

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

LIFE TECHNOLOGIES CORPORATION,
Petitioner,

v.

UNISONE STRATEGIC IP, INC.,
Patent Owner.

Case CBM2015-00037
Patent 6,996,538 B2

Before JACQUELINE WRIGHT BONILLA, HYUN J. JUNG, and
NEIL T. POWELL, *Administrative Patent Judges*.

BONILLA, *Administrative Patent Judge*.

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

INTRODUCTION

A. Background

Life Technologies Corp. (“Petitioner”) filed a Petition requesting covered business method patent review of claims 52, 62, 67, 70–76, 81, 83–85, and 96 of U.S. Patent No. 6,996,538 B2 (Ex. 1001, “the ’538 patent”) (“challenged claims”) under § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Paper 1 (“Pet.”). Unisone Strategic IP, Inc. (“Patent Owner”) filed a Preliminary Response. Paper 7 (“Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324(a), which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Upon consideration of the Petition and Preliminary Response, we determine that Petitioner has demonstrated that it is more likely than not that at least one challenged claim is unpatentable. We institute a covered business method review of claims 52, 62, 67, 70–76, 81, 83–85, and 96 of the ’538 patent.

B. Asserted Ground

Petitioner asserts that the challenged claims are unpatentable under 35 U.S.C. § 101 as reciting patent-ineligible subject matter. Pet. 6.

C. Related Matters

The parties indicate that the ’538 patent is the subject of the following district court cases: *Unisone Strategic IP, Inc., v. TraceLink, Inc.*, 3-13-cv-01743 (S.D. Ca.) (2013); *Unisone Strategic IP, Inc. v. Life Technologies*

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

Corp., 3-13-cv-01278 (S.D. Ca.) (2013). Pet. 4–5 (citing Ex. 1005); Paper 6, 2.

D. The '538 Patent

The '538 patent relates to methods and systems of electronic inventory tracking by a third party, for example via the Internet. Ex. 1001, Abstract, 1:18–20, 46–58. The methods and systems facilitate “inventory management by tracking inventory and automatically contacting suppliers, manufacturers, or distributors when additional supplies are needed.” *Id.* at 1:59–63, 2:45–50. As also described in the specification, “while purchasing is a large part of inventory maintenance, the present invention may also facilitate other transactions,” such as allowing “customers to resell products or equipment to other businesses,” or other communication between customers. *Id.* at 2:7–11; 4:37–51.

Figure 1 in the '538 patent is a block diagram showing “the major hardware components of the present invention.” *Id.* at 2:23–24; 2:54–55.

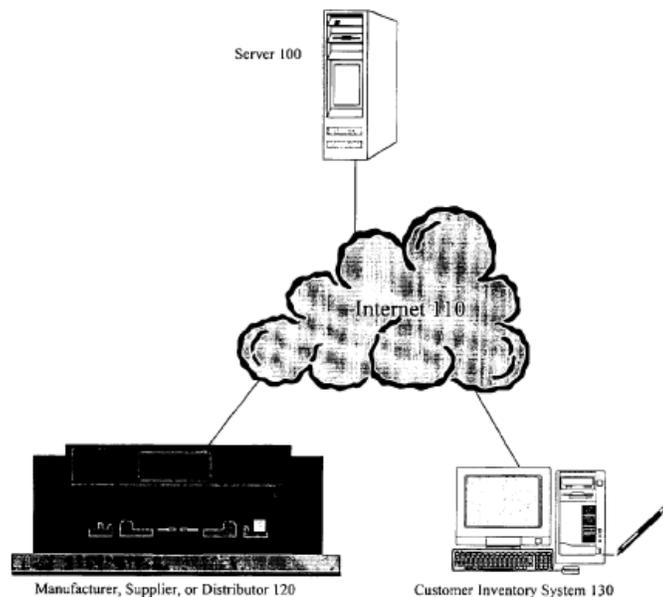


Figure 1 depicts Server 100, Internet 110, and Customer Inventory System 130, which “may be used to track inventory, place special orders, and interact with other customers.” *Id.* at Fig. 1, 2:54–60.

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

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

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

E. Illustrative Claim

As noted above, Petitioner challenges claims 52, 62, 67, 70–76, 81, 83–85, and 96. Claims 52 (system), 67 (method), and 81 (computer program product) are independent. Claim 67 is illustrative of the claimed subject matter and is reproduced below, as allowed in *ex parte* Reexamination Control No. 90/013,050 (Ex. 1008):

67. A method for inventory management, comprising:

(a) collecting and storing, on one or more databases having client software, at least the following data:

(1) customer inventory information, the customer inventory information including a number of items at a customer,

(2) inventory and cost information for a plurality of manufacturers, suppliers, or distributors, the inventory information for the plurality of manufacturers, suppliers, or distributors including: a product identifier and a number of items in manufacturer, supplier or distributor inventory, and

(3) inventory restocking parameters provided by said customer;

(b) evaluating via at least one computer said customer inventory information and inventory or cost information for a plurality of manufacturers, suppliers, or distributors in light of said restocking parameters provided by said customer;

(c) ordering manufacturer, supplier, or distributor inventory which best fulfills said inventory restocking parameters provided by said customer;

(d) tracking inventory items in said databases for (1) the number of items at said customer and (2) the number of items at said manufacturer, supplier, or distributor, as inventory items are added to, restocked to, or removed from said inventories;

(e) updating said data on said one or more databases, using information obtained in said inventory tracking, through at least one software interface to said databases; and

(f) providing access via client software to information in said one or more databases to each said customer, manufacturer, supplier, or distributor,

wherein said client software allows one or more customers, manufacturers, suppliers, or distributors to be classified into groups, and where permissions or roles are assigned to such groups.

Ex. 1008, 22–23; 33, 4:5–43.

ANALYSIS

A. Claim Construction

While Petitioner and Patent Owner present constructions for several claim terms, no terms require express construction for purposes of this Decision.

B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. 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); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for 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 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

1. Financial Product or Service

Petitioner asserts that the challenged claims are directed to “methods and computer systems for activities that are financial in nature, i.e., inventory management to support product sales, including customer interfaces and data management related thereto, as well as tracking and storing cost information related to those products.” Pet. 6 (citing Ex. 1006 ¶ 35). In addition to the classification of the ’583 patent in Class 705, Petitioner points to claim language such as “collecting and storing . . . inventory and cost information,” as recited in claim 67. *Id.* at 7–8. Petitioner also points to where the specification states that “purchasing is a large part of inventory maintenance,” and states that the invention facilitates the resale of products. *Id.* at 8–9 (citing Ex. 1001, 2:7–19, 5:31–36).

Patent Owner asserts that Petitioner does not establish that any challenged claim satisfies the financial in nature requirement of AIA § 18(d)(1). Prelim. Resp. 21–22. For example, Patent Owner argues that patent classification and the cited portions of the ’538 patent specification are not dispositive. *Id.* at 21. In addition, Patent Owner contends that “simply storing price data is insufficient since the claims address computer technology that tracks and orders inventory rather than payment for such inventory.” *Id.* at 22 (citation omitted). According to Patent Owner, because the claims relate to inventory tracking and ordering, but not payment, the claims do not recite a covered business method as defined by the AIA. *Id.*

A prerequisite for a covered business method patent includes 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). The legislative history of AIA indicates that the phrase “financial product or service” is not limited to the products or services of the “financial services industry,” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

Based on this record, we agree with Petitioner that subject matter recited in the challenged claims is directed to activities that are financial in nature. For example, claim 67 recites “*collecting and storing, on one or more databases . . . inventory and cost information*” and “*inventory restocking parameters provided by said customer,*” and “*ordering . . . inventory which best fulfills said inventory restocking parameters provided by said customer,*” and “*providing access via client software to information in said one or more databases to each said customer.*” Ex. 1008, 22–23; 33, 4:5–43 (emphases added).

We are persuaded that collecting cost information and providing a customer access to that information amounts to a financial service, and that ordering inventory based on information provided by a customer is a financial activity. This is consistent with the specification of the ’538 patent, which confirms the challenged claims’ connection to financial activities by stating that “purchasing is a large part of inventory maintenance,” the subject matter of the challenged claims directed to “inventory management.” Ex. 1001, 2:7–11; 4:37–51.

We are not persuaded by Patent Owner’s assertion that the challenged claims do not recite “payment.” Section 18(d)(1) of the AIA does not include such a requirement. Based on the particular facts of this case, we determine that because claim 67 recites, *inter alia*, ordering products based on collected “inventory restocking parameters,” which necessarily relates in nature to the financial sale of products, it claims “activities that are financial in nature,” and the first part of the definition of § 18(d)(1) is satisfied.

2. *Exclusion for Technological Inventions*

Petitioner asserts that the challenged claims do not fall within § 18(d)(1)’s exclusion for “technological inventions.” Pet. 10–13. In this regard, Petitioner contends that the claims (1) fail to recite a novel and unobvious technological feature, and (2) fail to recite a technical solution that solves a technical problem. *Id.* at 10 (citing 37 C.F.R. § 42.301).

In relation to the first prong, Petitioner points to a Notice of Intent to Issue a reexamination certificate in relation to the ’538 patent. Pet. 10–11 (quoting Ex. 1008). Petitioner contends, when allowing the reexamined claims, the Examiner “believed that the patentable features were not a new computer, a new database or anything technical, but rather . . . based upon *the kind of information* in the system.” *Id.* at 11; Ex. 1008. Petitioner further contends that, even assuming the method of using certain inventory-related data was novel, such data are not “technological” features. Pet. 11–12. In relation to the second prong, Petitioner further contends that the ’538 patent “does not claim an improvement in any computer-related technology but merely the use of various inventory-related information with already existing computer technology.” *Id.* at 12 (citing Ex. 1006, ¶ 36).

Patent Owner responds that Petitioner fails to provide sufficient claim analysis and mischaracterizes the Examiner's statements made during reexamination. Prelim. Resp. 9–14, 16–17. Regarding the first prong of § 42.301(b), Patent Owner points to certain claim language, such as the “dynamic inventory ordering that are included in each challenged claim,” and points to the steps of evaluating and ordering by software in claim 52, which is directed to an inventory management system involving a computer. *Id.* at 15–16. Patent Owner also points to how the system of claim 52 “tracks inventory items” in databases, “updates” data on the databases using software, “identifies users and allows users to be classified into groups,” and “permissions or roles are assigned to such groups.” *Id.* at 16.

Regarding the second prong, Patent Owner contends that Petitioner “ignores numerous technical aspects of the claim limitations,” such as those discussed above. *Id.* at 18–19. Patent Owner argues that “the claims do not merely recite generic computer hardware that stores data,” but rather, when viewed as whole, recite “a specially-programmed computer system” that completes the steps recited in the claims, and therefore provides technical solutions. *Id.* at 19–20.

To be eligible for review, a patent need only have one claim directed to a covered business method, and not a technological invention. CBM Rules, 77 Fed. Reg. at 48,736. Thus, for the purposes of our analysis here, we focus on method claim 67. In relation to technological features, claim 67 recites “one or more databases,” “client software,” and “at least one computer.” We are persuaded that claim 67 as a whole does not recite a technological feature that is novel and unobvious over the prior art, and does not recite a technical solution that solves a technical problem.

Regarding the first prong, the specification does not indicate, nor does Patent Owner provide any support, that the recited technological features are novel and nonobvious. Rather, the '538 patent clarifies that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in a method of collecting, evaluating, tracking, updating, and providing access to specific inventory-related information, and ordering inventory based on certain information.

For example, as noted above, the specification describes Server 100, Internet 100, and Customer Inventory System 130 in general terms, as depicted in Figure 1, indicating that Customer Inventory System 130 “may be used to track inventory, place special orders, and interact with other customers.” Ex.1001, Fig. 1, 2:54–60. The specification states that Customer Inventory System 130 may include “commercial software, such as a web page accessible through a web browser,” i.e., software already commercially available to the public. *Id.* at 2:58–3:2. Figure 2 presents an embodiment of Server 100 and “software components of the present invention,” generally depicting Web Server 220, Database Server 230, and Application Server 240. *Id.* at 2:25–27, 4:58–65; Fig. 2. The specification indicates that examples of Web Server 220 and Database Server 230 include commercially available software. *Id.* at 5:1–25.

The specification states that “Application Server 240 may contain business rules associated with the present invention, which can be used to interpret Database Server 230 data,” and monitor inventory, for example, based on information stored in Database Server 230. *Id.* at 5:26–37. Nothing in the specification, however, indicates that any server or database hardware itself is novel or non-obvious, rather than information placed on a

database and monitored and interpreted by a server. Consistently, the specification indicates generally that “Web Server 220, Database Server 230, and Application Server 240 each represent software which may run on the same computer, or on multiple computers.” *Id.* at 5:38–42.

Along these lines, we agree with Petitioner that during reexamination, the Examiner indicated it was data used in the method, not anything of a technical nature, that was novel and non-obvious over cited prior art. Pet. 10–11; Ex. 1008, 5–7. Thus, we agree that claim 67 fails to recite a novel and unobvious technological feature.

We further agree that claim 67 fails to recite a technical solution that solves a technical problem. We are persuaded that a method of collecting, evaluating, tracking, updating, and providing access to specific inventory-related information, and ordering inventory based on certain information, does not relate to a technical problem. Pet. 12. We also are persuaded, as Petitioner contends, that challenged claim 67 “does not claim an improvement in any computer-related technology but merely the use of various inventory-related information with already existing computer technology.” *Id.*

Thus, based on the particular facts of this case, we conclude that challenged claim 67 does not recite a technological invention.

3. Conclusion

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

C. 35 U.S.C. § 101

Petitioner challenges claims 52, 62, 67, 70–76, 81, 83–85, and 96 as being directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 24–57. Patent Owner contends otherwise. *See* Prelim. Resp. 31–52.

Analyzing the challenged claims using the two-step process applied in *Alice Corp. Pty, Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014), Petitioner asserts that all challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. Pet. 24–57. Specifically, Petitioner argues that the challenged claims are directed to the abstract idea of “inventory management.” *Id.* at 25.

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, each of the challenged claims recites a “process” or “machine,” i.e., a “system” comprising “at least one computer” (claim 52), a “method for inventory management” (claim 67), or a “computer program product” comprising “at least one computer readable storage medium” (claim 81), under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354 (quoting *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks omitted)).

In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Servs. v. Prometheus Labs.*, 132 S. Ct.

1289 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those 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.* (citing *Mayo*, 132 S.Ct. at 1296–97). If so, 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 1291, 1298). 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 on the [ineligible concept] itself.’” *Id.* (brackets in original) (quoting *Mayo*, 132 S. Ct. at 1294) (footnote omitted).

1. Claims 67 and 70–76

Petitioner asserts that all challenged claims recite an abstract idea because “they are directed to the fundamental business and economic practice of inventory management, a ‘fundamental economic practice long prevalent in our system of commerce’” under *Alice*. Pet. 26 (citing *Alice*, 134 S. Ct. at 2356 (citation omitted)).

Claim 67 recites a “method for inventory management” comprising:

- (a) “*collecting and storing*, on one or more databases having client software” certain data, including customer inventory information, inventory and cost information, and “inventory restocking parameters provided by said customer,”

- (b) “*evaluating* via at least one computer” such information,
- (c) “*ordering* . . . inventory which best fulfills said inventory restocking parameters provided by said customer,”
- (d) “*tracking* inventory items in said databases,”
- (e) “*updating* said data on said one or more databases,” and
- (f) “*providing access* via client software to information,” wherein the software allows customers, etc. “to be classified into groups, and where permissions or roles are assigned to such groups.”

Ex. 1008, 22–23; 33, 4:5–43 (emphases added).

We are persuaded, on this record, that claim 67 is directed to the abstract idea of managing inventory in view of information. We are persuaded that managing inventory in view of collected and analyzed customer inventory, cost information, restocking information provided by a customer, as recited in claim 67, describes the basic concept of inventory management, i.e., a “fundamental economic practice.” *Alice*, 134 S. Ct. at 2356. The method of claim 67 is sufficiently similar in this regard to the method of hedging against financial risk at issue in *Bilski v. Kappos*, 130 S.Ct. 3218 (2010), and the idea of intermediated settlement at issue in *Alice*, 134 S. Ct. at 2356–57 (discussing *Bilski*). *See also Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” (citation omitted)).

Patent Owner contends that “[l]ooking at the claims as a whole, it is clear they are directed to a computer-implemented method utilizing particular hardware components” to complete the recited steps of the method of claim 67. Prelim. Resp. 34–35. We are persuaded sufficiently, however,

that the method of claim 67 requires “generic computer implementation . . . not specialized hardware or . . . software.” Pet. 30. As discussed above, the specification of the ’538 patent indicates that the server, internet and customer inventory system used in the method, as depicted in Figure 1, involve general computer components.

For example, the specification states that Customer Inventory System 130 may include software already commercially available to the public. Ex. 1001, 2:58–3:2. In addition, the specification describes “software components of the present invention” in general terms, depicting Web Server 220, Database Server 230, and Application Server 240, as examples. *Id.* at 2:25–27, 4:58–65; Fig. 2. The specification indicates that Web Server 220 and Database Server 230 include commercially available software, i.e., general software available for purchase from companies. *Id.* at 5:1–25.

We note that the specification states that “Application Server 240 may contain business rules associated with the present invention, which can be used to interpret Database Server 230 data,” and monitor inventory, for example, based on information stored in Database Server 230. *Id.* at 5:26–42. As discussed above, however, the specification does not indicate that any specific server, database, or computer hardware itself is necessary. Rather, the specification provides specificity in relation to information placed on a database and monitored and interpreted by a server. *See also* Pet. 30–37 (discussing other aspects of the ’539 patent specification).

Claims 70–76 depend from claim 67. Those claims further recite “forecasting inventory usage or inventory availability” based on information (claim 70), client software that “monitors inventory levels and reports anticipated shortages” (claim 72) or “allows users to order new inventory

items or to supplement inventory” (claim 73), or additional details regarding collecting and storing, or updating, information recited in claim 67 (claims 74–76). Once again, such features do not require any specific server, database, or computer hardware *per se*, but rather provide specificity only in relation to recited information and how it is used.

Thus, we conclude that the first step in the *Alice/Mayo* test is met for claims 67 and 70–76.

Accordingly, we next consider whether elements of those claims “individually and ‘as an ordered combination’” provide additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1291, 1298).

Not every included feature will suffice. Those additional elements must be more than “well-understood, routine, conventional activity.” *Mayo*, 132 S. Ct. at 1298; *see Ultramercial*, 772 F.3d at 716 (“[E]ach of those eleven steps merely instructs the practitioner to implement the abstract idea with ‘routine, conventional activit[ies],’ which is insufficient to transform the patent-ineligible abstract idea into patent-eligible subject matter.” (second alteration in original)); *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat. Ass’n*, 776 F.3d 1343, 1348 (Fed. Cir. 2014) (“[Patentee] conceded at oral argument that the use of a scanner or other digitizing device to extract data from a document was well-known at the time of filing, as was the ability of computers to translate the shapes on a physical page into typeface characters” (citations omitted)); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1355 (Fed. Cir. 2014) (holding that the subject of the patent claims was “beyond question of ancient lineage” (citation omitted)).

We are persuaded that each of steps (a)–(f) of claim 67 instructs a practitioner to implement an abstract idea, i.e., inventory management based on certain information, using “one or more databases having client software” and “at least one computer.” We also are persuaded, based on the record before us, that such databases, software and computer were well-known at the time of filing, i.e., “routine, conventional” activities to implement a method of collecting, storing, and analyzing (evaluating, ordering products based on, tracking, updating, and providing access to) information or data. Pet. 37–38; *Mayo*, 132 S. Ct. at 1298. We are persuaded that the recited steps are not tied to any particular hardware, software or algorithm, and description in the ’538 patent is consistent with that conclusion. Pet. 38.

Patent Owner argues that Petitioner “omits addressing aspects of the claims and patent specification that would undermine [its] argument.” Prelim. Resp. 42. For example, Patent Owner contends that Petitioner ignores “Application Server 240 which makes up a component of the disclosed invention.” *Id.* at 42–43. Patent Owner asserts that Application Server 240 provides aspects of the recited functions, including receiving requests, interpreting and adjusting collected and stored information, monitoring inventory levels, contacting vendors, and facilitating resale of products. *Id.*

As noted above, however, nothing in claim 67 (or its dependent claims 70–76), nor the specification of the ’538 patent, indicates that any specific server is necessary when implementing Application Server 240. Rather, the claims, which recite “client software” or “software” generally, as well as the specification, indicate specificity only in relation to information collected, stored, evaluated, tracked, updated, or otherwise acted upon, by

the software (server). Consistently, the specification indicates generally that “Web Server 220, Database Server 230, and Application Server 240 each represent software which may run on the same computer, or on multiple computers.” Ex. 1001, 5:38–42. *See also* Pet. 33–37 (discussing “Server 100” as presented in Figure 2 and otherwise described in the ’539 patent specification).

Based on the current record, we also are persuaded by Petitioner’s contentions that, although claim 67 recites “databases,” “software” and “computer” generally, the recited steps can be performed mentally or using pen and paper. Pet. 39–41 (citing *Gottschalk v. Benson*, 409 U.S. 63, 66–67 (1972)). For example, the record indicates that one can order inventory using pen and paper or by telephone (step (c)), manually provide access to written down inventory information, and mentally classify customers, for example, into groups having assigned permission or roles (step (f)). *Id.* We likewise are persuaded that features recited in dependent claims 70–76 (“forecasting” inventory usage or availability (claim 70), software that “monitors” inventory and “generates orders” (claims 71, 72), “allows users to order” or “supplement inventory” (claim 73), and collecting and storing or updating additional information (claims 74–76)) can be performed mentally or using pen and paper. *Id.* at 41–42.

In response, Patent Owner contends that Petitioner’s “approach fails to analyze whether the claim elements ‘as an ordered combination’ present an inventive concept.” Prelim. Resp. 45 (quoting *Alice*, 134 S. Ct. at 2355). Patent Owner contends that “[i]t would not be possible for a third-party, or any entity, attempting to practice the claimed invention by hand to simultaneously track supply-side and customer-side inventory needs and

availability, pricing, and reordering parameters in a way that would allow the burden of ordering goods to be displaced from a customer, not to mention implementing the additional grouping and custom access-control limitations.” *Id.* at 45–46. We are not persuaded, as claim 67 (and dependent claims 70–76) do not require action by a third-party, nor require simultaneously performing steps (a)–(f) or other steps recited in dependent claims.

Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated that it is more likely than not that challenged claims 67 and 70–76 are not directed to patent-eligible subject matter and, therefore, are unpatentable under 35 U.S.C. § 101.

2. *Claims 81, 83–85, and 96*

Petitioner asserts that independent “claim 81 is not different in substance from claim 67,” and that “differences boil down to merely a computer-readable medium and updating the databases through a software interface.” Pet. 55. In addition, Petitioner contends that, although claim 81 recites a “computer program product” and “software interface,” steps (a)–(f), like steps (a)–(f) in claim 67, can be performed via pen and paper. Pet. 54–56. Petitioner also asserts that it “does not analyze separately . . . dependent claims 83–85 and 96 because they are . . . substantially the same as claims 71–73 and 62,” addressed elsewhere in the Petition. *Id.* at 55.

Patent Owner responds that Petitioner’s approach “ignores the actual identified claim language, such as the requirement that ‘tracking is executed by detecting said inventory item.’” Prelim. Resp. 39. Patent Owner also argues that Petitioner “provides little explanation as to why this limitation or

any of the others identified as differences from method claim 67 are not substantial.” *Id.*

We agree with Petitioner that claim 81 is similar to method claim 67, except that claim 81 recites a “computer program product” comprising “program instructions stored on at least one computer readable storage medium,” that “cause a computer” to engage in steps (a)–(f). Step (a) of claim 81 recites accessing from databases the same type of data recited in step (a) of claim 67. Steps (b)–(f) are similar to those same steps in claim 67, except that the tracking step further recites it “is executed by detecting each said inventory item and by updating said databases through at least one software interface to said databases.”

As with claim 67, we are persuaded that steps (a)–(f) of claim 81 instruct a practitioner to implement an abstract idea, i.e., a method for managing customer inventory based on certain information, using a “computer program product,” “at least one computer readable storage medium” executed on a “computer,” and “at least one software interface.” For the same reasons discussed above regarding claim 67 (and its challenged dependent claims), we agree that claim 81 (and dependent claims 83–85, and 96) do not require any specific computer program product, storage medium, computer, and software interface *per se*, but rather provide specificity only in relation to recited information and how it is used. Thus, we conclude that the first prong in the *Alice/Mayo* test is met for claims 81, 83–85, and 96.

In relation to the second prong in *Alice/Mayo*, we also are persuaded that such computer program product, storage medium, computer, and software interface were well-known at the time of filing, i.e., “routine, conventional” activities to implement a method of accessing and analyzing,

or taking action based on (evaluating, ordering inventory based on, tracking, updating, and providing access to), information or data. Pet. 55–56; *Mayo*, 132 S. Ct. at 1298. We are persuaded that the recited steps are not tied to any particular hardware, software or algorithm, and descriptions in the ’538 patent are consistent with that conclusion, for the same reasons discussed above in relation to claim 67. Pet. 30–38. Based on the record before us, the additional feature in claim 81 that “tracking is executed by detecting said inventory item,” as noted by Patent Owner (Prelim. Resp. 39), does not change our analysis in this regard, even if that feature is not recited in method claim 67.

Based on the current record, we are also persuaded by Petitioner’s contentions that, although claim 81 recites a “computer program product,” “computer readable storage medium,” “computer,” and “software interface” generally, the recited steps can be performed mentally or using pen and paper. Pet. 55–56, 40–42. For example, one can manually access written down inventory information (step (a)), order inventory, and evaluate, track, detect, update, and provide access to inventory information or items using pen and paper (steps (b)–(f)), as well as mentally classify customers, for example, into groups having assigned permission or roles (step (f)). *Id.*

We likewise are persuaded that the record sufficiently establishes that, like other challenged dependent claims, features recited in dependent claims 83–85 and 96 (“monitoring inventory levels” and “reporting anticipated shortages” or “generating orders” (claims 83, 84), “allowing users to order” or “supplement inventory” (claim 85), and “allowing users to specify a price for goods” (claim 96)) can be performed mentally or using pen and paper. Pet. 55, 41–42, 52.

Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated that it is more likely than not that challenged claims 81, 83–85, and 96 are not directed to patent-eligible subject matter and, therefore, are unpatentable under 35 U.S.C. § 101.

3. Claims 52 and 62

Petitioner asserts that “one of ordinary skill in the art would not discern any substantive difference” between system claim 52 and method claim 67. Pet. 50. Petitioner also contends that certain limitations recited in claim 52 relating to a computer having at least one storage medium, client software, and software interface again require only generic computer implementation, and not any specialized hardware or software. *Id.* at 50–51. Petitioner also contends that the underlying process of claim 52, such as “identification of users and allowing users to be classified into groups, where permissions or roles are assigned to such groups, could be performed via pen and paper.” *Id.* at 51–52.

Patent Owner responds that Petitioner “focuses almost its entire analysis on claim 67, a method claim, providing only a cursory analysis,” treating system claim 52 as substantially identical to method claim 67. Prelim. Resp. 37. Patent Owner points out that claim 52 recites a number of limitations lacking in claim 67 relating to the recited “client software.” *Id.* at 38. Patent Owner contends that Petitioner, despite acknowledging differences, “provides little substantive analysis regarding any of these limitations” or “analysis of claim 57 as a whole.” *Id.* at 39.

We agree with Petitioner that claim 52 is similar to method claim 67. For example, recited “data” to be stored is identical, *see* (b)(1)–(3) in claim

52 and (a)(1)–(3) in claim 67. Claim 52 similarly recites allowing users to be classified into groups, where permissions or roles are assigned to such groups, *see* (c) in claim 52 and (f) in claim 67, as well as evaluating, tracking, and updating similar inventory information, and ordering inventory based on “inventory restocking parameters provided by said customer,” *see* (c)(i)–(iv) in claim 52, and (b)–(e) in claim 67.

In addition, contrary to Patent Owner’s contentions, Petitioner expressly refers to the very limitations in claims 52 and 62 that Patent Owner asserts differ from claim 67 when stating that “each of these additional limitations requires only generic computer implementation, as none of them require[s] any specialized hardware or software.” Pet. 50–51; Prelim. Resp. 38. Petitioner refers to the additional limitations in particular, even as it relies on previous analysis regarding claim 67 as to why certain claim language (“client software,” “storage medium,” and software “interface”), in view of the ’538 patent specification, supports its assertion. *See* Pet. 30–37 (discussing “major hardware components of the present invention,” as described in the specification). Petitioner also further contends, sufficiently, that the additional limitations in those claims (as compared to claim 67), again mentioned with particularity, can all be performed by pen and paper, and therefore qualify as mental steps. *Id.* at 51–52.

Based on the record before us, in view of the Petition and Preliminary Response, and for the same reasons discussed above regarding claims 67 and 81 and their challenged dependent claims, we are persuaded that Petitioner sufficiently establishes that it is more likely than not that claims 52 and 62 are unpatentable under § 101.

We note that Patent Owner discusses *DDR Holdings*, which concluded that a claim directed to a “system useful in an outsource provider serving web pages” was patent-eligible under § 101. Prelim. Resp. 35–36, 50 (citing *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1258–59 (2014)). Petitioner does not mention this case, as the Federal Circuit issued its decision in *DDR Holdings* on December 5, 2014, the same day that Petitioner filed its Petition. Pet. 60. We note, however, that in *DDR Holdings*, the Federal Circuit stated that “the claimed solution” in that case was “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” *DDR Holdings*, 773 F.3d at 1257.

Based on the record before us, we are not persuaded that the holding in *DDR Holdings*, addressing claims of a different type, dictates that we decline to institute a trial in the current case, relating to claims directed to inventory management. In addition, we are persuaded that Petitioner has demonstrated that it is more likely than not that the “computer,” “storage medium,” “client software,” and software “interface” components of claims 52 and 62 are functional and generic, and correspond to conventional computer implementation. Pet. 50–51; *see also Alice* 134 S.Ct. at 2360 (stating “the system claims recite a handful of generic computer components configured to implement the same [abstract] idea”).

Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated that it is more likely than not that challenged claims 52 and 62 are not directed to patent-eligible subject matter and, therefore, are unpatentable under 35 U.S.C. § 101.

4. Conclusion

On this record, Petitioner has established that it is more likely than not that claims 52, 62, 67, 70–76, 81, 83–85, and 96 of the '538 patent are unpatentable under 35 U.S.C. § 101.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Petitioner would prevail in establishing the unpatentability of claims 52, 62, 67, 70–76, 81, 83–85, and 96 of the '538 patent.

The Board has not made a final determination on the patentability of any challenged claims.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted on the ground that claims 52, 62, 67, 70–76, 81, 83–85, and 96 are directed to patent-ineligible subject matter under 35 U.S.C. § 101;

FURTHER ORDERED that no other ground is authorized for covered business method patent review; and

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial on the grounds of unpatentability authorized above; the trial commencing on the entry date of this Decision.

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