

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

EBAY INC. and PAYPAL, INC.,
Petitioner,

v.

XPRT VENTURES, LLC,
Patent Owner.

Case CBM2017-00026
Patent 7,512,563 B2

Before JAMESON LEE, KEVIN F. TURNER, and
MICHAEL R. ZECHER, *Administrative Patent Judges*.

LEE, *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

eBay Inc. and PayPal, Inc. (collectively, “Petitioner”), filed a Petition requesting a review under the transitional program for covered business method patents of claims 1, 6, and 7 (“challenged claims”) of U.S. Patent No. 7,512,563 B2 (Ex. 1001, “’563 patent”). Paper 1 (“Pet.”). Patent Owner, XPRT Ventures, LLC (“Patent Owner”), did not file a Preliminary Response.

We preliminarily determined that the information presented in the Petition established that the ’563 patent qualifies as a covered business method patent that is eligible for review, and that it was more likely than not that the challenged claims are unpatentable under 35 U.S.C. § 101. Paper 8. Pursuant to 35 U.S.C. § 324 and § 18(a) of the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284, 329–31 (2011), we instituted a covered business method patent review as to all of the challenged claims. *Id.*

Patent Owner filed a corrected Response to the Petition (Paper 13 (“PO Resp.”)), and Petitioner filed a Reply (Paper 14 (“Pet. Reply”)). Neither Petitioner nor Patent Owner requested oral argument, and no oral argument was held. Papers 15, 16.

We have jurisdiction under 35 U.S.C. § 6(c). This decision is a Final Written Decision under 35 U.S.C. § 328(a). For the reasons discussed below, we hold that (1) the ’563 patent qualifies as a covered business method patent that is eligible for review, as defined by § 18(d)(1) of the AIA; and (2) Petitioner has demonstrated by a preponderance of the evidence that all of the challenged claims are unpatentable under 35 U.S.C. § 101.

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A. *Related Matters*

Petitioner indicates that Patent Owner asserted the '563 patent against Petitioner in a U.S. district court case captioned *XPRT Ventures, LLC v. eBay Inc.*, No. 1:10-cv-595-SLR (D. Del.) ("U.S. district court case").

Pet. 3. Petitioner further indicates that, in the U.S. district court case, Patent Owner also asserted five other patents against Petitioner, specifically U.S. Patent Nos. 7,567,937 ("937 patent"), 7,627,528 ("528 patent"), 7,610,244 ("244 patent"), 7,599,881 ("881 patent"), and 7,483,856 ("856 patent").
Pet. 3.

The Petitioner also indicates that one Petitioner entity, eBay Inc., filed requests for *inter partes* reexaminations of the '856 patent, '937 patent, '563 patent, '528 patent, '881 patent, and '244 patent, which were granted in Reexamination Control Nos. 95/001,594 ("594 Reexamination"), 95/001,588, 95/001,589, 95/001,590, 95/001,596, and 95/001,597, respectively. Pet. 3. With the exception of the '594 Reexamination, decisions in each of those reexamination proceedings are currently on appeal to the U.S. Court of Appeals for the Federal Circuit. Pet. 4; Paper 4, 2.

The '244 patent, '528 patent, '856 patent, '881 patent, and '937 patent are the subjects of covered business method patent reviews in Cases CBM2017-00024, CBM2017-00025, CBM2017-00027, CBM2017-00028, and CBM2017-00029, respectively. Also, Patent Owner identifies U.S. Patent Application Nos. 12/547,201 and 12/603,063 as related matters.
Paper 4, 2.

B. *Standing*

Section 18 of the AIA governs the transitional program for covered business method patent reviews. Under § 18(a)(1)(B) of the AIA, a person

may not file a petition for such a review, unless that person, or the person's real-party-in-interest or privy, has been sued or charged with infringement of a covered business method patent. Petitioner contends that Patent Owner asserted the '563 patent against Petitioner in the U.S. district court case. Pet. 3, 11. Petitioner also argues that it is not estopped from challenging the claims on the ground identified in the Petition. *Id.* at 11 (citing 37 C.F.R. § 42.302(b)). Patent Owner has not disputed either of those statements. Accordingly, based on the record before us, we determine that Petitioner satisfies the standing requirement.

C. Asserted Ground of Unpatentability

Petitioner asserts that the challenged claims are unpatentable under 35 U.S.C. § 101. Pet. 12, 20–54. Petitioner relies on the Declaration of Clifford Neuman (Ex. 1005) in support of the Petition. Petitioner also cites to Robert C. Zimmer & Theresa A. Einhorn, *The Law of Electronic Funds Transfer* (1978) (Ex. 1006), and Edward Preston Moxey, Jr., *Practical Banking* (1910) (Ex. 1010).

D. The '563 Patent

The '563 patent is titled: “System and Method to Automate Payment for a Commerce Transaction.” Ex. 1001, [45], [54]. More specifically, the '563 patent relates to a method for automatically effecting payment for a user of an electronic auction web site (claim 1) or a method for automatically effecting payment for a user of an electronic commerce web site (claim 7). The '563 patent states: “With the advent of electronic networks, such as the Internet, electronic auctions have become tremendously popular.” Ex. 1001, 1:33–34. The '563 patent identifies preexisting electronic auction websites EBAY and YAHOO! Auctions. *Id.*

at 1:35–38. The '563 patent describes three preexisting methods for effecting payment at the conclusion of an electronic auction for an item. *Id.*

at 2:27–62. The first method is described as follows:

To effect payment for the item, an email is sent to the seller and the winning bidder informing them to contact each other to proceed with a payment transaction. Upon the seller notifying the winning bidder of where to send payment, e.g., a check or money order, the winning bidder sends payment equal to the highest bid plus any other costs, such as shipping and handling, shipping insurance, and taxes, as indicated by the seller. Soon after receiving the payment from the winning bidder, the seller ships the item to the winning bidder.

Id. at 2:29–38. The second method is described as this:

Another prior art method for effecting payment for the item won on the electronic auction entails clicking an icon on the electronic auction web site and accessing a payment web site (or a payment segment of the electronic auction web site). The payment web site typically lists the seller's user-name and the item won. While at the payment web site, the winning bidder enters credit card information and the amount to be charged to his credit card. Subsequently, a management system overseeing the payment web site charges the credit card for the entered amount to a company or entity affiliated with an operator or owner of the payment web site. Upon payment confirmation, an email is sent to the seller instructing the seller to ship the item to the winning bidder. After two to three business days, the payment web site management system pays the seller by direct deposit an amount equal to the charged amount minus a commission and a transaction fee. The commission typically [is] paid to the operator or owner of the electronic auction web site and the transaction fee is paid to the operator or owner of the payment web site.

Id. at 2:39–57. The third method is a variation of the second method, where the winning bidder directly transfers his credit card information to the seller,

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