UNITED STATES PATENT AND TRADEMARK OFFICE
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BEFORE THE PATENT TRIAL AND APPEAL BOARD
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THE KROGER COMPANY and BROOKSHIRE GROCERY COMPANY,
Petitioner,

v.

NEXUSCARD, INC.,
Patent Owner.
_____

Case CBM2015-00183
Patent 5,924,080
_____

Before JENNIFER S. BISK, MICHAEL J. FITZPATRICK, and
MINN CHUNG, *Administrative Patent Judges.*

Opinion for the Board filed by *Administrative Patent Judge* MINN CHUNG

Opinion Concurring filed by *Administrative Patent Judge* MICHAEL J.
FITZPATRICK

CHUNG, *Administrative Patent Judge.*

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

I. INTRODUCTION

In this covered business method patent review, instituted pursuant to 35 U.S.C. § 324, The Kroger Co. and Brookshire Grocery Company (collectively, "Petitioner") challenge the patentability of claims 1–11 (the "challenged claims") of U.S. Patent No. 5,924,080 (Ex. 1001, "the '080 patent"), owned by Nexuscard, Inc. ("Patent Owner"). This Final Written Decision is entered pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. With respect to the ground instituted in this trial, we have considered the papers submitted by the parties and the evidence cited therein. For the reasons discussed below, we determine Petitioner has shown by a preponderance of the evidence that claims 1–11 of the '080 patent are unpatentable.

A. *Procedural History*

On September 25, 2015, Petitioner filed a Petition (Paper 1, "Pet.") requesting a covered business method patent review of claims 1–11 of the '080 patent under Section 18 of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 329 (2011) ("AIA"). Patent Owner filed a Corrected Preliminary Response (Paper 11, "Prelim. Resp.").[1] On March 28, 2016, we instituted a covered business method patent review based on the ground that claims 1–11 are directed to patent-ineligible subject matter under 35 U.S.C. § 101. Paper 16 ("Dec. on Inst."), 28.

After institution of trial, Patent Owner filed a Patent Owner Response (Paper 22, "PO Resp."), to which Petitioner filed a Reply (Paper 26, "Pet.

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[1] Pursuant to our Order Regarding Exhibit Numbering and Formatting (Paper 7) and upon our authorization (Paper 10), Petitioner filed a Corrected Preliminary Response (Paper 11).

Reply"). An oral hearing was held on December 15, 2016. A transcript of the hearing is included in the record as Paper 37 ("Tr.").

B. Related Proceedings

The parties indicate that the '080 patent has been asserted against Petitioner in the following patent infringement cases: *Nexuscard, Inc. v. The Kroger Co.*, No. 2:15-cv-00968-JRG (E.D. Tex.); and *Nexuscard, Inc. v. Brookshire Grocery Company*, No. 2:15-cv-00961-JRG (E.D. Tex.). Pet. 17; Paper 5, 1 (Patent Owner's list of related matters). According to the parties, the '080 patent is also the subject of the following patent infringement case: *Nexuscard, Inc. v. Winn Dixie Stores Inc.*, No. 4:15-cv-00138-CDL (M.D. Ga.). Pet. 17; Paper 5, 1.

II. THE '080 PATENT

A. Described Invention

The '080 patent describes a method of processing merchandise discounts based on a computerized membership system. Ex. 1001, Abstract, col. 1, ll. 46–47. According to the '080 patent, the purpose of the disclosed process is to replace or eliminate conventional paper coupons used in retail stores. *Id.* at col. 2, ll. 52–59. To accomplish this goal, a centralized computer system is established to distribute, collect, and organize information between the central system and the local merchants. *Id.* at col. 2, ll. 54–57. The centralized computer system is part of a "couponless" product discount membership system operated by a membership service provider. *Id.* at col. 1, ll. 46–54; col. 2, ll. 52–59; col. 3, ll. 11–33.

When consumers join the discount membership system, they are given individualized membership cards. *Id.* at col. 2, ll. 57–59. The membership cards include a memory storage mechanism, such as a magnetic stripe, which contains the consumer's membership information. *Id.* at col. 2, ll. 59–62. Product manufacturers, distributors, and retail stores are also enrolled in the membership system. *Id.* at col. 3, ll. 22–33. The membership provider's centralized computer has a database that stores information regarding merchants, manufacturers, and consumers. *Id.* at col. 3, ll. 11–21. The database also stores the consumer identification codes and merchandise information including the identification code of merchandise subject to a price discount. *Id.* at col. 1, ll. 55–59. A communication system, such as a cash register, provides real time communication between merchant members and the provider's computer. *Id.* at col. 1, ll. 52–54.

When a consumer member selects products for purchase at a merchant member's location, the product identification code of each of the selected merchandise is scanned at the merchant communication system. The consumer membership card is also scanned to obtain the consumer's identification code, which is transmitted to the provider's computer for membership verification. *Id.* at col. 1, l. 62–col. 2, l. 4. The merchandise identification code for each item is also sent to the provider's computer to determine discounts by comparing the scanned code with the product identification codes of the discounted merchandise stored at the computer. *Id.* at col. 2, ll. 7–10. Upon determination, the discounts are deducted from the purchase price of the merchandise that is subject to a price discount, and a sales slip showing the discounts is printed for the consumer. *Id.* at col. 2, ll. 11–16, 30–32, Abstract. The consumer purchase data is stored and

maintained in a database at the provider's computer. *Id.* at col. 2, ll. 17–20. Purchase demographics reports can be generated from the purchase data compiled in the database. *Id.* at col. 2, ll. 19–22. According to the '080 patent, by applying the discounts to the purchase prices at the time of actual purchases of the products, the disclosed system allows "eliminating fraud and waste, tracking customer usage, and building a valuable customer demographic database." *Id.* at col. 1, ll. 39–45.

B. Illustrative Claim

Of the challenged claims, claims 1 and 11 are independent. Claim 11 is illustrative of the challenged claims and is reproduced below:

> 11. The method of processing and applying merchandise discounts to a consumer's purchases by providing a computerized membership system, said membership including a plurality of consumer members, a plurality of point of purchase merchant members, a plurality of manufacturer members, and a centralized system provider, said membership system having:

> a point of purchase merchant member computer terminal and computer and a centralized provider's computer, said provider's computer having a database for the storage and retrieval of information, said database storing information regarding point of purchase merchant members, manufacturer members, and consumer members, in predetermined files, at least some of said information being entered into the system at the time of a member establishing membership in said system and

> communication means, said communications means providing real time communication between said member merchant's computer terminals and said provider's computer,

> comprising the steps of:

> a. providing consumer members with individual identification codes, said identification codes accessing said databases;

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