable of sending and receiving beverage ordering information, such as pricing information and promotional offers. *Id.* at 4:7–11, 17–22. Sales representative device 108 includes sales representative application 110, which allows a user to manage beverage inventory orders and promotional offers via CMS interface 112. *Id.* at 4:38–45. Distributor device 114 includes distributor application 116, which includes CMS interface 118 and provides functionality such as setting and sending price information, communicating with sales representative device 108, accessing distributor inventory, and analyzing merchant orders for relevant promotional offers. *Id.* at 4:59–5:8. Merchant devices 124 and 130 include merchant applications 126 and 132, respectively. *Id.* at 5:32–33, 57–58. The merchant applications can be used to track the merchant’s beverage product inventory and build product orders. *Id.* at 5:36–40. Inventory management system 100 may be configured based on geographic location, for example, to operate based on the applicable laws in the states where merchant devices 124 and 130 are located. *Id.* at 6:11–19.

Figure 2 of the ’585 patent, reproduced below, is flowchart 200 illustrating a method of building and placing a beverage product order using inventory management system 100. *Id.* at 6:40–43.

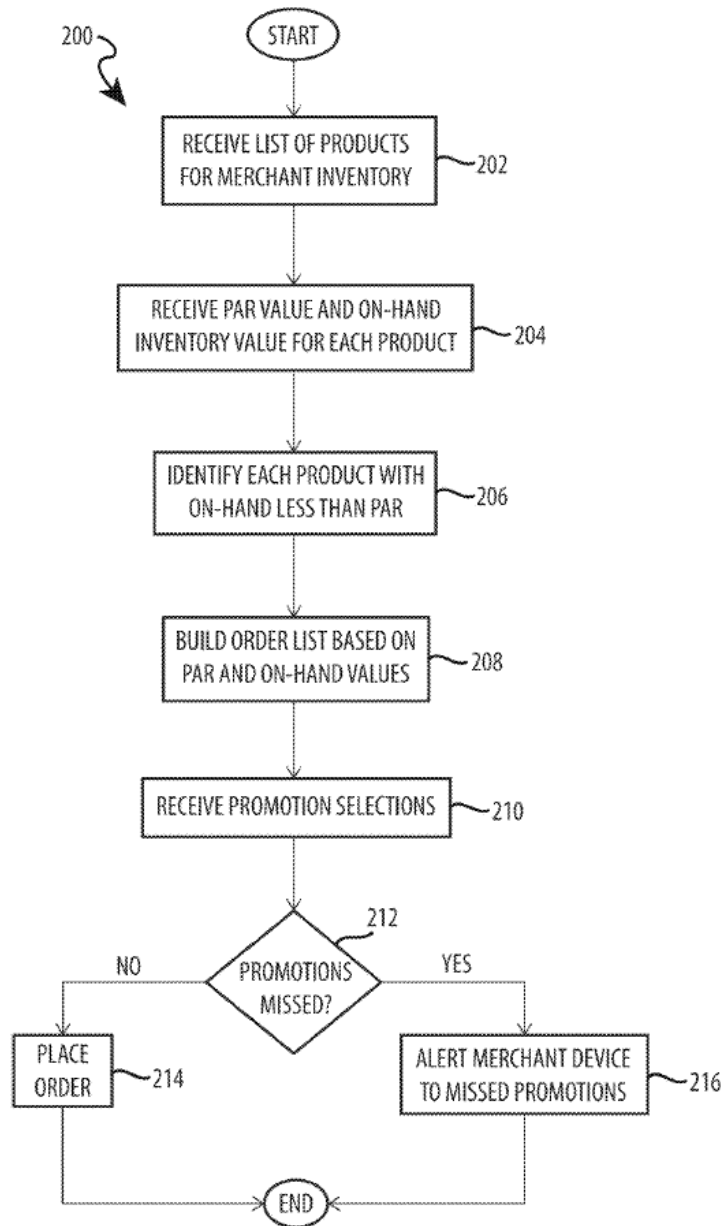


FIG. 2

Figure 2 is a flowchart illustrating a method of building and placing a beverage product order using inventory management system 100. *Id.* at 6:40–43.

At operation 202, a user of merchant device 124 selects beverage products that the merchant needs and transmits that list to CMS 122. *Id.* at 6:51–52, 60–67. In operations 204 and 206, CMS 122 receives a par value

and on hand value for each item in the merchant's product list, and identifies each product that has an on hand value that is less than the par value. *Id.* at 7:1–2, 20–22. At operation 208, CMS 122 automatically generates an order list that will bring the on hand value equal to the par value for each of the beverage products in the order. *Id.* at 7:30–31, 35–39. The user of merchant device 124 may then confirm the number of units for each product, select promotional offers made available by other entities using the inventory system, and transmit the order to CMS 122. *Id.* at 7:41–52. In operation 210, CMS 122 receives the order with promotional offer selections from merchant device 124. *Id.* at 7:53–54.

Figure 6 of the '585 patent, reproduced below, is flowchart 600 illustrating a method of placing an order using inventory management system 100 that includes beverage products for multiple distributors/suppliers. *Id.* at 9:26–36.

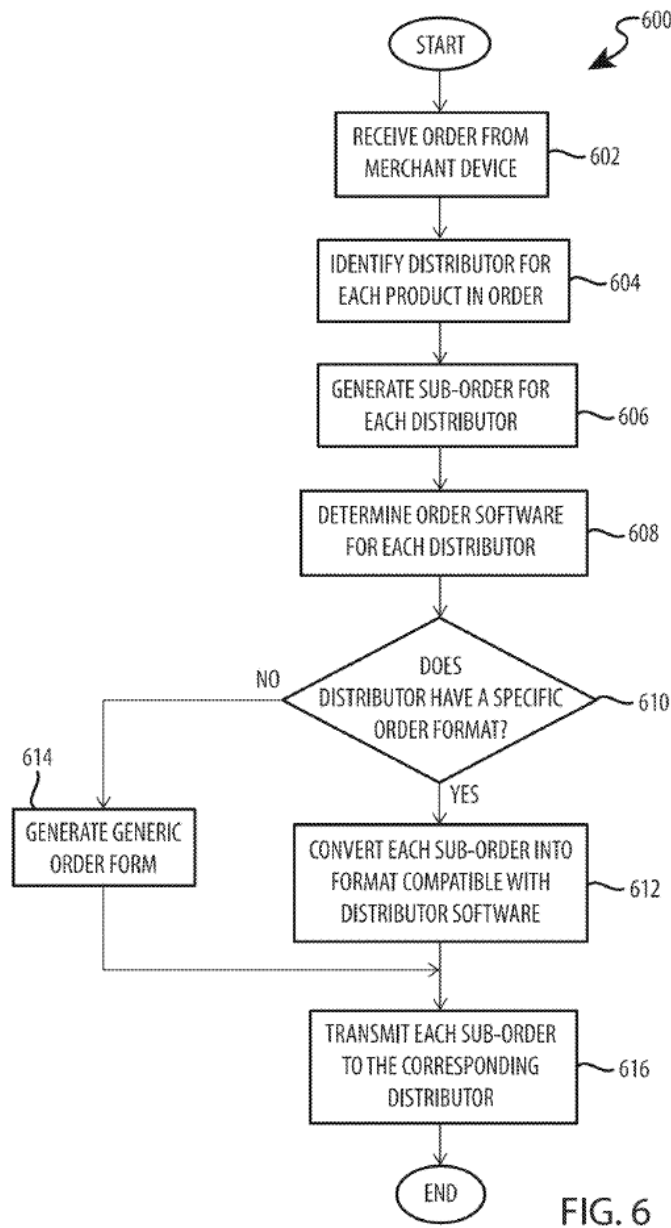


FIG. 6

Figure 6 of the '585 patent is flowchart 600 illustrating a method placing an order using inventory management system 100 that includes beverage products for multiple distributors/suppliers. *Id.* at 9:26–36.

At operation 602, CMS 122 receives an order for a plurality of beverage products from merchant device 124. *Id.* at 9:37–39. Next, in operation 604, CMS 122 identifies a distributor for each product included in the order, based on user input, a pre-existing list of approved distributors, or

location information. *Id.* at 9:46–49. At operations 606 and 608, CMS 122 generates a sub-order for each distributor identified and determines the order software for each distributor. *Id.* at 9:60–61, 10:1–2. Then, in decision block 610, CMS 122 determines whether each distributor has a specific order format that it uses. *Id.* at 10:9–10. If CMS 122 determines that the distributor does have a specified order format, then it converts each sub-order into a format compatible with the software used by the associated distributor in operation 612. *Id.* at 10:20–24. If CMS 122 determines that the distributor does not have a specified order format, then it generates a generic order form in operation 614. *Id.* at 10:24–27. At operation 616, CMS 122 transmits each sub-order to the corresponding distributor and/or the distributor’s sales representative for processing and fulfillment. *Id.* at 10:37–40.

C. Challenged Claims

Petitioner challenges claims 1–19. Claims 1, 6, and 14 are independent. Claims 1 and 6 are illustrative of the challenged subject matter and are reproduced below.

1. A method of optimizing computerized inventory orders over a distributed network comprising:
 - receiving, from a first user device connected to the distributed network, a list of one or more products, the list including a par value and an inventory value associated with each of the one or more products, the par value and inventory value corresponding to a single delivery location;
 - responsive to receiving the list of one or more products, determining, by one or more processors, an inventory order for the single delivery location based, at least in part, on the associated par value and the associated inventory value of each of the one or more products;

receiving, from a second user device connected to the distributed network, a set of available promotions;

responsive to receiving the set of available promotions, transmitting, over the distributed network by the one or more processors, the set of available promotions associated with at least one of the one or more products to the first user device;

receiving, from the first user device, a selection of at least one promotion of the set of available promotions;

automatically adjusting, by the one or more processors, a price of at least one of the one or more products associated with the at least one promotion to the inventory order;

outputting to a display on the first user device, an updated inventory order including the adjusted price of the at least one of the one or more products associated with the at least one promotion;

receiving, by the one or more processors, a user confirmation for the updated inventory order for delivery of the one or more products to the single delivery location;

identifying, by the one or more processors, respective distributors associated with each product of the one or more products within the updated inventory order, wherein each of the products is associated with a single distributor;

generating, by the one or more processors, a plurality of distributor specific inventory orders for each distributor identified as providing a product within the updated inventory order, wherein the plurality of distributor specific inventory orders each include a different format; and

transmitting by the one or more processors, the plurality of distributor specific inventory orders to each of the identified distributors for fulfillment of the updated inventory order for the delivery location.

Ex. 1001, 13:35–14:15.

6. A method of identifying a product distributor based on electronic location information comprising:

registering, by one or more processors, a merchant with a content management system containing beverage products, distributor, sales representative, and supplier information;

responsive to registering the merchant, determining a location of the merchant based on electronic location information;

providing, over a network, the merchant with access to at least one of the beverage inventory, distributor, sales representative, and supplier information stored on the content management system;

receiving, by the one or more processors, a purchase request for a first beverage product and a second beverage product from the merchant;

responsive to receiving the purchase request, automatically identifying, by the one or more processors, a first distributor for fulfilling a first portion of the purchase request corresponding to the first beverage product based on the electronic location information, and a second distributor for fulfilling a second portion of the purchase request corresponding to the second beverage product, wherein each beverage product is associated with a single distributor; and

transmitting, via the network, the purchase request to the first identified distributor and the second identified distributor for fulfilment of the purchase request and delivery of the first beverage product and the second beverage product to the location of the merchant.

Id. at 14:42–15:3.

D. Alleged Grounds of Unpatentability

Petitioner asserts that claims 1–19 are unpatentable on the following ground:

Claim(s) Challenged	35 U.S.C. §	Reference(s)/Basis
1–19	101	Subject Matter Eligibility

Pet. 44. Petitioner relies on the Declarations of Paul Min, Ph.D. (Ex. 1008), and Brian Albenze (Ex. 1030) to support its assertion of unpatentability.

Patent Owner relies on the Declarations of Joe Cool (Ex. 2001) and Jason K. Smith (Ex. 2002) in support of arguments made in the Preliminary Response.

II. ANALYSIS

A. *Petition Service Date*

Patent Owner argues that Petitioner did not properly effect service of the Petition on or before September 15, 2020, as required by the CBM patent review program. Prelim. Resp. 14–19. According to Patent Owner, the Petition should not be accorded a filing date of September 15, 2020 because Patent Owner did not receive the Petition via Federal Express (“FedEx”) until September 16, 2020. *Id.* at 15. Patent Owner maintains that September 15, 2020 was the last date to file a CBM petition before the sunset of the CBM patent review program. *Id.* at 15–16. Although Petitioner also emailed a courtesy copy of the Petition and exhibits to Patent Owner’s counsel, Gina Cornelio and Case Collard, Patent Owner argues that the email service on September 15, 2020 does not comply with 37 C.F.R. §§ 42.6(e)(1) and 42.300(a) because the parties did not previously agree to electronic service. *Id.* Additionally, Patent Owner contends that for service to be effective on September 15, 2020, the Petition must have been served on the correspondence address of record for Patent Owner on September 15, 2020 per 37 C.F.R. § 42.205(a). *Id.* Patent Owner asserts that the Petition did not arrive by FedEx until September 16, 2020, which Patent Owner contends is too late. *Id.* at 15–16. Patent Owner further contends that the “mailbox rule” does not apply to this proceeding and that we should not find that the Petition was served upon its deposit at the FedEx location. *See* Prelim. Resp. 15–16.

In its Reply to the Patent Owner’s Preliminary Response, Petitioner asserts that FedEx is “at least as fast and reliable as Priority Mail Express®” and therefore satisfies the requirements of Rule 42.6(e)(1). Reply 1. Petitioner further asserts that the Petition complied with §§ 42.304 and 42.205(a), and the filing fee was timely paid. *Id.* at 3.

To start, we observe that 37 C.F.R. § 42.205(b) indicates that “[s]ervice may be by Priority Mail Express® or *by means at least as fast and reliable as Priority Mail Express®*. Personal service is not required.” 37 C.F.R. § 42.205(b) (emphasis added). Further, we note that Petitioner has provided evidence that Priority Mail Express guarantees 1-Day or 2-Day expedited services by 3p.m. and FedEx provides *next* day delivery options that may be faster than Priority Mail Express. *See* Pet. Reply 1; Ex. 1038; Ex. 1041. Considering the parties’ filings and based on the particular facts of this case, we are satisfied that Petitioner’s use of FedEx on September 15, 2020, followed by delivery the next day— September 16, 2020 —is sufficiently akin to Priority Mail Express to satisfy the service requirement of § 42.205(b). *See CoolIT Sys., Inc. v. Asetek Danmark A/S*, IPR2020-00522, Paper 9 at 10–12 (PTAB Aug. 24, 2020) (determining that next business day FedEx service is sufficiently akin to Priority Mail Express); *Varian Med. Sys., Inc. v. Best Med. Int’l, Inc.*, IPR2020-00071, Paper 14 at 33–34 (PTAB May 1, 2020) (finding Petitioner’s use of FedEx on a Friday evening followed by delivery on the following Monday to be sufficiently akin to Priority Mail Express).

Further, to the extent necessary, we waive regulatory requirements related to the timing of Petitioner’s service based on the particular facts of this case. *See* 37 C.F.R. § 42.5(b). Patent Owner contends that service by deposit does not apply to Board proceedings per 37 C.F.R. § 1.8(a)(1)(i)(A).

Prelim. Resp. 17; Sur-reply 1. Nonetheless, Patent Owner has not established any actual prejudice or harm arising from next-day receipt. It is undisputed that Patent Owner not only received the Petition by FedEx on September 16, 2020, but that Patent Owner’s counsel received the same documents via email on September 15, 2020. Prelim. Resp. 15. Moreover, AIA § 18 and 35 U.S.C. § 322(a) do not address service deadlines. Accordingly, we decline to deny institution on this basis.

B. Claim Construction

In a covered business method patent review, we interpret claims in the same manner used in a civil action under 35 U.S.C. § 282(b) “including construing the claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent.” 37 C.F.R. § 42.300(b) (2019). In applying a district court-type claim construction, we are guided by the principle that the words of a claim “are generally given their ordinary and customary meaning,” as understood by a person of ordinary skill in the art at the time of the invention. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312–13 (Fed. Cir. 2005) (en banc). “In determining the meaning of the disputed claim limitation, we look principally to the intrinsic evidence of record, examining the claim language itself, the written description, and the prosecution history, if in evidence.” *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 469 F.3d 1005, 1014 (Fed. Cir. 2006) (citing *Phillips*, 415 F.3d at 1312–17). There is a “heavy presumption,” however, that a claim term carries its ordinary and customary meaning. *CCS Fitness, Inc. v. Brunswick Corp.*, 288 F.3d 1359, 1366 (Fed. Cir. 2002) (citation omitted).

Only terms that are in controversy need to be construed, and then only to the extent necessary to resolve the controversy. *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013, 1017 (Fed. Cir. 2017).

Petitioner does not propose any explicit constructions for any claim terms. *See* Pet. 44. Likewise, Patent Owner does not propose any explicit constructions for any claim terms. *See* Prelim. Resp. We determine that no explicit construction is necessary in order to resolve the issues before us at this stage of the proceeding.

C. Level of Skill in the Art

Based on the current record, including our review of the '585 patent and the types of problems and solutions described in the '585 patent and cited reference materials, we agree with Dr. Min that a person of ordinary skill in the art would have had “the equivalent of a Bachelor’s degree or higher in electrical engineering, computer science or computer networking, and at least 2 years working experience designing communication systems.” *See* Ex. 1008 ¶ 21.

D. Covered Business Method Patent Review Eligibility

Under § 18(a)(1)(E) of the AIA, we may institute a transitional review proceeding only for a CBM patent. A “covered business method patent” is 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) (2012); *see also* 37 C.F.R. § 42.301 (defining “[c]overed business method patent” and “[t]echnological invention”). To determine whether a patent is eligible for a CBM patent review, the focus is on the claims. *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1340 (Fed. Cir. 2016) (“[Section] 18(d)(1)

directs us to examine *the claims* when deciding whether a patent is a [covered business method] patent.”); *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1382 (Fed. Cir. 2016) (CBM patents “are limited to those with *claims* that are directed to methods and apparatuses of particular types and with particular uses ‘in the practice, administration, or management of a financial product or service’” (emphasis added)). One claim directed to a CBM is sufficient to render the patent eligible for CBM patent review. *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 (Comment 8) (Aug. 14, 2012).

I. Standing

Section 18(a)(1)(B) of the AIA requires that Petitioner, its real party-in-interest or privy, “has been sued for infringement of the patent or has been charged with infringement under that patent.”

Petitioner contends that this standing requirement is satisfied based on a series of correspondence through which Patent Owner accused Petitioner’s product ordering system of infringing at least one claim of the ’585 patent. Pet. 27–31.

Patent Owner does not dispute Petitioner’s position. *See* Prelim. Resp. 1 (“Smith diligently notified [Petitioner] of its infringement of the patent in January 2020.”).

After considering the parties’ arguments, we determine that Petitioner has met its burden of demonstrating that it is eligible to bring this CBM patent review. *See* 37 C.F.R. § 42.304(a).

a) *Whether Petitioner Has Been “Sued for Infringement”*

To start, we note that Patent Owner has not sued Petitioner for infringement. *See* Pet. 3, 27–31.

b) *Charged with Infringement*

Next we determine whether Petitioner has been “charged with infringement.” Our rules provide that “[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.” 37 C.F.R. § 42.302(a). The Declaratory Judgment Act provides that “[i]n a case of actual controversy within its jurisdiction, . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration.” 28 U.S.C. § 2201(a).

In *MedImmune, Inc. v. Genentech, Inc.*, the Supreme Court stated that the test for whether an “actual controversy” exists is “whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” 549 U.S. 118, 127 (2007). Further, our reviewing court has instructed that *MedImmune* relaxed the test for establishing jurisdiction, but “did not change the bedrock rule that a case or controversy must be based on a *real* and *immediate* injury or threat of future injury that is *caused by the defendants*—an objective standard that cannot be met by a purely subjective or speculative fear of future harm.” *Prasco, LLC v. Medicis Pharm. Corp.*,

537 F.3d 1329, 1339 (Fed. Cir. 2008). The Federal Circuit has further explained that

“jurisdiction generally will not arise merely on the basis that a party learns of the existence of a patent owned by another or even perceives such a patent to pose a risk of infringement, without some affirmative act by the patentee.” *SanDisk [Corp. v. STMicroelecs., Inc.]*, 480 F.3d [1372,] 1381 [(Fed. Cir. 2007)]. Instead, we have required “conduct that can be reasonably inferred as demonstrating intent to enforce a patent.” *Hewlett–Packard Co. v. Acceleron LLC*, 587 F.3d 1358, 1363 (Fed. Cir. 2009)

Asia Vital Components Co. v. Asetek Danmark A/S, 837 F.3d 1249, 1253 (Fed. Cir. 2016).

Turning to the facts of this case, Petitioner contends that Patent Owner’s litigation counsel sent a January 30, 2020 letter in which Patent Owner alleged similarities between the ’585 patent and Petitioner’s product ordering system. Pet. 27 (citing Ex. 1003). In that letter, Patent Owner’s counsel invited Petitioner to discuss a “license agreement” as a “practical business solution” to the parties’ dispute. Ex. 1003, 2. Subsequently, Petitioner responded in a February 28, 2020 Letter (Ex. 1004) asserting that Petitioner’s beverage ordering platform does not infringe the ’585 patent and that any similar features existed in prior art systems. Pet. 28; Ex. 1004, 1–3. Subsequently, in a June 18, 2020 Letter, Patent Owner accused Petitioner’s beverage ordering platform of infringing the ’585 patent. Ex. 1005, 1–4. The June 18, 2020 Letter included a claim chart “mapping [Petitioner’s] product to independent claim 14.” *Id.* at 1–4 (“For at least the reasons outlined in this letter, [Petitioner] infringes the ’585 patent and the ’585 patent is valid.”). The parties then engaged in discussions, which did not ultimately resolve the dispute. Pet. 28. On September 3, 2020, Patent

Owner reiterated its position that Petitioner's product infringed the '585 patent:

[Petitioner] may not continue to infringe on Dust Bowl's patent. [Petitioner] has no good faith basis to avoid willful infringement going forward, either under its undisclosed (and likely non-existent) non-infringement defense or under its rebutted invalidity arguments. [Petitioner] is now on notice that any infringement going forward will be willful, especially under the subjective *Halo* standard. Dust Bowl reserves all rights and remedies, including injunctive relief if necessary.

Ex. 1007, 2.

Taking into account the full relationship between the parties and the particular circumstances in this case, we determine that Patent Owner's actions and statements alleging infringement are sufficient to establish that there is a substantial controversy between the parties sufficient to establish CBM patent review standing under relevant case law. *See SanDisk Corp. v. STMicroelects., Inc.*, 480 F.3d 1372, 1382 (Fed. Cir. 2007) (holding demand for license fees and identification of specific allegedly infringing activity sufficient for jurisdiction).

2. *Financial Product or Service*

The AIA defines a CBM patent as "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." AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). The definition can encompass patents claiming activities that are financial-in-nature.

Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,735 (Aug. 14, 2012); *Blue Calypso*, 815 F.3d at 1338–41 (determining that a patent was a covered business method patent because it

claimed activities that are financial-in-nature); *Unwired Planet*, 841 F.3d at 1380 n.5 (stating, “we endorsed the ‘financial in nature’ portion of the standard as consistent with the statutory definition of ‘covered business method patent’ in *Blue Calypso*”); *Versata Dev. Grp, Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1324–25 (Fed. Cir. 2015) (“[The statute] on its face covers a wide range of finance-related activities.”). A patent need have only one claim directed to a covered business method to be eligible for review.

Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012).

Pointing to specific limitations of the claims, Petitioner asserts that the challenged claims are directed to the financial activity of purchasing beverage products using a computerized system. Pet. 32. For example, Petitioner notes that claim 6 recites “transmitting, via the network, the purchase request to the first identified distributor and the second identified distributor for fulfilment of the purchase request and delivery of the first beverage product and the second beverage product to the location of the merchant.” *Id.* at 32–33 (quoting Ex. 1001, 14:66–15:3 (claim 6)). Petitioner contends that “[t]he placement of orders for beverage products is a financial activity.” *Id.* at 33.

Patent Owner argues that the ’585 patent claims relate to an application for managing beverage inventories using an integrated computerized system, not the practice, administration, or management of a financial product or service. Prelim. Resp. 20. Patent Owner contends that the ordering, purchase, and/or sale of alcohol is not a “financial product or service” under any commonplace definition, and that financial companies offer products and services like loans, savings accounts, and investment

services—they do not manage inventory or offer the order, purchase, and/or sale of alcohol. *Id.* Patent Owner cites *Unwired Planet* and argues “the Federal Circuit noted that ‘it cannot be the case that a patent covering a method and corresponding apparatuses becomes a CBM patent because its practice could involve a potential sale of a good or service.’” *Id.* at 21 (citing *Unwired Planet*, 841 F.3d at 1382). According to Patent Owner, “it is evident that the placement of orders (itself only a part of managing inventory) is not itself a ‘financial activity’ but instead is merely incidental to or complementary to a financial activity.” *Id.* Patent Owner adds that the optimization of orders, automated generation of orders, or identification of a product distributor are not financial activities. *Id.* at 22.

We agree with Petitioner that at least claims 1 and 6 of the ’585 patent recite methods for performing data processing or other operations used in the practice, administration, or management of a financial product or service. Claim 6 recites “registering . . . a *merchant* with a content management system containing beverage products, distributor, *sales* representative, and supplier information.” Ex. 1001, 14:43–46 (emphasis added). Claim 6 further recites the steps of receiving beverage “purchase request[s]” and transmitting these purchase requests for “fulfilment of the purchase request and delivery of the first beverage product and the second beverage product to the location of the merchant.” *Id.* at 14:57–15:3. Claim 6 is not limited to the mere identification of a product distributor as Patent Owner contends. *See* Prelim. Resp. 22. Rather, claim 6 goes beyond a “potential sale of a good or service” exempted in *Unwired Planet*, and requires the transmission of *purchase requests* for the actual *fulfilment* (i.e., sale) of the products. *See id.* at 14:39–15:3; *see Unwired Planet*, 841 F.3d at 1382. Likewise, claim 1’s method of optimizing computerized inventory, includes the steps of

“transmitting . . . the plurality of distributor specific inventor orders to each of the identified distributors for *fulfillment* of the updated inventory order for the delivery location.” *Id.* at 14:12–15.

The Specification of the '585 patent lends further support to our reading of these claims. With reference to Figure 2, the '585 patent teaches a flowchart for “building and placing an order of beverage products.” Ex. 1001, 6:40–43, Fig. 2. Figure 2 shows various steps that include the building of an order list and the *placing* of the order at step 214. *Id.*, Fig. 2. Additionally, the '585 patent describes Figure 41 as an example screenshot of an embodiment of Figure 1. *Id.* at 11:58–60. Figure 41 is provided below:

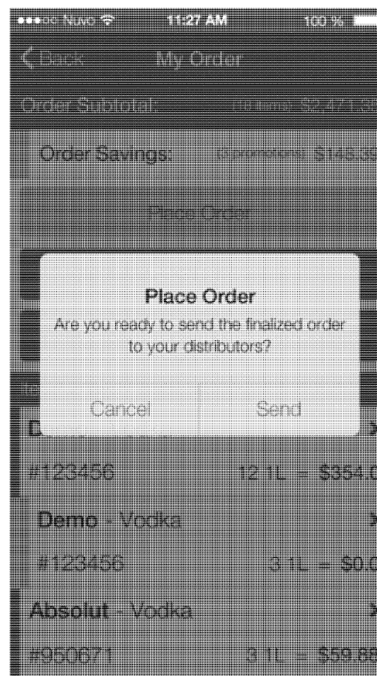


FIG. 41

Figure 41 is an example screenshot showing an embodiment of the networked beverage inventory management and acquisition system of Figure 1. *Id.* at 2:42–44. As shown in Figure 41, the '585 patent teaches the

fulfillment of a beverage purchase order that is consistent with the recited transmitting steps recited in claims 1 and 6.

Accordingly, we conclude that at least claims 1 and 6³ recite methods for performing data processing or other operations used in the practice, administration, or management of a financial product or service within the meaning of AIA § 18(d)(1).

3. *Technological Invention*

Even if a patent includes claims that would otherwise be eligible for treatment as a CBM patent, a review of the patent is precluded if the claims cover only “technological invention[s],” as defined by 37 C.F.R.

§ 42.301(b). 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 the following: “whether the claimed subject matter as a whole [(1)] recites a technological feature that is novel and unobvious over the prior art; and [(2)] solves a technical problem using a technical solution.”

37 C.F.R. § 42.301(b). Both prongs must be satisfied in order to exclude the patent as a technological invention. *See Versata*, 793 F.3d at 1326–27; *Apple Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240 (Fed. Cir. 2016).

The following claim-drafting techniques 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

³ We also note that, although not addressed by either party, claim 12 (which depends from claim 6) expressly recites financial activity, namely “receiving . . . a credit application from the merchant” and “transmitting . . . the credit application to the first distributor for approval.”

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.

Patent Trial and Appeal Board Consolidated Trial Practice Guide⁴, 43 (Nov. 2019) (“Consolidated Trial Practice Guide”). The Federal Circuit has held that a claim does not include a “technological feature” if its “elements are nothing more than general computer system components used to carry out the claimed process.” *Blue Calypso*, 815 F.3d at 1341; *see also Versata*, 793 F.3d at 1327 (“the presence of a general purpose computer to facilitate operations through uninventive steps does not change the fundamental character of an invention”).

Petitioner argues that the ’585 patent is not for a technological invention because it fails both prongs—the claimed subject matter as a whole does not recite a technological feature that is novel and unobvious over the prior art and it does not recite a technological solution to a technological problem. Pet. 36–44.

Patent Owner disputes that the ’585 patent meets the financial product or service requirement for CBM patent eligibility, as discussed above, but does not provide arguments that the ’585 patent is for a technological invention. *See generally* Prelim. Resp.

With respect to the first prong of the technological invention exception, Petitioner argues that at least claims 1, 6, and 14 recite only well-

⁴ Available at <https://www.uspto.gov/TrialPracticeGuideConsolidated>; *see also* 84 Fed. Reg. 64,280 (Nov. 21, 2019).

known and general computer system components and software functions.
Pet. 37–42.

On this record, Petitioner’s evidence sufficiently shows that none of the possible technological features recited by at least claims 1 and 6 are novel and unobvious over the prior art. *See* Pet. 37–42. Claim 1 recites a “first user device” with a “display,” “second user device,” and “one or more processors” on a “distributed network.” Ex. 1001, 13:35–14:15. Petitioner’s declarant, Dr. Min, testifies that “the first and second user devices are described so broadly in the specification that they encompass any programmable electronic device capable of communicating with other devices.” Ex. 1008 ¶ 41 (emphasis omitted). Dr. Min’s testimony is consistent with the Specification of the ’585 patent, which discloses that user devices such as

supplier device 102, sales representative device 108, distributor device 114, server 120, and merchant devices 124 and 130 may be *desktop computers, laptop computers, tablet computers, smartphones, personal digital assistants, or any other programmable electronic device capable of communicating with the other devices* in inventory management and acquisition system 100 via network 136.

Ex. 1001, 3:18–25 (emphasis added). With respect to “one or more processors,” Dr. Min testifies that the ’585 patent teaches “microprocessors, communications and network processors, etc.,” which are generic computer components. Ex. 1008 ¶ 42 (citing Ex. 1001, 10:65–68; Ex. 1013, 433, 102, 142 (Microsoft Computer Dictionary)). Further, Dr. Min explains that the recited display can be any “mechanism to display data.” *Id.*; *see also* Ex. 1001, 11:55–57 (“Display 820 provides a mechanism to display data to a user and may be, for example, an embedded display screen or touch screen.”). Additionally, we note that the ’585 patent also teaches that the

“network” may include conventional components such as wiring, wireless communication links, fiber optic cables, and any other communication medium. Ex. 1001, 3:9–17. Further, “[n]etwork 136 may be a wide area network (WAN), such as the Internet, a local area network (LAN), or any other suitable network. In general, network 136 can be any combination of connections and protocols that will support communications between various other devices and computing systems included in inventory management and acquisition system 100.” *Id.* at 3:11–17.

Similarly, claim 6 recites “one or more processors,” a “content management system,” and a “network.” *Id.* at 14:43–50. As discussed, we are persuaded by Petitioner’s arguments that “processors” and a “network” are generic computer components. *See id.* at 3:9–17, 10:65–68.

Additionally, Dr. Min testifies that

[a] content management system was a commonplace, generic, off-the shelf software application in 2015—decades after its introduction in the late-1990s. Although the patent is silent, one of ordinary skill in the art would have understood in 2015 that a content management system is an “overall process for collecting, managing, and publishing content to any outlet.” *See*, B. Boiko, *Understanding Content Management, Bulletin of the American Society for Information Science and Technology*—October/November 2001.

Ex. 1008 ¶ 60 (citing Ex. 1024 (Boiko article)).

We are mindful that both claims 1 and 6 recite methods for “optimizing computerized inventory orders over a distributed network” and “identifying a product distributor based on electronic location information,” respectively. Ex. 1001, 13:35–36, 14:41–42. Nonetheless, merely listing computer components, or performing actions by computers, does not make an invention technological. *Blue Calypso*, 815 F.3d at 1341; *see also*

Versata, 793 F.3d at 1327. A patent “typically” is not for a “technological invention” if it recites “the use of known prior art technology to accomplish a process or method, *even if that process or method is novel and non-obvious.*” Consolidated Trial Practice Guide, 43 (emphasis added).

On this record, we determine that at least claims 1 and 6 of the ’585 patent do not recite a technological feature that is novel and unobvious. Because both prongs must be satisfied for a patent to be excluded from CBM patent review for being a technological invention, we determine that the ’585 patent is not for a technological invention based on the first prong alone.

4. *Conclusion for CBM Eligibility*

We determine that Petitioner has been charged with infringement under the ’585 patent. We further determine that Petitioner has demonstrated that at least one claim of the ’585 patent recites a method for performing data processing or other operations used in the practice, administration, or management of a financial product or service and is not for a technological invention. Accordingly, we conclude that the ’585 patent is eligible for CBM patent review.

E. *Subject Matter Eligibility*

An invention is patent-eligible if it claims a “new and useful process, machine, manufacture, or composition of matter.” 35 U.S.C. § 101. However, the U.S. Supreme Court has long interpreted 35 U.S.C. § 101 to include implicit exceptions: “[l]aws of nature, natural phenomena, and abstract ideas” are not patentable. *E.g.*, *Alice Corp. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014).

In determining whether a claim falls within an excluded category, we are guided by the Court’s two-part framework, described in *Mayo* and *Alice*.

Id. at 217–18 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 75–77 (2012)). In accordance with that framework, we first determine what concept the claim is “directed to.” *See Alice*, 573 U.S. at 219 (“On their face, the claims before us are drawn to the concept of intermediated settlement, *i.e.*, the use of a third party to mitigate settlement risk.”); *see also Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (“Claims 1 and 4 in petitioners’ application explain the basic concept of hedging, or protecting against risk.”).

Concepts determined to be abstract ideas, and thus patent ineligible, include certain methods of organizing human activity, such as fundamental economic practices (*Alice*, 573 U.S. at 219–20; *Bilski*, 561 U.S. at 611); mathematical formulas (*Parker v. Flook*, 437 U.S. 584, 594–95 (1978)); and mental processes (*Gottschalk v. Benson*, 409 U.S. 63, 67 (1972)). Concepts determined to be patent eligible include physical and chemical processes, such as “molding rubber products” (*Diamond v. Diehr*, 450 U.S. 175, 191 (1981)); “tanning, dyeing, making water-proof cloth, vulcanizing India rubber, smelting ores” (*id.* at 182 n.7 (quoting *Corning v. Burden*, 56 U.S. 252, 267–68 (1853))); and manufacturing flour (*Benson*, 409 U.S. at 69 (citing *Cochrane v. Deener*, 94 U.S. 780, 785 (1876))).

In *Diehr*, the claim at issue recited a mathematical formula, but the Court held that “a claim drawn to subject matter otherwise statutory does not become nonstatutory simply because it uses a mathematical formula.” *Diehr*, 450 U.S. at 187; *see also id.* at 191 (“We view respondents’ claims as nothing more than a process for molding rubber products and not as an attempt to patent a mathematical formula.”). Having said that, the Court also indicated that a claim “seeking patent protection for that formula in the abstract . . . is not accorded the protection of our patent laws, and this

principle cannot be circumvented by attempting to limit the use of the formula to a particular technological environment.” *Id.* (citation omitted) (citing *Benson* and *Flook*); *see, e.g., id.* at 187 (“It is now commonplace that an *application* of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection.”).

If the claim is “directed to” an abstract idea, we turn to the second part of the *Alice* and *Mayo* framework, where “we must examine the elements of the claim to determine whether it contains an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *Alice*, 573 U.S. at 221 (quotation marks omitted). “A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Id.* (alterations in original) (quoting *Mayo*, 566 U.S. at 77). “[M]erely requir[ing] generic computer implementation[] fail[s] to transform that abstract idea into a patent-eligible invention.” *Id.* at 212.

1. USPTO Section 101 Guidance

In January 2019, the U.S. Patent and Trademark Office (USPTO) published revised guidance on the application of § 101. 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019) (“2019 Revised Guidance” or “Guidance”).⁵ “All USPTO personnel are, as a matter of internal agency management, expected to follow the guidance.” *Id.* at 51; *see also* October 2019 Update at 1.

⁵ In response to received public comments, the Office issued further guidance on October 17, 2019, clarifying the 2019 Revised Guidance. USPTO, *October 2019 Update: Subject Matter Eligibility* (the “October 2019 Update”) (available at https://www.uspto.gov/sites/default/files/documents/peg_oct_2019_update.pdf).

Under the 2019 Revised Guidance and the October 2019 Update, we first look to whether the claim recites:

- (1) any judicial exceptions, including certain groupings of abstract ideas (i.e., mathematical concepts, certain methods of organizing human activity such as a fundamental economic practice, or mental processes) (“Step 2A, Prong One”); and
- (2) additional elements that integrate the judicial exception into a practical application (*see* MPEP § 2106.05(a)–(c), (e)–(h) (9th ed. Rev. 08.2017, Jan. 2018)) (“Step 2A, Prong Two”).⁶

2019 Revised Guidance, 84 Fed. Reg. at 52–55.

Only if a claim (1) recites a judicial exception and (2) does not integrate that exception into a practical application, do we then at Step 2B look to whether the claim:

- (3) adds a specific limitation beyond the judicial exception that is not “well-understood, routine, conventional” in the field (*see* MPEP § 2106.05(d)); or
- (4) simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception.

Id. at 56.

2. *Step 1: Statutory Category*

The first step of the eligibility determination asks if the claim is to a process, machine, manufacture, or composition of matter. The parties

⁶ This evaluation is performed by (a) identifying whether there are any additional elements recited in the claim beyond the judicial exception, and (b) evaluating those additional elements individually and in combination to determine whether the claim as a whole integrates the exception into a practical application. *See* 2019 Revised Guidance - Section III(A)(2), 84 Fed. Reg. 54–55.

present no substantive dispute for consideration in this step. Independent claim 1 is directed to a method of optimizing computerized inventory orders over a distributed network. Independent claim 6 is directed to a method of identifying a product distributor based on electronic location information. Independent claim 14 is directed to non-transitory computer-readable medium having stored therein computer program instructions for automatically generating beverage product sub-orders based on associated metadata. Each of these claims and their dependent claims generally relates to a process or machine, which are statutory categories of eligible subject matter. Therefore, we proceed to the next steps of the analysis.

3. *Step 2A, Prong 1: Whether the Claims Recite a Judicial Exception*

Petitioner contends that all of the challenged claims are directed to the concept of “facilitating the purchase of items by collecting, analyzing, and transmitting information related to inventory, promotions, and particular sellers.” *See* Pet. 1, 52, 56. Petitioner argues that this concept is both: (1) a fundamental economic practice, and (2) mental steps that can be, and long have been, performed without computers. *Id.* at 56–58 (“[T]he claims of the ’585 Patent likewise reflect the fundamental economic practice of facilitating the purchase of items between two parties, including by collecting, analyzing, and transmitting information related to inventory, promotions, and particular sellers.”) (citing Ex. 1008 ¶¶ 38, 46, 69, 72, 92, 96; Ex. 1030 ¶¶ 10–15, 30–32).

Patent Owner contends that the challenged claims are not directed to a fundamental economic practice, but a technological improvement in the beverage industry. Prelim. Resp. 25–26. Patent Owner asserts that “[t]he claims of the ’585 Patent . . . improve the way computers operate in the

specific arena of the beverage industry.” *Id.* at 26. Patent Owner further contends that “facilitating the purchase of items by collecting, analyzing, and transmitting information related to inventory, promotions, and particular sellers” is an idea that cannot be expressed in simple terms and, therefore, is not an abstract idea. *Id.* According to Patent Owner, “the idea underlying the ’585 Patent is a specific process that solves specific and unique problems to achieve results that were unobtainable before: customers with full inventories with all appropriate products on order and all available discounts and promotions applied.” *Id.* at 29.

Additionally, Patent Owner asserts that the challenged claims cannot be done in mental steps or with a pen and paper. Prelim. Resp. 29. According to Patent Owner, “[a] retailer cannot identify distributors for products out of their mental processes. Nor could a retailer discover the identities of distributors no matter how much pen and paper was supplied.” *Id.* at 30. Patent Owner asserts that “prior to the invention of the ’585 Patent identifying distributors was an imperfect process—sometimes a bar or restaurant could not carry a particular brand or product at all because it had no relationship with a distributor or means to identify that distributor to develop such a relationship.” *Id.* (citing Ex. 2002 ¶ 8 (Smith declaration)). Patent Owner adds that “the complexity of the ordering process—which requires selection of varying quantities of products from thousands of discrete [stock-keeping units (SKUs)]—precludes the use of mental processes alone or pencil and paper.” *Id.* Patent Owner also contends that *Beverage Media*, a paper periodical filed as Exhibit 1031 and relied upon by Petitioner and Dr. Min, is not a catalogue that merchants would have used to place orders with distributors because it omits beer beverages, merely *suggests* prices for beverage distributors, and does not allow retailers to

determine local distributors. *Id.* at 31–33 (“Prior to the patent, there was no way for a retailer to identify which distributor served their region, and which brands that distributor carried, other than to wait for sales representatives, unreliable word of mouth, and unreliable internet research.”). In addition, Patent Owner argues that the claimed methods could not be performed in the human mind or with pencil and paper because “one would still need a phone, computer with spreadsheet, archival ordering history, a [universal product code (UPC)] scanner, and countless other cross references (not including *Beverage Media*).” *Id.* at 33–34.

On this record, we agree with Petitioner. We view claim 1 based on the current record as representative of the challenged claims. Claim 1 recites “[a] method of optimizing computerized inventory orders over a distributed network.” Ex. 1001, 13:35–36. The method comprises:

receiving, from a first user device connected to the distributed network, a list of one or more products, the list including a par value and an inventory value associated with each of the one or more products, the par value and inventory value corresponding to a single delivery location;

responsive to receiving the list of one or more products, determining, by one or more processors, an inventory order for the single delivery location based, at least in part, on the associated par value and the associated inventory value of each of the one or more products;

receiving, from a second user device connected to the distributed network, a set of available promotions;

responsive to receiving the set of available promotions, transmitting, over the distributed network by the one or more processors, the set of available promotions associated with at least one of the one or more products to the first user device;

receiving, from the first user device, a selection of at least one promotion of the set of available promotions; automatically adjusting, by the one or more processors, a price of at least one of the one or more products associated with the at least one promotion to the inventory order;

outputting to a display on the first user device, an updated inventory order including the adjusted price of the at least one of the one or more products associated with the at least one promotion;

receiving, by the one or more processors, a user confirmation for the updated inventory order for delivery of the one or more products to the single delivery location;

identifying, by the one or more processors, respective distributors associated with each product of the one or more products within the updated inventory order, wherein each of the products is associated with a single distributor;

generating, by the one or more processors, a plurality of distributor specific inventory orders for each distributor identified as providing a product within the updated inventory order, wherein the plurality of distributor specific inventory orders each include a different format; and

transmitting by the one or more processors, the plurality of distributor specific inventory orders to each of the identified distributors for fulfillment of the updated inventory order for the delivery location.

Ex. 1001, 13:37–14:15 (emphases added). The combination of the elements italicized above recites the concept of facilitating the purchase of items by collecting (e.g., receiving a list of products, inventory orders, and promotions), analyzing (e.g., identifying respective distributors, adjusting price based on promotions, generating orders, and confirming orders), and transmitting information related to inventory, promotions, and particular sellers.

We are also persuaded by Petitioner that this concept falls within the categories of abstract ideas, in particular, certain methods of organizing human activity (fundamental economic practices and commercial or legal interactions, such as business relations) and mental processes (observation and evaluation). *See* 2019 Revised Guidance, 84 Fed. Reg. at 52; *see* Pet. 52–60. As explained by Patent Owner, after the end of Prohibition, most states use a “three-tiered structure” for the sale of alcoholic beverages. Prelim. Resp. 28. “The three-tiered system . . . requires these suppliers to sell to retailers only through distributors. . . . Distributors serve as the middlemen but, due to state level regulations, distributors serve only discrete areas and do not carry a full lineup of alcoholic beverages.” *Id.* (citing Ex. 2001 ¶ 3 (Cool declaration)). Because of this, Patent Owner asserts that the ’585 patent provides a centralized system to manage beverage product inventory and order. *See id.* Patent Owner’s characterization of the ’585 patent aligns with the Specification, which teaches, for example, that “embodiments described herein provide a *central hub* for both large, integrated supplies and distributors as well as small, independent suppliers and distributors.” Ex. 1001, 2:64–67 (emphasis added). Similarly, the Background of the ’585 patent provides that the traditional systems for managing beverage inventories were fragmented, with each party to the system maintaining a distinct interface. *See id.* at 1:22–36.

Based on this disclosure, we agree that the claimed inventions serve as an intermediary between merchants (e.g., restaurant or bar owner), suppliers, and distributors of alcoholic beverages. *See id.* Serving as a facilitating intermediary between parties in the sale of alcoholic beverages is reflected in the language of claim 1, which recites the receipt, analysis (e.g., identifying

and adjusting), and transmission of inventory orders and promotions between device users and distributors. *See id.* at 13:65–14:15.

The Federal Circuit has found similar concepts to be abstract ideas. *See* 2019 Revised Guidance, 84 Fed. Reg. at 52 n.13. For example, *Credit Acceptance* involved system and method claims directed to “provid[ing] financing for allowing a customer to purchase a product selected from an inventory of products maintained by a dealer.” *Credit Acceptance Corp. v. Westlake Services*, 859 F.3d 1044, 1047 (Fed. Cir. 2017) (alteration in original). There, the claims were directed to “maintaining a database of information about the items in a dealer’s inventory, obtaining financial information about a customer from a user, combining these two sources of information to create a financing package for each of the inventoried items, and presenting the financing packages to the user.” *Id.* at 1054. The Federal Circuit determined that there was “no meaningful distinction between this type of financial industry practice and ‘the concept of intermediated settlement’ held to be abstract in *Alice* . . . or the ‘basic concept of hedging’ held to be abstract in *Bilski*.” *Id.* The Federal Circuit further noted that “[t]he invention’s ‘communication between previously unconnected systems—the dealer’s inventory database, a user credit information input terminal, and creditor underwriting servers’ . . . does not amount to an improvement in computer technology.” *Id.* at 1055.

Like *Credit Acceptance*, claim 1 recites generic computer elements (e.g., “user device,” “network,” “display,” and “processor”) that facilitate the financial transactions between parties through a third-party intermediary. *See* Ex. 1001, 13:35–14:15; *see also* Prelim. Resp. 26 (“By inventing an *integrated* system (Claim 1) or a system that uses a *central content management system* (Claim 6) or program instructions that *can take*

information from merchant devices to generate sub-orders for multiple distributors (Claim 14)”) (emphasis added). Therefore, based on the preliminary record, we view claim 1 as similarly concerned with a method of organizing human activity, specifically a fundamental economic practice, which is an abstract idea. *See Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372, 1378 (Fed. Cir. 2017) (“The idea that a customer may pay for items ordered from a remote seller at a third-party’s local establishment is the type of fundamental business practice that, when implemented using generic computer technology, is not patent-eligible under *Alice*.”); *see also Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012) (determining that neither the patent owner “nor any other entity is entitled to wholly preempt” the basic concept of processing information through a clearinghouse).

Our Guidance further instructs that the abstract idea exception includes mental processes, such as “concepts performed in the human mind [] (including an observation, evaluation, judgment, opinion).” 2019 Revised Guidance, 84 Fed. Reg. at 52. Such concepts must be capable of being practically performed in the human mind, although the use of a physical aid, such as a pen and paper or a computer does not negate the mental nature of such a concept. October 2019 Update 8–9; *see also Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1318 (Fed. Cir. 2016) (“[W]ith the exception of generic computer-implemented steps, there is nothing in the claims themselves that foreclose them from being performed by a human, mentally or with pen and paper”), *quoted in* 2019 Revised Guidance, 84 Fed. Reg. at 52 n.14 (alteration in original).

Notably, in *Mortgage Grader, Inc. v. First Choice Loan Services Inc.*, 811 F.3d 1314, 1318 (Fed. Cir. 2016), the court analyzed whether a system

that matched a borrower’s calculated credit grading with lenders’ loan packages while the borrower remained anonymous was directed to non-statutory subject matter. The Court determined that “[t]he series of steps covered by the asserted claims—borrower applies for a loan, a third party calculates the borrower’s credit grading, lenders provide loan pricing information to the third party based on the borrower’s credit grading, and only thereafter (at the election of the borrower) the borrower discloses its identity to a lender—could all be performed by humans without a computer.” *Id.* at 1324.

Similar to the claims in *Mortgage Grader*, claim 1 of the ’585 patent recites a “processor,” “device,” “network,” and “display,” yet the performance of the steps identified above are those of a mental process, i.e., determining an inventory order, adjusting the price of the order based on available promotions, providing the updated order, confirming the updated order, identifying distributors, and transmitting the order to distributors for fulfillment, albeit performed with the use of a computer as a tool. *See* Ex. 1001, 13:35–14:15; Pet. 53–56, 59–60. Thus, consistent with the Guidance and case law, we conclude based on the current record that representative claim 1 recites mental processes (i.e., concepts performed in the human mind, such as an observation, evaluation, judgment, and opinion), which are abstract ideas. *See* 2019 Revised Guidance, 84 Fed. Reg. at 52; October 2019 Update 7–9; *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353–54 (Fed. Cir. 2016) (concluding claims directed to “collecting information, analyzing it, and displaying certain results of the collection and analysis” were abstract); *SAP Am., Inc. v. InvestPic, LLC*, 898 F.3d 1161, 1167 (Fed. Cir. 2018) (concluding claims were directed to the abstract idea of “selecting certain information, analyzing it using mathematical

techniques, and reporting or displaying the results of the analysis”); *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1361–62 (Fed. Cir. 2015) (determining claims reciting obtaining statistics and analyzing those statistics to determine another piece of information—i.e., a price at which to sell a product—were directed to the abstract idea of “offer-based price optimization”).

In addition, we are not persuaded otherwise on this record by Patent Owner’s arguments that steps recited in the challenged method claims could not be accomplished in mental steps or with a pen and paper. *See* Prelim. Resp. 29. The Specification itself explains that the purchase of alcoholic beverages readily occurred after Prohibition through the three-tiered system between merchants/retailers and suppliers through local distributors. *See* Ex. 1001, 1:22–26.

Further, we are not persuaded on this record that a human mind could not perform the “fanciful” or difficult process of using “a phone, computer with spreadsheet, archival ordering history, a UPC scanner, and countless other cross references (not including *Beverage Media*).” Prelim. Resp. 33–34. Patent Owner acknowledges that “ordering a single (non-beer) beverage with a single SKU from a known distributor . . . could . . . potentially be performed mentally.” *Id.* at 34. Moreover, Petitioner’s declarant, Mr. Albenze, testifies that the Beverage Media publication “was then and is now a catalog that publishes beverage alcohol information and the associated distributors for beverage alcohol brands and their location and contact information so retailers could place orders.” Ex. 1030 ¶ 21. Mr. Albenze explains that “the Beverage Media publication was issued monthly, and it contained information about beverage alcohol products,

pricing, and available promotions.” *Id.* Mr. Albenze further testifies that he personally used this publication to place beverage orders. *See id.* ¶¶ 19–23.

Additionally, Patent Owner’s assertion that an abstract idea must be “simple” is unpersuasive. *See* Prelim. Resp. 27 (“That ‘facilitating the purchase of items by collecting, analyzing, and transmitting information related to inventory, promotions, and particular sellers’ is an idea that cannot be expressed in simple terms is indicative of the fact that it is not an ‘abstract’ idea.”). This is because, simple or not, Petitioner’s articulation of the concept recited by claim 1 is supported by the claim language itself as discussed in detail above.

In view of the foregoing, we agree with Petitioner that claim 1 recites an abstract idea. Petitioner and Patent Owner present similar arguments for independent claims 6 and 14. Pet. 52–64; Prelim. Resp. 26–34. For the same reasons discussed for claim 1, we are persuaded at this stage that independent claims 6 and 14 recite a similar abstract idea. We do note, however, that claims 6 and 14 do not recite or require a “promotion.” Nevertheless, we do not find that this difference in Petitioner’s articulated abstract idea impacts our initial determination that the abstract idea (with or without “promotions”) is a fundamental economic practice or mental process.

Additionally, Petitioner argues that dependent claims 2–5, 7–13, and 15–19 also are directed to the abstract idea of facilitating the purchase of items by collecting, analyzing, and transmitting information related to inventory, promotions, and particular sellers, and “add nothing of significance” to the independent claims. Pet. 65–69 (citing Ex. 1008 ¶¶ 92–93). Patent Owner in its Preliminary Response does not respond specifically

to Petitioner’s arguments regarding the dependent claims at Step 2A, Prong 1. *See* Prelim. Resp. 25–34.

We proceed to Prong Two of Step 2A to determine if the abstract idea is integrated into a practical application, in which case the claim as a whole would not be “directed to” merely an abstract idea.

4. *Step 2A, Prong 2: Additional Elements that Integrate the Judicial Exception*

The Supreme Court has long distinguished between abstract ideas themselves (which are not patent-eligible) and the integration of those abstract ideas into practical applications (which are patent-eligible). *See, e.g., Alice*, 573 U.S. at 217 (explaining that “in applying the § 101 exception, we must distinguish between patents that claim the ‘buildin[g] block[s]’ of human ingenuity and those that integrate the building blocks into something more” (quoting *Mayo*, 566 U.S. at 89), and stating that *Mayo* “set forth a framework for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts”); *Mayo*, 566 U.S. at 80, 84 (noting that the Court in *Diehr* found “the overall process patent eligible because of the way the additional steps of the process integrated the equation into the process as a whole,” but the Court in *Benson* “held that simply implementing a mathematical principle on a physical machine, namely a computer, was not a patentable application of that principle”). The Federal Circuit likewise has distinguished between claims that are “directed to” a judicial exception (which require further analysis to determine their eligibility) and those that are not (which are therefore patent-eligible). *See, e.g., McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1314–16 (Fed. Cir. 2016); *Enfish*, 822 F.3d at 1335–36.

Consistent with Supreme Court and Federal Circuit precedent, the Guidance provides that, if a claim recites an abstract idea, it must be further analyzed to determine whether the recited judicial exception is integrated into a practical application. Guidance, 84 Fed. Reg. at 53. Specifically, under Step 2A, Prong 2 of the Guidance, a claim reciting an abstract idea is not “directed to” the abstract idea “if the claim as a whole integrates the recited judicial exception into a practical application of that exception.” *Id.* Step 2A, Prong 2 is evaluated by “(a) [i]dentifying whether there are any additional elements recited in the claim beyond the judicial exception(s); and (b) evaluating those additional elements individually and in combination to determine whether they integrate the exception into a practical application.” *Id.* at 54–55. “A claim that integrates a judicial exception into a practical application will apply, rely on, or use the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception.” *Id.* at 53.

One example in which a judicial exception may be integrated into a practical application is when the claim includes “[a]n additional element [that] reflects an improvement in the functioning of a computer, or an improvement to other technology or technical field.” *Id.* at 55. Other examples in which a judicial exception may be integrated into a practical application are when “an additional element implements a judicial exception with, or uses a judicial exception in conjunction with, a particular machine or manufacture that is integral to the claim,” “an additional element effects a transformation or reduction of a particular article to a different state or thing,” and “an additional element applies or uses the judicial exception in some other meaningful way beyond generally linking the use of the judicial

exception to a particular technological environment, such that the claim as a whole is more than a drafting effort designed to monopolize the exception.” Guidance, 84 Fed. Reg. at 55. Based on the current record, we do not find any such additional elements in claim 1.

Petitioner argues that claim 1 of the ’585 Patent does not integrate the recited abstract idea into a practical application. Pet. 70–74. Petitioner argues that claim 1 only recites computer components, namely a “first user device,” a “display” on the first user device, a “second user device,” a “distributed network,” and one or more “processors,” at a high level of generality. *Id.* at 70 (citing Ex. 1008 ¶¶ 23–24, 40–52). Petitioner adds that the claim elements “merely communicate certain ‘information’ back and forth between the first user device and one or more processors of the claim, and between the one or more processors and the second user device and distributors.” *Id.* (citing Ex. 1008 ¶¶ 44–48). Further, Petitioner asserts that the ’585 patent also does not describe the “first user device,” “display” on the first user device, “second user device,” “distributed network,” and one or more “processors” as being anything more than generic in nature. *Id.* 70–71 (citing Ex. 1008 ¶ 23). Petitioner contends that these generic components are “merely invoked as tools in facilitating a purchase of items by the first user device from the distributor.” *Id.* at 72–73. Additionally, Petitioner argues that

[u]nlike the claims in *Enfish*, the ’585 Patent claims do not improve computer functionality. To the contrary, the independent claims of the ’585 Patent recite a series of simple steps that could be, and long have been, performed manually or mentally. *Albenze Dec.* ¶¶ 19–30. The claims do not recite any functionality or features that purport to improve computer technology or the performance of a computer. *Min Dec.* ¶¶ 91, 98–130. Nor do the claims or specification disclose any particular

software, programming details, code, or any other specifics on how the claims accomplish their steps, which reinforces that only generic and conventional computer technology is required. Min Dec. ¶¶94–95. Rather, the claims appear to cover the mere automation of a sales order process that has occurred for generations. Albenze Dec. ¶¶31–32.

Id. at 77–78.

Petitioner provides similar arguments for independent claims 6 and 14, and dependent claims 2–5, 7–13, and 15–19. *See* Pet. 74–79.

Patent Owner responds that, even if generic, the computer components recited in the claims are arranged in an unconventional way to achieve a non-generic result.⁷ Prelim. Resp. 36, 39 (citing Ex. 2002 ¶ 6; Ex. 2001 ¶ 18). Patent Owner contends that traditionally, placing beverage orders “would be a time consuming, incomplete, and error-prone process for both retailers and distributors.” *Id.* at 37. According to Patent Owner, “[i]f a promotion was released after the order was placed, a distributor would not have time or ability to call back the retailer to alert it of the promotion.” *Id.* Patent Owner contends that the ’585 patent arranges computer technology in a specific way to overcome these problems. *Id.* at 38. Particularly, “[c]laims 1, 3, 10, 11, 15, 16, [and] 17 leverage[] networkability of process[o]rs throughout the supply chain to communicate back and forth regarding the availability of promotions and to confirm orders.” *Id.* at 37–38. Patent Owner adds that “[c]laims 1, 5, 6, 13, [and] 14[] all include features addressing the time-intensive nature of ordering—which was mandated by conventional technology in the industry which could not

⁷ Although listed under a heading for Step 2B, some of Patent Owner’s arguments appear to be directed to both Step 2A, Prong 2 and Step 2B. *See* Prelim. Resp. 34. Accordingly, we consider those arguments in connection with both parts of the analysis.

address the different ordering formats used by different distributors.” *Id.*; *see also id.* at 39 (“Claims 1, 6, 8, [and] 14 further teach how to identify the proper distributor using electronic location information or metadata.”).

Patent Owner asserts that the claims also “explain how to use computer technology to undertake simultaneous ordering by generating sub-orders in different formats for individual distributors.” *Id.* at 38.

On this record, Petitioner’s evidence and analysis persuade us that the additional elements of the claims, both individually and as an ordered combination, do not integrate the recited judicial exception (i.e., fundamental economic practice or mental process) into a practical application.

We turn first to claim 1. As discussed above, claim 1 recites generic computer components, namely a “first user device,” “second user device,” “one or more processors,” and a “display” on a “distributed network.” *See* Ex. 1001, 3:11–13, 13:35–14:15. Again, Patent Owner’s position is that the claimed use of these components overcame technological problems by “leveraging networkability of processors throughout the supply chain to communicate back and forth regarding the availability of promotions and to confirm orders,” “addressing the time-intensive nature of ordering—which was mandated by conventional technology in the industry which could not address the different ordering formats used by different distributors,” and “teach[ing] how to identify the proper distributor using electronic location information or metadata.” Prelim. Resp. 37–39.

Based on the current record, however, we are not persuaded that the problems described by Patent Owner are technological problems as opposed to business-related or non-technical issues. *See* Prelim. Resp. 37–39. For example, Patent Owner’s declarant, Joe Cool, describes problems in the

beverage market associated with the three-tiered structure and regional restrictions placed on the industry. Mr. Cool testifies that

[t]he distribution of alcoholic beverages is subject to *state laws and regulations*. A majority of states have enacted a three-tiered system for alcohol sales. These three tiers are suppliers, distributors, and merchants. Suppliers manufacture (i.e., distill, brew, or ferment) alcoholic beverages. Suppliers then enter into exclusive arrangements with distributors for distributors to sell alcoholic beverages to merchants (any establishment with a liquor license, *i.e.* bars, restaurants, liquor stores). Suppliers may, and often do, communicate directly with merchants to promote their products and created demand. *However, the three-tiered structure prevents suppliers from selling directly to merchants, merchants may only purchase products through distributors.*

Ex. 2001 ¶ 3 (emphasis added). Mr. Cool further explains that “[s]upplier-distributor arrangements are *limited to specific geographic areas due to state regulations*” and that “merchants did not use, or have access to, distributor’s software . . . [and] a sales representative would have to rely on the merchant’s tracking of inventory, or conduct a visual inspection of inventory during a sales call.” *Id.* ¶¶ 4, 6.

As such, we understand Mr. Cool to describe the many inefficiencies and errors resulting from restricted contact and access between various entities in the beverage market. *See id.* ¶¶ 3–10; *see also* Ex. 2002 ¶ 10 (“Errors in orders include incorrect beverages, incorrect amounts, and missed promotions. Because sales calls with distributors’ sales representatives are time-intensive, distributors are often inundated with calls for multiple merchants. Therefore, order confirmations are not commonplace, as they require a second call. Similarly, if a merchant learned of an existing promotion after a sales call, its only option was to attempt call the sales representative, who typically did not return calls due to being busy

with sales calls for other merchants.”). Thus, instead of being specific to a technological problem (e.g., a technical deficiency in electronic or computer systems in use at the time), these challenges appear to be business-related and non-technical in nature due to the post-Prohibition restrictions placed on the alcohol beverage market.

We also observe that the functionality of each component in claim 1 is recited at a high level of generality in which the components receive, adjust, generate, and transmit information between users (e.g., merchants, suppliers, and distributors). For example, claim 1 recites that “*one or more processors*” perform the functions of: “determining . . . an inventory order for the single delivery location based, at least in part, on the associated par value and the associated inventory value of each of the one or more products”; “transmitting, over the distributed network . . . the set of available promotions”; “adjusting . . . a price of at least one of the one or more products”; “receiving . . . a user confirmation for the updated inventory order for delivery . . . to the single delivery location”; “identifying . . . respective distributors associated with each product”; “generating . . . specific inventor orders [that] each include a different format”; and “transmitting” the order “for fulfillment of the updated inventory order for a delivery location.” *See* Ex. 1001, 13:35–14:15. However, no further technical details are recited in claim 1 that explain how the processors perform these functions (e.g., formatting). Moreover, the Specification expressly teaches that the “processors” (e.g., claims 1 and 6) can be generic “microprocessors, communications and network processors, etc.” Ex. 1001, 10:66–67. Additionally, Petitioner’s declarant, Dr. Min, testifies that (1) manipulating and transforming data from one format into another, and (2) determining a location based on geographical information were both generic functions of

generic processors or computer components. Ex. 1008 ¶¶ 92–93 (citing Ex. 1020 ¶¶ 42, 67; Ex. 1019, 13:41–15:30). At this stage, Dr. Min’s testimony appears to be supported by and consistent with the functional language of claim 1 and the Specification’s description of “processors.” Thus, we are not persuaded at this juncture that these generic features overcame any purported technological problems. *See, e.g., cxLoyalty, Inc. v. Maritz Holdings Inc.*, 986 F.3d 1367, 1378–79 (Fed. Cir. 2021) (“[T]he claims provide no useful guidance as to how this purported function [of using a hidden program account to facilitate a transaction between a participant and a vendor] is achieved and thus cannot be directed to a technological solution.”); *University of Fla. Res. Found., Inc. v. Gen. Elec. Co.*, 916 F.3d 1363, 1368–69 (Fed. Cir. 2019) (holding claims relating to format conversion ineligible where the “drivers [were] described in purely functional terms” and the claims did not “explain[] how the drivers do the conversion that [the patent owner] points to” (emphasis omitted)). We note, however, that the parties will have the opportunity after institution to further develop the record on this issue.

Additionally, Patent Owner directs us to *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016) for the proposition that “specific improvement to the way computers operate does not constitute an abstract idea” and “[t]he claims of the ’585 Patent . . . improve the way computers operate in the specific arena of the beverage industry.” Prelim. Resp. 25–26.

That the claims of the ’585 patent relate to computer software does not inherently make them abstract. *Enfish*, 822 F.3d at 1335. Indeed, a specific improvement to the way computers operate does not constitute an abstract idea. *Id.* Nonetheless, we are not persuaded on this record that any

parallel exists between claim 1 and the claims at issue in *Enfish*. In *Enfish*, the Federal Circuit held that claims reciting a self-referential table for a computer database were not directed to an abstract idea under step one of the *Mayo/Alice* framework, and were patent eligible, because the claims were directed to an improvement in computer functionality. *Id.* at 1336. The specification described the benefits of using a self-referential table—faster searching and more effective data storage—and highlighted the differences between the claimed self-referential table and a conventional database structure. *Id.* at 1333, 1337. The Federal Circuit, thus, rejected the district court’s characterization of the claims as directed to the abstract idea of “storing, organizing, and retrieving memory in a logical table,” *id.* at 1337, emphasizing that the key question is whether the focus of the claims is on the specific asserted improvement in computer capabilities or, instead, on a process that qualifies as an abstract idea for which computers are invoked merely as a tool. *Id.* at 1335–36.

Here, claim 1 recites generic computers and processors arranged in no particular way to perform basic functions of receiving, identifying, generating, adjusting, and transmitting information. The Specification’s description of the claimed computer or processor indicates that generic computer components are utilized as tools to implement the abstract idea in an online environment, rather than improving the functioning of the computer or processor. *See* Ex. 1001, 3:9–17, 10:65–68, 11:55–57. “[T]o be directed to a patent-eligible improvement to computer functionality, the claims must be directed to an improvement to the functionality of the computer or network platform itself.” *Customedia Techs., LLC v. Dish Network Corp.*, 951 F.3d 1359, 1365 (Fed. Cir. 2020) (citing *Enfish*, 822 F.3d at 1336–39). However, on this record, claim 1 of the ’585 patent does

no more than use instructions to implement the abstract idea on generic computers.

We have also reviewed Petitioner’s contentions and supporting evidence regarding independent claims 6, 14, and dependent claims 2–5, 7–13, and 15–19 and find them sufficient based on the current record. *See* Pet. 74–79 (citing, e.g., Ex. 1008 ¶¶ 28, 60, 62–67, 70, 72, 74–95); *see also id.* at 76 (“Generic application software was capable of converting data and content format.”) (citing Ex. 1008 ¶¶ 63, 93).

For those claims, Patent Owner primarily relies on the arguments discussed above. *See* Prelim. Resp. 38–39. Petitioner’s evidence and analysis persuade us, at this stage, that the additional elements of the claims, both individually and as an ordered combination, do not integrate the recited judicial exception (i.e., fundamental economic practice or mental process) into a practical application.

5. *Step 2B: Whether Any Additional Elements Recite Significantly More*

Under the second step of the *Alice* inquiry, we must “scrutinize the claim elements more microscopically” for additional elements that might be understood to “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Elec. Power Grp.*, 830 F.3d at 1353–54; *RecogniCorp, LLC v. Nintendo Co.*, 855 F.3d 1322, 1327 (Fed. Cir. 2017) (“To save a patent at [*Alice*] step two, an inventive concept must be evident in the claims.”). That is, we determine whether the claims include an “inventive concept,” i.e., an element or combination of elements sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 573 U.S. at 221. “Abstract ideas . . . may be patent-eligible if they contain an ‘inventive concept’ sufficient to

‘transform’ the claimed abstract idea into a patent-eligible application.” *In re Smith*, 815 F.3d 816, 819 (Fed. Cir. 2016) (citing *Alice*, 573 U.S. at 221–22). But appending purely conventional steps to an abstract idea does not supply a sufficiently inventive concept. *Alice*, 573 U.S. at 221–23.

Consistent with the foregoing, under the Guidance, if a claim has been determined to recite a judicial exception under the Guidance, Step 2A, we must evaluate the additional elements individually and in combination under the Guidance, Step 2B, to determine whether they provide an inventive concept (i.e., whether the additional elements amount to significantly more than the exception itself).⁸ Per the Guidance, we must consider in Step 2B whether an additional element or combination of elements: (1) “[a]dds a specific limitation or combination of limitations that are not well-understood, routine, conventional activity in the field, which is indicative that an inventive concept may be present”; or (2) “simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception, which is indicative that an inventive concept may not be present.” 2019 Revised Guidance, 84 Fed. Reg. at 56.

Petitioner argues that the elements of the claims of the ‘585 Patent, taken both individually and as an ordered combination, do not amount to “significantly more” than the abstract idea of facilitating the purchase of

⁸ The patent eligibility inquiry may contain underlying issues of fact. *Mortgage Grader*, 811 F.3d at 1325. In particular, “[t]he question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact.” *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1368 (Fed. Cir. 2018).

items by collecting, analyzing, and transmitting information related to inventory, promotions, and particular sellers. Pet. 79–87.

Patent Owner contends Petitioner’s analysis improperly oversimplifies the steps of the claims of the ’585 Patent. Prelim. Resp. 34. Patent Owner asserts that, even if generic, the computer components are arranged in an unconventional way to achieve a non-generic result that overcomes the problems of the prior art. *Id.* at 36–39. Patent Owner asserts that

[t]hese inventive concepts that overcome conventional problems include reducing errors in promotions, providing order confirmation, using electronic location information or metadata to identify distributors, or generating simultaneous orders or sub-orders, particularly through the use of a content management system. These specific claims do not seek to monopolize any abstract idea, and are patent eligible.

Id. at 41.

As discussed, the claims “must be significantly more than the abstract idea itself, and cannot simply be an instruction to implement or apply the abstract idea on a computer.” *BASCOM Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1349 (Fed. Cir. 2016). Patent Owner contends that Petitioner’s arguments and evidence are presented more as an obviousness challenge than one based on Section 101. *See* Prelim. Resp. 40. However, on this preliminary record, Petitioner’s evidence and analysis persuade us that the additional elements of the claims, both individually and as an ordered combination, do not transform the nature of the claims into a patent-eligible application, and that they simply add well-understood, routine, and conventional activity to the abstract idea. *See* Pet. 79–87. In particular, as explained above with respect to the technological invention exception, Petitioner’s evidence sufficiently shows on this record that it was conventional to use generic computer components such as devices, displays,

networks, and processors to receive, analyze, generate, format, and transmit data, as recited in claim 1, for example. *See id.* at 70–74. We further noted above that Petitioner’s arguments and supporting evidence are consistent with the ’585 patent’s description of generic computer components and functions. Ex. 1008 ¶¶ 103–121; Ex. 1001, 3:9–25, 10:60–68, 11:55–57; *see also* Ex. 1008 ¶¶ 41–42; *see also* Pet. 74–79 (citing, e.g., Ex. 1008 ¶¶ 28, 60, 62–67, 70, 72, 74–95; Ex. 1013, 135; Ex. 1016, 5:13–15; Ex. 1017, 3:54–4:15, 5:40–45; Ex. 1018, 3:24–54, Fig. 10; Ex. 1019, 1:28–55, Fig. 8; Ex. 1020, Abstract, Fig. 1B, ¶¶ 31–33, 42, 67; Ex. 1024, 1; Ex. 1025 ¶¶ 212–221; Ex. 1030 ¶¶ 24–29). Thus, at this junction, we do not agree with Patent Owner’s assertions that the claimed steps add enough to make the claims patentable because the bare recitation of the steps performed by a generic processor at a high level of generality is insufficient to supply an inventive concept. *See Alice*, 573 U.S. at 223 (“[T]he mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.”); *Intellectual Ventures I LLC v. Capital One Fin. Corp.*, 850 F.3d 1332, 1341 (Fed. Cir. 2017) (holding that the claims at issue, which “recite[d] both a generic computer element—a processor—and a series of generic computer ‘components’ that merely restate their individual functions, . . . merely describe the functions of the abstract idea itself, without particularity,” which is “not enough under step two”); *Mortgage Grader*, 811 F.3d at 1324–25 (holding that “generic computer components do not satisfy the inventive concept requirement”); *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1256 (Fed. Cir. 2014) (“[A]fter *Alice*, there can remain no doubt: recitation of generic computer limitations does not make an otherwise ineligible claim patent-eligible.”).

Patent Owner also relies on *BASCOM* for the proposition that “just as leveraging [Internet service provider (ISP)] servers to filter internet content was not conventional, neither is leveraging [Global Positioning System (GPS)] (or other electronic location data or metadata) to determine distributors conventional.” Prelim. Resp. 39.

The claims at issue in *BASCOM* were directed to a “content filtering system for filtering content retrieved from an Internet computer network,” and to an “ISP server for filtering content.” 827 F.3d at 1348. The Federal Circuit “agree[d] with the district court that filtering content is an abstract idea because it is a longstanding, well-known method of organizing human behavior.” *Id.* The court, however, found that when considered as a whole, the claims recited the inventive concept of “the installation of a filtering tool at a specific location, remote from the end-users, with customizable filtering features specific to each end user.” *Id.* at 1350. The court explained further that “[t]his design gives the filtering tool both the benefits of a filter on a local computer and the benefits of a filter on the ISP server.” *Id.*

Here, claim 1 recites generic components – “user device,” “processors,” “network,” and display – that are conventional in their placement and use of these computer components. *See* Ex. 1001, 3:9–25, 10:65–68, 11:55–57; *see also* Prelim. Resp. 39 (acknowledging that “GPS is conventional”). To the extent that Patent Owner argues that the claims are like those in *BASCOM* because they reduced transaction errors and inefficiencies in the beverage industry, we observe that claim 1 does not provide the specific structure/technical details that indicate an improvement to computer software or hardware. As *BASCOM* recognized, claims like these that “merely recite the abstract idea . . . along with the requirement to perform it on . . . a set of generic computer components” do not contain an

inventive concept. 827 F.3d at 1350. “An inventive concept . . . cannot simply be an instruction to implement or apply the abstract idea on a computer.” *Id.* at 1349; *see Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1371 (Fed. Cir. 2015) (“Requiring the use of a ‘software’ ‘brain’ ‘tasked with tailoring information and providing it to the user’ provides no additional limitation beyond applying an abstract idea, restricted to the Internet, on a generic computer.”); *see also University of Fla.*, 916 F.3d at 1368 (“The ’251 patent ‘fails to provide any technical details for the tangible components, . . . instead predominantly describ[ing] the system and methods in purely functional terms.’” (alteration in original)).

Patent Owner further relies on *Amdocs Ltd v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016) and *Exergen Corp. v. Kaz USA, Inc.*, 725 F. App’x 959 (Fed. Cir. 2018). Prelim. Resp. 36. In *Amdocs*, the court held that “[claim 1] is eligible under step two because it contains a sufficient ‘inventive concept.’” *Amdocs*, 841 F.3d at 1300. The claim at issue recited “computer code for using the accounting information with which the first network accounting record is correlated to enhance the first network accounting record.” *Id.* at 1299. The court explained that the “claim entails an unconventional technological solution (enhancing data in a distributed fashion) to a technological problem (massive record flows [that] previously required massive databases).” *Id.* at 1300. The court noted that, although the solution requires generic computer components, “the claim’s enhancing limitation necessarily requires that these generic components operate in an unconventional manner to achieve an improvement in computer functionality.” *Id.* at 1300–1301.

In *Exergen*, the claims recited a natural law of utilizing “readings from the forehead skin and the ambient temperature to calculate an approximate core body temperature.” 725 F. App’x at 964. However, there was a “subset of three steps” recited in each of the claims: “(1) moving while laterally scanning . . . (2) obtaining a peak temperature reading . . . and (3) obtaining at least three readings per second” that were not conventionally used to measure body temperature. *Id.* at 964–65. Moreover, the patents in *Exergen* taught that “prior art detectors” were not adapted to perform these type of measurements. *Id.* at 962. In particular, the Federal Circuit noted that “the measurement method here was not conventional, routine, and well-understood.” *Id.* at 966.

Unlike the generic components at issue in *Amdocs* and the unconventional measurement method of *Exergen*, the generic components recited in claim 1 here do not operate in an unconventional manner to achieve an improvement in computer functionality. Rather, they receive, analyze, generate, transmit, and display data, which are basic computer functions that do not integrate the abstract idea into a practical application. *See Inventor Holdings*, 876 F.3d at 1378 (holding that considering claims reciting data retrieval, analysis, modification, generation, display, and transmission as an “ordered combination” reveals that they “‘amount to ‘nothing significantly more’ than an instruction to apply [an] abstract idea’ using generic computer technology” (alterations in original)).

Accordingly, we conclude that Petitioner has made a sufficient showing at Step 2B based on the current record.

6. *Conclusion for Subject Matter Eligibility*

On this record, we determine that Petitioner demonstrates that the ’585 patent is a CBM patent and that claims 1–19 of the ’585 patent are

more likely than not unpatentable under 35 U.S.C. § 101. Accordingly, we institute a CBM patent review of all challenged claims of the '585 patent.

Any discussion of facts in this Decision is made only for the purposes of institution and is not dispositive of any issue related to any ground on which we institute review. The Board has not made a final determination under 35 U.S.C. § 328(a) with respect to the patentability of the challenged claims. Our final determination will be based on the record as fully developed during trial.

F. Patent Owner's Constitutional Challenge

Patent Owner argues the Board lacks authority to invalidate the challenged claims of the '585 patent because Administrative Patent Judges (“APJs”) were not properly appointed by the President. Prelim. Resp. 41–45. Patent Owner contends that the Federal Circuit in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1327–1328 (Fed. Cir. 2019) did not remedy the constitutional deficiency in the statutory scheme for two reasons: (1) notwithstanding severance of the removal restrictions, APJs remain principal officers, and (2) the Federal Circuit could not properly sever the removal restrictions in the first place. Prelim. Resp. 41–45.

We are bound by the Federal Circuit’s decision in *Arthrex*, which addressed this issue. *See* 941 F.3d at 1337 (“This as-applied severance . . . cures the constitutional violation.”); *see also Arthrex, Inc. v. Smith & Nephew, Inc.*, 953 F.3d 760, 764 (Fed. Cir. 2020) (Moore, J., concurring in denial of rehearing) (“Because the APJs were constitutionally appointed as of the implementation of the severance, *inter partes* review decisions going forward were no longer rendered by unconstitutional panels.”).

Accordingly, we do not consider this issue any further.

III. CONCLUSION

At this stage in the proceeding, we determine that Petitioner has met its burden of demonstrating that the '585 Patent is a CBM patent eligible for review. Further, we determine Petitioner demonstrates that claims 1–19 are more likely than not unpatentable under 35 U.S.C. § 101. Accordingly, we institute a CBM patent review of all challenged claims of the '585 patent on the sole ground asserted by Petitioner.

IV. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the '585 patent is eligible for covered business method patent review;

FURTHER ORDERED that, pursuant to 35 U.S.C. § 324 and section 18(a) of the AIA, a covered business method patent review is hereby instituted as to claims 1–19 of the '585 patent under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter; and

FURTHER ORDERED that a covered business method patent review of the '585 patent shall commence on the entry date of this Decision and notice is hereby given of the institution of a trial, pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4.

CBM2020-00029
Patent 10,467,585 B2

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