

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

DELL INC.,
Petitioner,

v.

DISPOSITION SERVICES LLC,
Patent Owner.

Case CBM2013-00040
Patent 5,424,944

Before SALLY C. MEDLEY, KEVIN F. TURNER, and
MATTHEW R. CLEMENTS, *Administrative Patent Judges*.

CLEMENTS, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
Covered Business Method Patent Review
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

I. INTRODUCTION

Dell Inc. (“Petitioner”) filed a Petition (Paper 1) seeking covered business method patent review of claims 1–23 (the “challenged claims”) of U.S. Patent No. 5,424,944 (Ex. 1001, “the ’944 patent”). Disposition Services, LLC (“Patent Owner”) filed a Preliminary Response indicating that a statutory disclaimer of claim 7 had been filed and opposing institution of the review of claims 1–6 and 8–23. Paper 6 (“Prelim. Resp.”). On February 5, 2014, we instituted this trial as to claims 1–23 on one ground of unpatentability, 35 U.S.C. § 101 (Paper 7, “Dec. to Inst.”).¹ Patent Owner filed a Patent Owner Response (Paper 12, “PO Resp.”) and Petitioner filed a Reply (Paper 14, “Pet. Reply”).

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

For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1–6 and 8–23 of the ’944 patent are unpatentable.

A. *Related Proceeding*

The ’944 patent was asserted against Petitioner in *Disposition Services LLC v. Dell Inc.*, Civil Action No. 12:13-cv-00282-JRG. Pet. 2; Paper 5, 2.

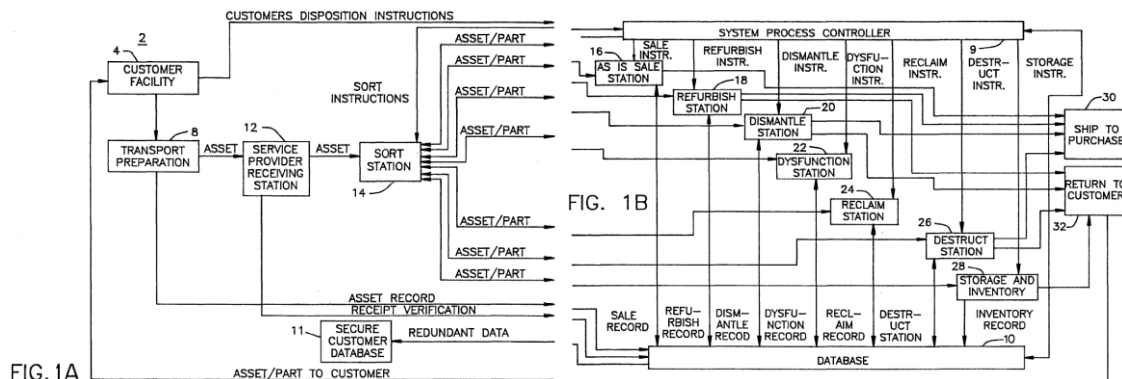
B. *The ’944 Patent*

The ’944 patent “relates to a system and method for the controlled disposition of selected capital assets.” Ex. 1001, 1:6–7. According to the

¹ We indicated that the disclaimer of claim 7 would be considered during the trial. Dec. to Inst. 8, n.3. The disclaimer is taken at face value. The patentability of claim 7 is, therefore, not discussed further in this decision.

'944 patent, there was a need for managing various types of dispositions of surplus or obsolete assets, such as an older model mainframe computer. *Id.* 1:20–27. It was known in the prior art to provide a surplus asset to an outside vendor for disassembly. *Id.* at 1:27–30. However, according to the '944 patent, such vendors inadvertently or fraudulently mismanaged the disassembly and disposition of the surplus asset, such that, for example, parts that should have been kept out of the market were instead sold on a black market. *Id.* at 1:30–34.

To solve these problems, the '944 patent discloses a disposition process supported by an interactive multimedia system that combines images of the assets with relevant data, audio records, and disposition instructions. *Id.* at 1:44–49. The major processes are the transport process, the receipt process, the sort process, the disposition process, and the certification or verification process. *Id.* at 2:7–10. Figures 1A and 1B are reproduced below:



Figures 1A and 1B depict a functional block diagram of the preferred embodiment of the '944 patent. *Id.* at 4:10–11. As depicted in Figure 1A, an asset to be disposed of is initially located at customer facility 4 and is first prepared for transport to the disposition facility at transport preparation station 8 that is located either at or proximate customer facility 4. *Id.* at

4:22–26. At transport station 8, the asset is loaded onto a transport vehicle, such as an airplane, locomotive, or truck, “[t]he transport vehicle is sealed by means known in the art in order to guard against tampering with or theft of the asset during transport, and a transport record is created.” *Id.* at 4:27–32. “After arrival at the disposition facility, the transport vehicle is unsealed at the asset receiving station **12**” *Id.* at 4:63–66. After confirmation that the asset has been transported validly, the asset is routed to sort station 14. *Id.* at 5:16–17. Sort station 14 comprises system terminal 108, interactive multimedia device 110, and data capture device 104. *Id.* at 5:17–22. Disposition facility personnel operate sort station 14 in accordance with instructions previously provided by the customer regarding the desired manner of disposition of the asset, which instructions are displayed on multimedia device 110. *Id.* at 5:28–32. The asset may be routed to as-is sale station 16, refurbish station 18, dismantle station 20, dysfunction station 22, reclaim station 24, destruct station 26, storage station 28, or some combination thereof. *Id.* at 5:32–36. At the appropriate station, the asset is sold, dismantled, dysfunctioned, reclaimed, destroyed, or stored. *Id.* at 5:36–7:52. In some cases, a record of the action taken is created in database 10. *Id.* at 5:48–51, 6:45–48, 7:36–40, 7:46–51. “After disposition, the asset, component parts and/or reclaimed materials may be sold in the appropriate market to a purchaser, returned to the customer, or stored on-site for subsequent disposition.” *Id.* at 3:65–68.

C. Illustrative Claim

Of the challenged claims, claims 1, 2, 15, and 16 are independent claims. Claim 1 is illustrative and is reproduced below:

1. A method for verifiably controlling the disposition of an asset, said method comprising the steps of:

(a) creating an asset record uniquely associated with said asset;

(b) securely sealing said asset in a tamper-proof transport means;

(c) creating a transport record associating said asset with said tamper-proof transport means;

(d) transporting said asset from a customer facility to a disposition facility;

(e) unsealing said asset from within said tamper-proof transport means;

(f) creating a receipt record associating said asset with said tamper-proof transport means, said receipt record being reconcilable with said transport record;

(g) sorting said asset in accordance with a preselected method of disposition; and

(h) disposing of said asset in accordance with said preselected method of disposition and creating a disposition record uniquely associated with said asset to be maintained for customer verification.

D. Alleged Ground of Unpatentability Instituted for Trial

Petitioner alleges that claims 1–23 of the '944 patent are unpatentable under 35 U.S.C. § 101. Patent Owner disclaimed claim 7. Prelim. Resp. 2 (citing Ex. 2001). Accordingly, we analyze the alleged ground of unpatentability with respect to only claims 1–6 and 8–23.

II. ANALYSIS

A. Standing

We determined, in the Decision to Institute, that the '944 patent is a covered business method as defined in § 18(a)(1)(E) of the America Invents

Act and 37 C.F.R. § 42.301, because at least one claim of the '944 patent is directed to a covered business method. Dec. to Inst. 6–13.

B. Claim Construction

The '944 patent expired on February 2, 2014. “[T]he Board’s review of the claims of an expired patent is similar to that of a district court’s review” *In re Rambus, Inc.*, 694 F.3d 42, 46 (Fed. Cir. 2012). The principle set forth by the court in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (citations omitted) (words of a claim “‘are generally given their ordinary and customary meaning’” as understood by a person of ordinary skill in the art in question at the time of the invention) should be applied because the expired claims are not subject to amendment.

In the Decision to Institute, we interpreted “tamper-proof transport means” (independent claims 1 and 2) and “tamper-proof transport means for securely sealing said asset for transport from a customer facility to a disposition facility” (independent claims 15 and 16) as a means-plus-function element invoking 35 U.S.C. § 112 ¶ 6 (now recodified as 35 U.S.C. § 112(f)). Dec. to Inst. 15–16. We determined that the function of the “tamper-proof transport means” is “securely sealing said asset for transport from a customer facility to a disposition facility,” and that the structure of the “tamper-proof transport means for securely sealing said asset for transport from a customer facility to a disposition facility” is a transport vehicle sealed by means known in the art at the time of the '944 patent. *Id.*

The parties do not dispute this interpretation in the Patent Owner Response or in the Reply. We adopt the above claim construction based on our previous analysis, and see no reason to deviate from that construction for purposes of this decision.

C. *Claims 1–6 and 8–23 of the '944 Patent are Unpatentable as Directed to Non-Statutory Subject Matter*

Petitioner challenges claims 1–6 and 8–23 of the '944 patent under 35 U.S.C. § 101, as directed to patent-ineligible subject matter. Pet. 18–32; Pet. Reply 3–13. Patent Owner disagrees and maintains that its claims are directed to patent-eligible subject matter because the claims contain significant, meaningful limitations and do not preempt the abstract idea of handling a customer's physical item in such a way that the customer can verify that its handling instructions were followed. PO Resp. 11–20.

1. *Section 101 Subject Matter Eligibility*

For claimed subject matter to be patent-eligible, it must fall into one of four statutory classes set forth in 35 U.S.C. § 101: a process, a machine, a manufacture, or a composition of matter. The Supreme Court recognizes three categories of subject matter that are ineligible for patent protection: “laws of nature, physical phenomena, and abstract ideas.” *Bilski v. Kappos*, 561 U.S. 593, 601 (2010) (internal quotations and citation omitted). A law of nature or an abstract idea by itself is not patentable; however, a practical application of the law of nature or abstract idea may be deserving of patent protection. *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293–94 (2012). To be patentable, however, a claim must do more than simply state the law of nature or abstract idea and add the words “apply it.” *Id.* at 1294 (citation omitted). In *Alice Corp. Pty, Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), the Supreme Court recently clarified the process for analyzing claims to determine whether claims are directed to patent-ineligible subject matter. In *Alice*, the Supreme Court applied the framework set forth previously in *Mayo*, “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that

claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If they are directed to a patent-ineligible concept, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1298, 1297). In other words, the second step is to “search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Id.* (alteration in original) (quoting *Mayo*, 132 S. Ct. at 1294). Further, the “prohibition against patenting abstract ideas ‘cannot be circumvented by attempting to limit the use of the formula to a particular technological environment’ or adding ‘insignificant postsolution activity.’” *Bilski*, 561 U.S. at 610–611 (quoting *Diamond v. Diehr*, 450 U.S. 175, 191–92 (1981)).

The patents at issue in *Alice* claimed “a method of exchanging financial obligations between two parties using a third-party intermediary to mitigate settlement risk.” *Alice*, 134 S. Ct. at 2356. Like the method of hedging risk in *Bilski*—which the Court deemed “a method of organizing human activity”—*Alice*’s “concept of intermediated settlement” was held to be “‘a fundamental economic practice long prevalent in our system of commerce.’” *Alice*, 134 S. Ct. at 2356 (citations omitted). Similarly, the Court found that “[t]he use of a third-party intermediary . . . is also a building block of the modern economy.” *Id.* “Thus,” the Court held, “‘intermediated settlement . . . is an ‘abstract idea’ beyond the scope of § 101.” *Id.*

2. *Claims 1–6 and 8–23 are Unpatentably Abstract*

Petitioner contends that the claims are directed to the purely abstract idea of handling a customer’s physical item in such a way that the customer can verify that its handling instructions were followed. Pet. 20–29; Pet. Reply 3–8. Following the framework set out in *Alice*, we first “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* at 2355 (citing *Mayo*, 132 S. Ct. at 1296–97).

Independent method claim 1 recites the steps of “creating an asset record,” “sealing said asset,” “creating a transport record,” “transporting said asset,” “unsealing said asset,” “creating a receipt record,” “sorting said asset,” and “disposing of said asset.” Like the claims at issue in *Ulramercial*, “[t]his ordered combination of steps recites an abstraction—an idea, having no particular concrete or tangible form.” *Ulramercial, Inc. v. Hulu, LLC*, No. 2010-1544, 2014 WL 5904902, *4 (Fed. Cir. Nov. 14, 2014). Although the steps of “sealing said asset,” “transporting said asset,” “unsealing said asset,” “sorting said asset,” and “disposing of said asset” are performed by a human being, we are not persuaded that these basic and conventional steps preclude claim 1 from being directed to the abstract idea of handling a customer’s physical item in such a way that the customer can verify that its handling instructions were followed. We are persuaded that, like risk hedging in *Bilski* and intermediated settlement in *Alice*, the idea of handling a customer’s asset in such a way that the customer can verify that its handling instructions were followed is unpatentably abstract.

Independent method claim 2 recites the same first eight steps as claim 1, plus an additional step: “(i) storing said transport record, said receipt record and said disposition record in a database, said database being coupled to a system process controller, said system process controller being coupled

to a communications network.” Thus, while claim 2, unlike claim 1, requires “a database,” that is relevant only to the second step of the *Mayo* framework. For *Mayo* step one, we determine that claim 2 is directed to an unpatentably abstract idea for the same reasons as claim 1.

Claim 3–6 and 8–14 depend from claim 2, and recite an additional “storing” step (claim 3) or further limit the steps recited in claim 2 (claims 4–6 and 8–14). For purposes of *Mayo* step one, we determine that these claims are directed to an unpatentably abstract idea for the same reasons as independent method claim 2, from which they depend.

Claims 15–23 are system claims that correspond to method claims 1–14. For purposes of *Mayo* step one, we determine that these claims are directed to an unpatentably abstract idea for the same reasons as their method claim counterparts.

Patent Owner’s Contentions

Patent Owner contends that “Petitioner has failed to prove by clear and convincing evidence that Claims 1-6 and 8-23 of the ’944 patent are directed to patent-ineligible subject matter under 35 U.S.C. § 101.” PO Resp. 1, 20. Petitioner replies that it needs to prove unpatentability only by a preponderance of the evidence. Pet. Reply 9, n.1. Section 326(e) of Title 35 of the U.S. Code provides “In a post-grant review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a *preponderance of the evidence*” (emphasis added). Accordingly, we are not persuaded that Petitioner needs to prove unpatentability by clear and convincing evidence.

We also are not persuaded by Patent Owner’s contention that the disposition of the asset is a “necessarily physical and tangible outcome achieved through the use of a system with specific defined recited structure.”

PO Resp. 12. Like the computer in *Alice*, the fact that the recited “asset” “necessarily exist[s] in the physical, rather than purely conceptual, realm,” is beside the point” for purposes of the § 101 inquiry. *Alice*, 134 S. Ct. at 2358-59 (citation omitted). This “connection[] to the physical world” is not sufficient to transform the otherwise abstract concept of verifiably disposing of an asset into patentable subject matter. *Fort Props., Inc. v. Am. Master Lease, LLC*, 671 F.3d 1317, 1322 (Fed. Cir. 2012).

We also are not persuaded by Patent Owner’s contention that “all of the modes of disposition recited in Claims 1–6 and 8–12 involve the physical transformation of the asset” PO Resp. 12. The “disposing” step of independent claim 2, for example, encompasses an as-is sale, as described in the ’944 patent. Ex. 1001, 2:50–65. An as-is sale involves no physical transformation. For the same reasons, claim 1—which is identical to claim 2, but lacks its “storing said transport record” limitation—also encompasses a disposition that involves no physical transformation. At best, only claims 8–11 and 13, which recite “refurbishing,” “dismantling,” “dysfunctioning,” “reclaiming,” and “destroying,” respectively, could be said to require a physical transformation of the asset. Even assuming that they do, however, we agree with Petitioner that these “transformation” steps are “insignificant extra-solution activity” (Pet. Reply 4–5 (citing Ex. 1010, 11 (“the invention claimed is a system and method for controlling the verifiable disposition of capital assets, *not the actual disposition realized.*” (emphasis added))), and therefore, do not render the claimed subject matter patent-eligible.

We also are not persuaded by Patent Owner’s argument that the claims are not directed to “method[s] of organizing human activity,” that constitute “longstanding commercial practice” and/or “fundamental

economic practice long prevalent in our system of commerce” because they require a physical transformation and were not taught in the prior art. PO Resp. 12–13. The categories identified in *Alice* are exemplary, not exhaustive. *Alice*, 134 S. Ct. at 2357 (“we need not labor to delimit the precise contours of the ‘abstract ideas’ category in this case”). As discussed above, many of the claims do not require a physical transformation of the asset and, even for those that do, the recited dispositions were characterized by patentee during prosecution as not part of the invention. Ex. 1010, 11 (“the invention claimed is a system and method for controlling the verifiable disposition of capital assets, *not the actual disposition realized.*” (Emphasis omitted, italics added)). Even assuming that the methods and systems are not taught in the prior art, that is not dispositive because even a novel and nonobvious claim directed to a purely abstract idea is patent ineligible. *Mayo*, 132 S. Ct. at 1304.

Finally, we are not persuaded by Patent Owner’s argument that the claims of the ’944 patent are designed to solve a technological problem of verifiably controlling the disposition of surplus or obsolete assets. PO Resp. 12, 14–15. Patent Owner concludes that “the claimed invention comprises several significant structure elements that, in combination, comprise a technological feature, forming a technical solution . . . which a person could not complete with a pencil, paper, and a truck . . .” (PO Resp. 14), but provides insufficient analysis to support that conclusion. For example, Patent Owner does not identify which limitations are the alleged “significant structural elements,” and does not explain which steps a person could not complete with a pencil, paper, and truck.

Accordingly, we analyze the challenged claims to determine whether they incorporate sufficient meaningful limitations to ensure that the claims are more than just an abstract idea. *Mayo*, 132 S. Ct. at 1297.

3. The Challenged Claims Do Not Contain Significant Meaningful Limitations Beyond the Abstract Idea

Petitioner asserts that the claims of the '944 patent do not add any inventive concept to the abstract idea of handling a customer's physical item in such a way that the customer can verify that its handling instructions were followed. Pet. 20–32; Pet. Reply 8–13. Specifically, Petitioner notes that (1) claim 1 requires no computer; and (2) claims 2–23 recite generic hardware used for no more than its most basic function and described during prosecution as “conventional components well known to one skilled in the art.” Pet. 25 (citing Ex. 1010, 13) (emphasis original); *see id.* at 20–29.

Patent Owner disagrees, and contends that (1) the claims, as a whole, recite a novel and non-obvious technical feature; and (2) “the features and components claimed by the '944 patent comprise meaningful limitations . . .” whose functions are not “insignificant pre- or post-solution activity . . .” Prelim. Resp. 24.

We find Petitioner's argument persuasive, even in light of Patent Owner's counterarguments, because the claims of the '944 patent do not add any inventive concept to the abstract idea of handling a customer's physical item in such a way that the customer can verify that its handling instructions were followed. Even assuming that the claims are novel and nonobvious, as Patent Owner contends, a claim is not rendered patent-eligible merely because it is novel and nonobvious over the prior art at the time of the invention. *Mayo*, 132 S. Ct. 1304.

As Petitioner points out, claim 1 does not require a computer. Several steps, however, require a human being. We are not persuaded that these basic and conventional steps performed by a human being place meaningful limitations on the abstract idea specified in claim 1.

Claim 2 requires “a database.” However, “[t]he introduction of a computer into the claims does not alter the analysis at *Mayo* step two.” *Alice*, 134 S.Ct. at 2357. Like the claims at issue in *Alice*, the function performed by the computer in claim 2 is purely conventional. “[W]holly generic computer implementation is not generally the sort of ‘additional feature[e]’ that provides ‘any practical assurance that the process is more than a drafting effort designed to monopolize the [abstract idea] itself.’” *Id.* at 2358 (quoting *Mayo*, 132 S.Ct. at 1297). Thus, the storing of records in a database is not a meaningful limitation on the recited method of verifiably controlling the disposition of an asset. Such storing is, at most, insignificant extra-solution activity that cannot save subject matter from patent ineligibility. *See Parker v. Flook*, 437 U.S. 584, 590 (1978) (“The notion that post-solution activity, no matter how conventional or obvious in itself, can transform an unpatentable principle into a patentable process exalts form over substance.”).

Claim 3 recites an additional “storing” step, while claims 4–14 further limit the steps recited in claim 2. We agree with Petitioner that these limitations are no more than generic, conventional components well-known to those skilled in the art and used for their most basic function. Pet. Reply 10–12. As such, these limitations are no more meaningful than the “storing” limitation recited in claim 2. These limitations are, at most, insignificant extra-solution activity that cannot save subject matter from patent ineligibility. *Parker*, 437 U.S. at 590.

Claims 15–23 are system claims that correspond to method claims 1–14. While independent claims 15 and 16 recite a “system” instead of a method, they “are no different from the method claims in substance.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S.Ct. at 2360. Like the system claims at issue in *Alice*, the computer-based limitations recited in the system claims are merely “a handful of generic computer components configured to implement the same idea” as their method claim counterparts. *Id.* Claim 15, for example, merely recites a means for the “securely sealing” step of claim 1, and stations for the “creating a transport record,” “creating a receipt record,” “sorting,” and “disposing” steps of claim 1. Such limitations are not actually limiting in the sense required under § 101. *Id.* Claim 16 recites the same first five limitations of system claim 15, and recites three additional limitations: “(f) a database for storing said transport record, said receipt record and said disposition record; (g) a system process controller coupled to said database; and (h) a communications network for transmitting data between said transport station, said receiving station, said sorting station, said disposition stations and said system process controller.” The recited “database,” “system process controller,” and “communications network” are merely conventional components being used for no more than their most basic functions—storing and transmitting. Like the “communications controller” and “data storage unit” recited in the system claims of *Alice*, nearly every computer will include a “database,” “system process controller,” and “communications network” capable of performing the basic calculation, storage, and transmission functions required by the method claims. *Alice*, 134 S. Ct. at 2360. As a result, none of the hardware recited by the system claims “offers a meaningful limitation beyond generally linking ‘the use of the [method] to a particular technological environment,’

that is, implementation via computers.”” *Id.* (quoting *CLS Bank v. Alice Corp. Pty. Ltd.*, 717 F.3d, 1269, 1291 (Fed. Cir. 2013). Using a computer “for no more than its most basic function—making calculations or computations—fails to circumvent the prohibition against patenting abstract ideas and mental processes.” *Bancorp Servs., L.L.C. v. Sun Life Assurance Co. of Canada (U.S.)*, 687 F.3d 1266, 1278 (Fed. Cir. 2012). Such storing and transmitting is, at most, insignificant extra-solution activity that cannot save subject matter from patent ineligibility. *See Parker*, 437 U.S. at 590 (“The notion that post-solution activity, no matter how conventional or obvious in itself, can transform an unpatentable principle into a patentable process exalts form over substance.”).

Accordingly, we are not persuaded that the elements of each of claims 1–6 and 8–23, considered individually or as an ordered combination, transform the nature of the claim into patent-eligible subject matter.

III. CONCLUSION

We conclude that Petitioner has proven, by a preponderance of the evidence, that claims 1–6 and 8–23 of the ’944 patent are unpatentable under 35 U.S.C. § 101.

IV. ORDER

Accordingly, it is

ORDERED that claims 1–6 and 8–23 of the ’944 patent are held unpatentable; and

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

CBM2013-00040

Patent 5,424,944

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