UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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E-LOAN, INC.,
Petitioner,

v.

IMX, INC.,
Patent Owner.

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Case CBM2015-00012
Patent 5,995,947

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Before JAMES P. CALVE, MATTHEW R. CLEMENTS,
and BRIAN P. MURPHY, *Administrative Patent Judges.*

CALVE, *Administrative Patent Judge.*

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

I. BACKGROUND

Petitioner E-Loan, Inc. ("E-Loan") filed a Petition (Paper 1, "Pet.") seeking a covered business method patent review of claims 7, 8, 26, and 27 of U.S. Patent No. 5,995,947 (Ex. 1001, "the '947 patent"). Patent Owner IMX, Inc. ("IMX") filed a Preliminary Response. Paper 6 ("Prelim. Resp."). We have jurisdiction under 35 U.S.C. § 324. Based on these submissions, we instituted trial as to claims 7, 8, 26, and 27 of the '947 patent. Paper 7 ("Dec. to Inst."). IMX filed a Response. Paper 11 ("PO Resp."). E-Loan then filed a Reply. Paper 12 ("Pet. Reply").

Oral argument was presented on January 5, 2016. A transcript of the argument is entered in the record. Paper 18 ("Tr.").

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is entered pursuant to 35 U.S.C. § 328(a).

A. The '947 Patent (Ex. 1001)

The '947 patent describes a method and system for making loans such as mortgages. System 100 includes transaction server 110, broker stations 120, lender stations 130, administration client 150, system monitor stations 160, web server 170, and communication network 140. Ex. 1001, 3:12–16. Brokers use broker stations 120 to transmit loan profiles to transaction server 110, thereby entering those loan profiles into system 100 for processing, to review the status of loan profiles as they are processed by system 100, to receive and review bids by lenders on loan profiles, and to accept or decline bids. *Id.* at 6:34–36. Lenders use lender stations 130 to search database 111 for desired types of loans, to sort selected loans by particular desired criteria, bid on loan applications, and to receive notice when their bids are accepted. *Id.* at 7:24–27.

System 100 includes transaction server 110 that comprises trading system database 111, geographic database 112, and external interfaces 113. *Id.* at 3:28–30. Transaction server 110 enters loan profiles into trading system database 111 in response to requests from broker stations 120, searches the trading system database in response to requests from lender stations 130, and modifies trading system database 111 in response to changes in status of loan profiles stored therein. *Id.* at 3:30–36. Figure 1, reproduced below, illustrates system 100.
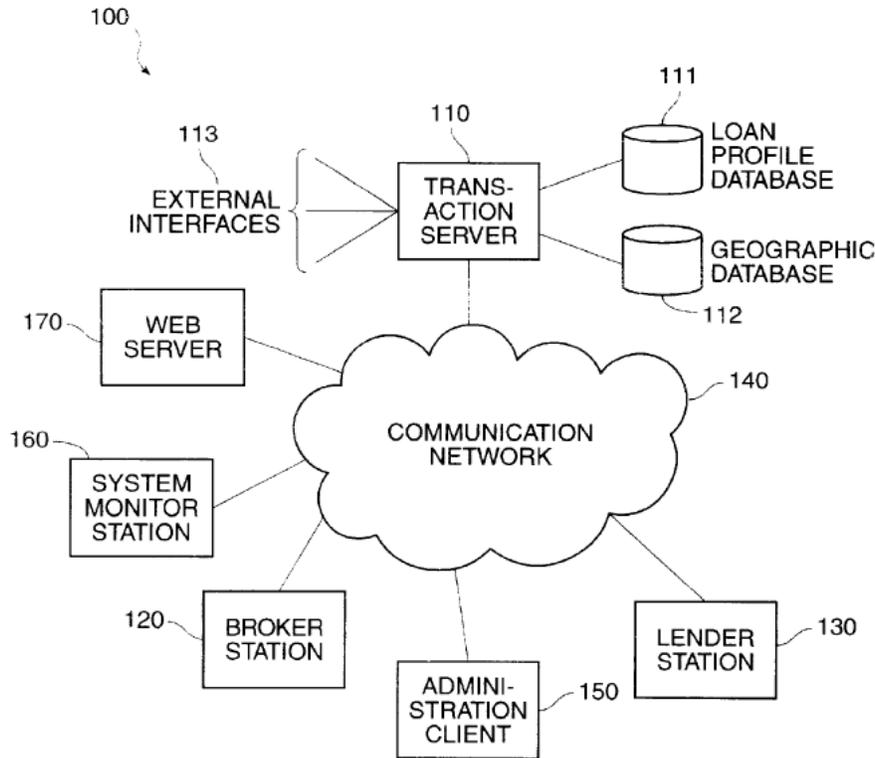

FIG. 1

Figure 1 shows a block diagram of an interactive mortgage and loan information and real-time trading system 100. *Id.* at 3:10–11. Transaction server 110 comprises a general purpose processor such as a Sun UltraSparc processor operating under control of a Solaris operating system. *Id.* at 3:18–

27. Broker station 120 comprises a general purpose processor such as a PC workstation with Intel® Pentium® processor operating under the control of Microsoft® Windows® 95 operating system and broker client software. *Id.* at 6:5–19. Lender station 130 comprises a general purpose processor such as a PC workstation with Intel® Pentium® processor operating under control of Microsoft® Windows® 95 operating system and lender client software. *Id.* at 7:5–15.

B. Illustrative Claims

Claims 7 and 8 depend from claim 1. Claims 26 and 27 depend from claim 19. Claims 1, 7, and 8 are illustrative and reproduced below.

> 1. A method for processing loan applications, said method including the steps of maintaining a database of pending loan applications and their statuses at a database server, wherein each party to a loan can search and modify that database consistent with their role in the transaction by requests to said server from a client device identified with their role.

> 7. A method as in claim 1, wherein
> said roles include a lender and said client device includes a
>   lender station associated with at least one said lender; and
> said lender can search the database for particular desired
>   types of loans, and can bid on loan applications.

> 8. A method as in claim 7, wherein said lender is notified
>   when its bid is accepted.

C. Covered Business Method Patent

A "covered business method patent" is a patent that claims a method or a corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except the term does not include patents for technological inventions. AIA § 18(d)(1); 37 C.F.R. § 42.301(a).

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To determine whether a patent is eligible for a covered business method patent review, the focus is on the claims. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48734, 48736 (Aug. 14, 2012). A patent need have only one claim directed to a covered business method to be eligible for review. *Id.*

1.   *Financial Product or Service*

E-Loan argues that the '947 patent is a covered business method patent. Pet. 19–23. E-Loan contends that the limitation "processing loan applications," as recited in claim 1, describes a financial service or, at least, a process incidental to a financial product, namely, a loan. *Id.* at 22. E-Loan also contends that "maintaining a database of pending loan applications" and "search and modify that database" relate to management of financial data, which is, at a minimum, an ancillary activity related to the loan processing service or loan product. *Id.* Regarding claim 7, E-Loan argues that bidding on loan applications is the practice of a financial product or service because it relates to monetary matters. *Id.* at 23.

We are persuaded that claims 1 and 7 meet the first part of the covered business method requirement because they cover a method of processing loan applications and data processing used in the practice, administration, or management of a financial product or service. Loans are financial products because they are agreements between two parties stipulating the movement of money or other consideration. *See id*. at 20 (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer regarding a financial product) (Ex. 1009)). The legislative history of the AIA includes "servicing loans" and "financial data processing" among the financial products and

services that fall within covered business method review. *See id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer listing specific types of "financial products or services" mentioned in the legislative history) (Ex. 1009)).

Claims 1 and 7 recite methods of processing loan applications and thus cover a service for the practice, administration, or management of a financial product or service, i.e., a loan. The claims recite a database server that maintains loan applications and their statuses for parties to search and modify, and a lender station that a lender can use to search for desired types of loans. Ex. 1001, 14:66–15:5, 22–27. Such method steps are sufficient to satisfy the "financial product or service" requirement of Section 18. *See* 37 C.F.R. § 42.301(a); *see also MeridianLink, Inc. v. DH Holdings, LLC*, Case CBM2013-00008, 12 (PTAB June 24, 2013) (Paper 20) (Ex. 1005) (system and method claims for collecting and disseminating loan information over a network satisfies the definition of covered business method in § 42.301(a)); *Westlake Servs., LLC v. Credit Acceptance Corp.*, Case CBM2014-00176, 9 (PTAB Feb. 9, 2015) (Paper 15) (claims to method of providing financing for purchased products was a covered business method patent).

2. Technological Invention

The definition of a "covered business method patent" in § 18(d)(1) of the AIA excludes patents for "technological inventions." When determining whether a patent is for a technological invention, we consider "whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; *and* solves a technical problem using a technical solution." 37 C.F.R. § 42.301(b). 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 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.

Office Patent Trial Practice Guide, 77 Fed. Reg. at 48763–64.

E-Loan contends persuasively that the challenged claims solve a commercial or business problem of making loan processing less expensive, rather than a technical problem and do so with known technologies. Pet. 28–29. E-loan cites IMX's Opening Brief on Claim Construction in a related district court proceeding, which states that the purpose of the '947 patent was to "eliminate this paper-intensive process through automation." *Id.* at 29. The '947 patent discloses that conventional loans are expensive, due to the large amount of information that must be collected by hand, transmitted using paper applications, and compared and evaluated by human beings, and disseminated. Ex. 1001, 1:10–48. The '947 patent automates this process to provide widespread dissemination of loan applications and lending program information for automatic comparison in real time. *Id.* at 1:49–2:15.

Such automation using known computer technologies does not result in a technical solution to a technical problem. Searching a database for a desired type of loan merely automates the practice of brokers sending loan applications to lenders who review and evaluate the applications before deciding to make a bid. *See* Ex. 1001, 1:22–45; *Westlake Servs., LLC v. Credit Acceptance Corp.*, Case CBM2014-00176, 9 (PTAB Feb. 9, 2015)

(Paper 15) (claims merely describe steps performed in method of providing a financing source); *DealerSocket, Inc. v. AutoAlert, LLC*, Case CBM2014-00203, 9–12 (PTAB Apr. 2, 2015) (Paper 11) (claims relating to managing auto financing, alerting auto dealers, and generating sales leads were at least complementary to financial activity of purchase or lease of an automobile and implementation on generic computer did not involve any disclosed advancements in computer hardware or software technology).

The challenged claims recite the use of known computer hardware and software technologies such as a "database," "database server," "transaction server," and "client device/lender station" to accomplish loan processing. Pet. 24–25. As E-Loan argues, the '947 patent discloses a "lender station" as a PC work station such as an Intel® Pentium® Processor operating under control of the Microsoft® Windows® 95 operating system and a "transaction server" as a Sun UltraSparc processor operating under control of the Solaris operating system. *Id.* at 27 (citing Ex. 1001, 7:9–13 and 3:23–27).[1] The claimed use of such known prior art technology to accomplish a method is not sufficient to constitute a "technological invention" regardless of whether the method is novel or non-obvious. *Id.* at 26–27 (quoting Office Patent Trial Practice Guide, 77 Fed. Reg. at 48763–64). Claims 1 and 7 also recite known, obvious computer functionality like database maintenance, searching and updating computer records, and transmitting information such as bids.

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[1]The '947 patent discloses that network 140 can be a wide area network such as an Advantis network or the internet, intranet, telephone lines, leased lines, or combinations thereof. Ex. 1001, 9:12–21. Trading system database 111 comprises an Oracle database or another type of relational database such as Sybase or an object-oriented or other type of database. *Id.* at 3:37–45.

IMX does not oppose E-Loan's contentions that the claims lack a technological invention. PO Resp. 7–20. Thus, we consider the facts asserted by Petitioner (Pet. 24–27) to be admitted. *See* 37 C.F.R. § 42.23(a). We determine that claims 1 and 7 do not recite a technological invention. Therefore, the '947 patent is eligible for covered business method patent review.

3. *Constitutionality of Covered Business Method Review*

IMX challenges the covered business method patent review as being unconstitutional. PO Resp. 14–16. IMX argues that issued patents are no longer under the jurisdiction of the U.S. Patent and Trademark Office ("USPTO") and may be set aside, annulled, or corrected only by the courts of the United States, not by the USPTO or PTAB. *Id.* at 14–15. IMX argues that post-grant proceedings to invalidate patents deprive patent owners of due process and invade the province of Article III courts. *Id.* at 16.

IMX's arguments are not persuasive in view of the recent decision of the United States Court of Appeals for the Federal Circuit in *MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 2015-1091, 2015 WL 7755665 (Fed. Cir. Dec. 2, 2015), which held that Congress can grant authority to the USPTO to correct or cancel issued patents. *MCM Portfolio*, 2015 WL 7755665, at *5. Congress has done so by creating *inter partes* reexamination proceedings, *ex parte* reexamination proceedings, *inter partes* review, post-grant review, and covered business method patent review. *Id.* (citations omitted). As stated with regard to the *inter partes* review provisions at issue in *MCM Portfolio*, "Supreme Court precedent demonstrates that these statutes, and particularly the inter partes review provisions, do not violate Article III." *Id.*

II. ANALYSIS

A. *Claim Interpretation*

Claims in an unexpired patent are given their broadest reasonable construction in light of the specification in covered business method patent reviews. 37 C.F.R. § 42.300(b); *In re Cuozzo Speed Tech., LLC*, 793 F.3d 1268, 1278–79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs. LLC v. Lee*, 84 U.S.L.W. 3218 (Jan. 15, 2016) (No. 15-446); *see* Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48766 (Aug. 14, 2012). Claim terms are given their ordinary, customary meaning as would be understood by a skilled artisan in the context of the entire disclosure. *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007).

1. *"can bid on loan applications"(claim 7)* *"capable of submitting bids on loan applications" (claim 26)*

E-Loan asserts a "bid" is "an offer to make a loan." Pet. 33. IMX argues that the limitation "can bid on loan applications" in claim 7 means "can provide offers to make loans on and in response to existing loan applications." PO Resp. 3. IMX argues that the limitation "submitting bids on loan applications" in claim 26, means "submitting offers to make loans on and in response to existing loan applications." *Id.* at 3–4.

We interpret "can bid on loan applications" in claim 7 and "capable of submitting bids on loan applications" in claim 26 as "can offer to make loans on loan applications that are pending in the database." This interpretation is consistent with the claims. Claim 1 recites a method for processing loan applications including "maintaining a database of pending loan applications and their statuses at a database server." Dependent claim 7 recites "said lender can search *the* database for particular desired types of loans, and can bid on loan applications." Ex. 1001, 15:26–27 (emphasis added).

Claim 19 recites a system for processing applications that includes "a database of pending loan applications." Claim 26 recites "said lender station is capable of requesting said transaction server to search *said* database for particular desired types of loans, and is capable of submitting bids on loan applications to said transaction server." *Id.* at 16:25–29 (emphasis added).

The transaction server to which bids are submitted is "responsive in real time to requests from parties to said *pending loan applications*" (claim 19), which reinforces that lender bids are made on loan applications pending in the database. Thus, the lender in claim 7 "can search *the* database" of pending loan applications of claim 1 and the lender station of claim 26 can request the transaction server "to search *said* database" of pending loan applications of claim 19 for particular desired types of loans and can bid on the pending loan applications in the database recited in claims 1 and 19.

This interpretation is consistent with the '947 patent, which discloses that transaction server 110 enters validated loan profiles (loan application information (*id.* at 3:47–50)) into trading system database 111 in response to requests of broker stations 120. *Id.* at 3:30–35, 10:47–55, 11:1–4. Lenders can use remote lender stations 130 to query system database 111 through transaction server 110 to (i) search for and access selected categories of loan profiles submitted to transaction server 110 from broker stations 120 and, (ii) bid on the loan profiles stored in the system database. *Id.* at 10:28–46, 11:16–51, 12:7–10 ("lender station **130** transmits a database query to the transaction server, requesting loan profiles"), 13:4–7 ("[L]ender station **130** transmits a bid on one of the loan profiles. The transaction server **110** enters the bid in the loan profile."). Thus, lenders bid on pending loan applications that are submitted by brokers and stored in the system database.

The '947 patent also discloses that a loan profile of a loan application is maintained in trading system database 111 and includes "a set of bids, each of which comprises an offer to make the loan from a particular lender." *Id.* at 3:47–51. The '947 patent discloses a preferred embodiment in which "[l]enders at a lender station can search the database for particular desired types of loans, can sort selected loans by particular desired criteria, can bid on loan applications, and [can be] notified when their bids are accepted." *Id.* at 2:24–28; 7:24–27, 11:26–45. Again, the '947 patent makes clear that bids of lenders are made on loan applications that are maintained in the database of pending loan applications and accessed via the transaction server.

Our interpretation also is consistent with the '947 patent prosecution history. During prosecution of the application that issued as the '947 patent, IMX distinguished the claims over the prior art by arguing that the prior art did not disclose an automated loan application and bidding process in which each party to the bidding transaction has access to a database and lenders can search for loan applications that meet the lenders' criteria and bid on the loan applications in the database. *See* Ex. 1016, 9 (IMX Opening Brief on Claim Construction, filed in *IMX, Inc. v. E-Loan, Inc.*, Case No. 09-20965-CIV-MARTINEZ-BROWN (S.D. Fla.) on Sept. 21, 2009). Thus, IMX views the claims as directed to pending loan applications in a database.

IMX's interpretation of "can bid on loan applications" in claim 7 and "capable of submitting bids on loan applications" in claim 26 requires the bids to be made "***on and in response to existing loan applications***," which might "imply a review (albeit brief) of the received loan application before the lender responds with an offer to make a loan." Pet. Reply 5. Such a limitation does not appear in the claims, which require only that bids are

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made "on" loan applications, not "on and in response to" loan applications.

The '947 patent, moreover, discloses that lenders can bid on loan

applications in the database without necessarily reviewing or "responding"

to those loan applications. Ex. 1001, 12:66–13:3 ("At a step **248**, the lender

at the lender station **130** selects a loan profile for bid and *optionally requests*

details of that selected loan profile." (emphasis added)). Therefore, we

decline to adopt the claim construction proposed by Patent Owner IMX.

Because the meaning of these limitations is clear from the intrinsic

record, we need not consider IMX's extrinsic evidence (i.e., articles in trade

publications). PO Resp. 4–6 (citing Exs. 2004–2010); *On-Line Techs., Inc.*

v. Bodenseewerk Perkin-Elmer GmbH, 386 F.3d 1133, 1139 (Fed. Cir. 2004)

("Extrinsic evidence, however, cannot be used to alter a claim construction

dictated by a proper analysis of the intrinsic evidence.").

B. Unpatentability of Claims 7, 8, 26, and 27 under 35 U.S.C. § 101

1. Overview

We instituted a covered business method patent review of claims 7, 8,

26, and 27 of the '947 patent under 35 U.S.C. § 101. Dec. to Inst. 18. This

was the sole ground of unpatentability asserted by E-Loan. Pet. 12–14.

2. Patentability Under 35 U.S.C. § 101

The Supreme Court has long held that "[l]aws of nature, natural

phenomena, and abstract ideas are not patentable." *Alice Corp. Pty. Ltd. v.*

CLS Bank Int'l, 134 S. Ct. 2347, 2354 (2014) (quoting *Assoc. for Molecular*

Pathology v. Myriad Genetics, Inc., 133 S. Ct. 2107, 2116 (2013) (internal

quotation marks omitted)). The "abstract ideas" category embodies the

longstanding rule that an idea, by itself, is not patentable. *Alice Corp.*, 134

S. Ct. at 2355 (quoting *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972).

In *Alice Corp.*, the Supreme Court emphasized the importance of the so-called "*Mayo* framework" that provides "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." *Id.* (citing *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1296–1297 (2012)). Under the *Mayo* framework, "[w]e must first determine whether the claims at issue are directed to a patent-ineligible concept." *Id.* Next, "we consider the elements of each claim both individually and 'as an ordered combination' to determine whether the additional elements 'transform the nature of the claim' into a patent-eligible application." *Id.* (citing *Mayo*, 132 S. Ct. at 1297).

3. Claims 7, 8, 26, and 27 Are Directed To An Abstract Idea

E-Loan argues the challenged claims are directed to the abstract idea of managing a loan application process by maintaining loan applications, searching and modifying loan applications, and bidding on loan applications. Pet. 40. E-Loan argues that all limitations of the challenged claims can be and have been performed for years by humans using pen and paper, e.g., by placing a stack of loan applications in a drawer, searching and modifying the applications, sorting loan applications by lenders who bid on applications, and providing notice of bids. *Id.* at 38. E-Loan asserts that the '947 patent describes this conventional loan process performed by hand and describes the invention as automating this process with computers. *Id.* at 41–42.

Regarding claim 1, E-Loan argues that loan processors maintained databases of pending applications for decades, and using a database server for electronic record keeping is a basic function of a computer. Pet. 43. E-Loan also argues that parties to a traditional loan process have been able to

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search and modify applications. *Id.* at 44. E-Loan argues that lenders

managing a conventional loan process can search pending applications and

bid on applications by offering to make the loans, as recited in claim 7. *Id.*

at 40–41, 44. E-Loan argues that conventional loan processes notify a

lender of acceptance of a loan offer, as recited in claim 8, so a loan may be

completed. *Id.* at 44–45.

E-Loan cites the Background of the Invention of the '947 patent as

evidence of these conventional practices. *Id.* at 41–42 (citing Ex. 1001, 1:9–

45). E-Loan cites IMX's statements in related litigation that the invention is

to "eliminate this paper-intensive process through automation." *Id.* at 29. E-

Loan also argues that IMX described the '947 patent during related litigation

as a traditional loan process performed with the aid of computer processing.

Id. at 42 (citing Ex. 1016, 1). E-Loan also asserts that limiting this abstract

concept to computers does not alter the fact that the claims describe the basic

concept of loan processing, which is a fundamental economic, commercial

practice long prevalent in our system of commerce. *Id.* at 42–43.

IMX argues that the challenged claims do not recite a mathematical

algorithm or a fundamental economic or longstanding commercial practice.

PO Resp. 7–8. IMX argues that the known practices, at the time of the '947

patent, did not include searching a database for desired types of loans and

bidding on loan applications, as recited in claim 7. *Id.* at 8. IMX argues that

lenders instead sent rate sheets with current lending rates and programs to

brokers who could bid for a specific loan, and a lender would accept or

decline the offer. *Id.* at 8–9. IMX also argues that an online auction

platform for brokers to solicit lender bids was revolutionary and a reverse

process of rate sheets. *Id.* at 10–11.

E-Loan has established, by a preponderance of evidence, that each of the challenged claims is directed to a fundamental economic or longstanding commercial practice of loan processing. The '947 patent describes the conventional loan processes as involving large amounts of information that must be collected, compared, evaluated, and disseminated among parties to a transaction so lenders can offer loans at competitive rates. Ex. 1001, 1:9–17. Parties include lenders, borrowers, mortgage brokers, appraisers, regulatory agencies, and mortgage insurance companies. *Id.* at 1:17–21. Conventional processes required parties to collect nearly all loan application information by hand, transmit it on paper applications, and compare loan information by hand, according to each party's role of loan evaluation, property appraisal, financial market evaluation, and setting lending rates with rate sheets. *Id.* at 1:22–27. Thus, parties to a conventional loan transaction monitor loan status and search and modify information in loan applications and loan processes.

Claim 1 automates this known method and system of processing loan applications by maintaining a database of pending loan applications and their statuses at a database server where each party to a loan can search and modify that database consistent with their role in the transaction by requests to the server from client devices. Claim 19 recites a system for processing loan applications with a database of pending loan applications including status information and a transaction server for responding to requests of parties to the loan applications to search and modify the database consistent with their roles in the transaction. Whereas conventional loan processing required human beings to collect, compare, evaluate, and disseminate loan applications and loan information by hand, claims 1 and 19 recite the use of a database and transaction server to maintain loan applications so parties can

search and modify the loan applications using those computer components instead of using pen and paper to perform these processes.

The Specification further discloses that conventional loan application processing involved lenders setting lending programs and rates and then periodically posting rate sheets to multiple brokers to inform the brokers of those lending programs and lending rates. Ex. 1001, 1:35–43. Mortgage brokers who wanted to obtain a loan for a borrower could interview a client, consult rate sheets that were received from multiple lenders to determine lending programs that would be appropriate for that client, submit multiple loan applications (possibly on multiple different forms) to selected lenders, and await lenders' actions on those applications before advising that client of loans that may be available. *See id.* at 1:28–35. Lenders could search and evaluate loan applications that they received for creditworthiness and other desired matters before offering a loan, i.e., bidding. *See id.* at 1:43–46.

Thus, in the conventional loan process, lenders advertise loan rates (*id.* at 1:10–15) by sending rate sheets with lending programs and rates to brokers (*id.* at 1:35–43). Brokers can apply for loans with multiple lenders by submitting loan applications to selected lenders and await each lender's action on the applications before advising a client of lenders' actions (*id.* at 1:28–35), i.e., whether any lenders offered of a loan. *Id.* Lenders evaluate loan applications for desired creditworthiness. *See id.* at 1:43–46. Clients can accept any loan offers that are made by lenders.

Claims 7 and 8 implement this known method on general purpose computers with a lender station that allows lenders to search a database of loan applications for desired types of loans, bid on selected applications, and receive notices of bid acceptances. Claims 19, 26, and 27 recite generic

computer components that perform the abstract methods of claims 1, 7, and 8 using conventional computer functions. Pet. 45–47. For example, claim 1 recites that each party to a loan can search and modify a database of pending loan applications consistent with their role in the transaction by requests to a database server. Claim 19 recites a transaction server that responds to requests from parties to search and modify the database. *Id.* at 45–46. Claims 7 and 26 recite a lender station used for searching the database.

The Specification itself discloses the invention as an advantageous method and system for automating loan applications. Ex. 1001, 1:66–67. The Specification discloses that "known" loan transactions require extensive collecting, disseminating, and processing of loan applications and large amounts of related information by hand and human beings, and this process is relatively expensive and limits parties' flexibility in a transaction. *See id.* at 1:10–65. The '947 patent discloses that some forms of automation are known, but "there are no known systems in the field of mortgage lending for providing relatively automatic and widespread dissemination of loan application information or lending program information for automated comparison in real time." *Id.* at 1:49–55. The '947 patent also discloses that the conventional performance of these operations by hand, rather than with the aid of computer processing, limits the flexibility of the parties to the transaction. *Id.* at 1:55–58. The '947 patent automates this conventional loan process to save time and expenses. *Id.* at 1:47–2:4.

In related district court litigation, IMX asserted that the '947 patent automated the paper-intensive, inefficient, conventional manual process.

> IMX sought to eliminate this paper-intensive, inefficient process through *automation*. As a result, its innovative and commercially successful solution revolutionized the manner in

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which the loan process is conducted today. This solution made possible the relatively automatic and widespread dissemination of loan application information, or lending program information, for automated comparison in real time.

Ex. 1016, 1 (emphasis added).

In *Alice*, a method of exchanging financial obligations between parties using a third-party intermediary to mitigate settlement risk and to permit transactions when the parties have sufficient resources was held to be a fundamental economic practice. *Alice*, 134 S. Ct. at 2356. Similarly, here the challenged claims effectively recite an intermediary database of loan applications that parties can search, update, and bid on using a lender station.

The Federal Circuit recently held that the use of generic computer functions to automate a price optimization process was a fundamental economic practice and abstract idea. *See OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015) (the claims recite the automation of a fundamental economic concept of offer-based price optimization using generic computer functions, and the prosecution history and specification emphasize the key feature as automating traditional methods to make them more efficient). Similarly, here the '947 patent automates conventional loan processes so borrowers can obtain more competitive loan rates and lenders can select more lending categories. Ex. 1001, 1:9–15, 1:47–67. Claims to the collection, manipulation, and processing of data for commercial and financial services and transactions using clearinghouses and other means to exchange the information and form legal obligations are abstract ideas. *See Mortgage Grader, Inc. v. First Choice Loan Svcs. Inc.*, No. 2015-1415, 2016 WL 362415, at *7 (Fed. Cir. Jan. 20, 2016) (the claims were directed to the abstract idea of anonymous loan shopping as they recited nothing more than

collecting loan information to generate credit grading and loan pricing information); *Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat'l Ass'n.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (claims were directed to an abstract idea of collecting data, recognizing certain data within the collected data set, and storing recognized data in memory); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1343–44 (Fed. Cir. 2013) (system and method claims recited minor differences in terminology and required performance of the same basic process – the abstract idea of handling insurance-related information by generating tasks based on rules to be completed on occurrence of an event); *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012) (claims to processing loan information through a clearinghouse were drawn to an abstract idea); *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1371–72 (Fed. Cir. 2011) (where all method steps could be performed in the human mind or using pen and paper, the claims were directed to a mental process, which is a subcategory of abstract ideas, and a fundamental principle); *Fort Properties, Inc. v. Am. Master Lease LLC*, 671 F.3d 1317, 1323 (Fed. Cir. 2012) (claims to methods of creating a real estate investment tool for tax-free exchanges of property was an abstract concept even though the claims related to the physical world through deeds, contracts, and real property). The challenged claims of the '947 patent recite methods and systems for processing loan applications that fall squarely within the realm of an abstract idea.

 4. Claims 7, 8, 26, and 27 Do No Recite a Patent-Eligible Application
 Having determined that the challenged claims are directed to the abstract idea of loan processing, we next determine whether the challenged claims contain an "inventive concept" sufficient to transform the claimed

abstract idea into a patent-eligible application. *Alice*, 134 S. Ct. at 2357
(citing Mayo, 132 S. Ct. at 1294, 1298). We consider the elements of each
claim individually, and as an ordered combination, to determine if the
additional elements transform each claim into a patent-eligible application.
Id. at 2355 (citing *Mayo*, 132 S. Ct. at 1297, 1298).

E-Loan argues that claim 1 recites the step of maintaining a database
of pending loan applications and their statuses at a database server and such
maintenance of a database using a database server amounts to no more than
electronic record keeping. Pet. 48–49. E-Loan argues that claim 1 recites
nothing more than using a computer to search and modify a database, which
are conventional functions of a computer. *Id.* at 49. E-Loan argues that the
lender station of claim 7 is a generic computer that performs conventional
functions of searching a database and bidding. *Id.* at 50. E-Loan argues that
claim 8 recites a wholly generic computer notifying a lender when a bid is
accepted and such automatic notification is purely conventional. *Id*.

E-Loan argues that claim 19 simply links the method of claim 1 to a
particular technology environment of computer implementation. *Id.* at 51.
E-Loan asserts that claim 19 recites a database of pending loan applications
with status information of the loan applications. *Id.* E-Loan also argues that
claim 1 recites that each party to the loan can search and modify a database
of pending loan applications, and claim 19 recites a transaction server that
does so in response to requests from parties. *Id.* at 51–52.

E-Loan argues that claim 19 recites generic computers that implement
the abstract idea of claim 1. *Id.* at 52. E-Loan argues that claim 26 recites
generic computer components that perform the abstract idea of claim 7, and
that claim 27 fails for the same reasons as claim 8. *Id.* at 52–53.

IMX argues that the challenged claims do not preempt the concept of managing a loan process, and the Petition does not allege that "search[ing] the database for *particular desired types of loans*" is a purely conventional function. PO Resp. 12–13. IMX argues that claim 7 does not preempt the concept of managing a loan process because it requires lenders to search a database for desired types of loans and bid on applications. *Id.* at 13.

IMX's arguments are not persuasive. The mere existence of a non-preempted use of an abstract idea does not prove that a claim recites patent-eligible subject matter. *Vehicle Intelligence and Safety LLC v. Mercedes-Benz USA, LLC*, No. 2015-1411, 2015 WL 9461707, at *3 (Fed. Cir. Dec. 28, 2015) (non-precedential) (otherwise a patentee could avoid a § 101 challenge simply by citing a single prior art reference in the specification and stating that its invention improves on that reference); Pet. Reply 18–19 (citing *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015)).

Second, searching a database of pending loans and bidding on loan applications as recited in claim 7 is conventional. Pet. 50. In conventional loan processes, lenders sent rate sheets to brokers to solicit applications for desired loans. Ex. 1001, 1:28–46. Conventional loan processes involved collecting, comparing, evaluating, and disseminating information to include lenders evaluating creditworthiness of borrowers and property. *Id.* at 1:9–21, 1:43–46. Thus, lenders could search for and through loan applications and bid on those applications that met their desired criteria.

Claiming a database server of pending loan applications that parties can search and modify, a transaction server, and a lender station does not transform this abstract idea into patent-eligible subject matter. The claimed

computers merely automate conventional loan processes performed by hand using pen and paper forms, as discussed above. *Id.* at 1:10–65.

The '947 patent also discloses lender stations 130 and broker stations 120 as "a general purpose processor operating under control of operating system and application software." *Id.* at 6:5–8, 7:5–8. They comprise "a PC workstation such as in Intel Pentium processor operating under control of the Microsoft Windows 95 operating system" with a keyboard, mouse, monitor, printer, and lender or broker software that interacts with transaction server 110 and network 140. *Id.* at 6:9–19, 7:9–20.

Transaction server 110 also is a general purpose processor operating under control of an operating system and application software, and can comprise a Unix server, such as a Sun UltraSparc processor, operating under control of the Solaris operating system. *Id.* at 3:18–27. Trading system database 111 is a relational database such as an Oracle or a Sybase database, an object-oriented database, or other database. *Id.* at 3:28–45. The "mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention." *Alice Corp.*, 134 S. Ct. at 2358. "[I]f a patent's recitation of a computer amounts to a mere instruction to 'implemen[t]' an abstract idea 'on . . . a computer,' that addition cannot impart patent eligibility." *Id.* (quoting *Mayo*, 132 S. Ct. at 1301). "[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]." *Id.* (quoting *Mayo*, 132 S. Ct. at 1297). The "use of a computer to create electronic records, track multiple transactions, and issue simultaneous instructions" is not an inventive concept. *Id.* at 2359.

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The challenged claims recite the use of these computers to create electronic records (loan applications in database server), track transactions (search and modify database to include status information in database), and issue instructions (search for desired loans, bid on loan applications, notify when bid is accepted via lender station). Thus, the challenged claims use general purpose computers to perform conventional computer functions. *See Alice*, 134 S. Ct. at 2359 (the functions performed by the computer at each step of the process is purely conventional). The method claims recite the abstract idea implemented on generic computers; the system claims recite generic computer components that implement the same idea. *Id.* at 2360.

The challenged claims recite computers and databases that perform basic functions such as conveying information over a network, performing repetitive "calculations" by comparing lender search criteria to pending loan applications, and allowing lenders to submit bids. These computer functions do not transform the abstract idea into patent-eligible subject matter. *See Bancorp Servs., L.L.C. v. Sun Life Assur. Co. of Canada (U.S.)*, 687 F.3d 1266, 1278 (Fed. Cir. 2012); *see also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1355 (Fed. Cir. 2014) (claims to computers add no inventive concept where computer functionality is generic and limited to transmitting an offer of guarantee in response to a request for a guarantee where the particular online transaction environment is insufficient to save a claim); *Accenture Global Servs.*, 728 F.3d at 1344–45 (implementing an abstract concept on a computer within a particular industry without meaningful limitations to that concept does not transform a patent-ineligible claim into a patent-eligible one, particularly where claims recited a database of tasks, means to allow a client to access those tasks, and asset of rules applied to a

task on a given event on generalized software components even when the specification contained detailed software implementation guidelines). Unlike the factual circumstances in *DDR Holdings*, the claimed system and method of the '947 patent do not overcome a problem unique in the realm of computers or networks. *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014). They use conventional computers to perform conventional functions like searching a database and communicating.

Like the computer-aided method of managing a credit card application in *Dealertrack*, the challenged claims in the '947 patent recite a database that serves as an intermediary / clearinghouse that receives loan applications from remote client devices, allows parties to search and modify the loan information in the database, allows lenders to search the loan application information and submit bids on such applications, and sends notice of bid acceptance to lenders. *Dealertrack*, 674 F.3d at 1333 (the claimed process included the steps of receiving data from a source, selectively forwarding the data, and forwarding reply data to the first source; computers must play a significant part in the method, rather than functioning solely as obvious mechanisms for permitting a solution to be achieved more quickly). The claims do not recite any features of "particular desired types of loans" or a manner in which a lender "can bid on loan applications" that distinguish over known processes. The perceived benefits of the challenged claims appear to result from the automation of conventional processes on generic computers. *See* Ex. 1001, 1:10–65; Ex. 1016, 1.

Third, IMX's arguments that the challenged claims reverse the rate sheet technique of conventional loans by allowing brokers to solicit lenders to bid for borrowers' mortgages (PO Resp. 9–11, 13) is not persuasive. In

conventional processes, lenders bid on loan applications they received from brokers. The challenged claims recite lenders bidding on loan applications.[2] Even so, merely combining an abstract idea like a reverse auction with conventional loan processing does not create an inventive step by itself. *See Bilski v. Kappos*, 130 S. Ct. 3218, 3231 (2010) (limiting the fundamental economic practice of hedging to the energy and commodities market did not make that concept patentable).

Taking the features of each of the challenged claims individually, we determine that these features recite conventional loan application processes, implemented on general purposes computers, as discussed above. Taking these features as an ordered combination, we determine that they recite conventional loan application processes that were previously performed by hand, and automate those processes on general purpose computers. Claims 1 and 19 involve data gathering and processing, conventional processes that were done by hand. A database server adds little of practical significance to the abstract idea. *CyberSource*, 654 F.3d at 1370 (mere data-gathering steps cannot make an otherwise non-statutory claim statutory). Updating status information and searching a transaction server are basic computer functions.

Claim 19's responsiveness in "real time" adds nothing significant. It is an attempt to capture the general nature of computer processing. The '947 patent discloses "real-time" processing involving receipt of "real time quotes

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[2] Dependent claim 3 recites "said database can be modified by entering bids on a loan application from *one* of a plurality of potential lenders." Claim 22 depends from claim 19 and recites "said transaction server responds to a new bid from *one* of a plurality of potential lenders." The challenged claims do not require multiple lenders to bid on a pending loan application.

for 10 year Treasury notes, 30 year Treasury bonds, DJIA (Dow Jones Industrial Average), and NSDQ (National Securities Dealers Quotes)." *Id.* at 4:46–50. Other market information can be viewed as real time market data. *Id.* at 9:67–67, 11:56–58. Trading system database 111 includes loan profile data, computed data from loan profiles, and data needed to support "real-time trading" (*id.* at 5:56–60), but claim 19 recites only that transaction server responds in real time to requests to search and modify the database. The challenged claims do not recite any "real-time trading" at the database.

The challenged claims implement the abstract idea of loan processing with routine, conventional activities and general purpose computers, which does not transform the abstract idea into a patent-eligible subject matter. *Alice*, 132 S. Ct. at 1298. Even if some steps or features were not employed in the art, which we do not believe to be the case, those few steps or features, by themselves, would not confer patent eligibility on the challenged claims. *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014); *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2117 (2013) ("[g]roundbreaking, innovative, or even brilliant discovery does not by itself satisfy the § 101 inquiry"); *Ariosa*, 788 F.3d at 1379–80.

IMX's evidence that its commercial auction platform was viewed as revolutionary (PO Resp. 10–12 (discussing Exhibits 2004–2006 and 2008–2010)) does not persuade us that the challenged claims recite an inventive concept sufficient to transform the abstract idea into a patent-eligible application. As discussed above, conventional processes allowed brokers to solicit bids from multiple lenders. *See* Ex. 1001, 1:22–45. The challenged claims do not recite a method or system where brokers solicit bids from multiple lenders. Rather, "said lender" at a lender station "can search" a

database of loan applications and bids on loan applications in claim 7. "Said lender station" 'is capable of submitting bids on loan applications" in claim 26. This practice is indistinguishable from conventional practices of lenders receiving loan applications from a broker, evaluating the applications, and responding to brokers with an offer of a loan or not so brokers can solicit multiple offers of a loan from more than one lender. *See id.* at 1:10–46.

IMX's argument that the IMX exchange was a revolutionary, Internet-based business-to-business network for mortgage brokers and lenders (PO Resp. 10–11) does not establish an inventive concept, because the claims do not recite such an Internet-based method or system. Moreover, claiming the use of the Internet to implement a fundamental economic or longstanding commercial practice does not add an inventive concept. *Mayo*, 132 S. Ct. at 1297 (implementing an abstract idea on the Internet is not sufficient to provide any "practical assurance that the process is more than a drafting effort designed to monopolize the [abstract idea] itself."); *Ultramercial*, 772 F.3d at 716 ("The claims' invocation of the Internet also adds no inventive concept. As we have held, the use of the Internet is not sufficient to save otherwise abstract claims from ineligibility under § 101."); *CyberSource*, 654 F.3d at 1370 (verifying credit card transaction on the Internet does not meaningfully add to the abstract idea of verifying a transaction).

The articles describe IMX as automating loan processing on the Internet to make the process more efficient. Ex. 2004, 7 (the Steve Fraser Visionary Award, named for an inventor of the '947 patent, is a "tribute to a man who enthusiastically embraced the Internet and championed the potential to infuse e-commerce in mortgage lending at a time when the industry largely eschewed such exotic concepts."); Ex. 2008, 1 (describing

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IMX as "taking the Internet and using it to create a more efficient market for mortgages" and "It's just changing the process a little bit."); Ex. 2009, 2 (mortgage brokers save paper with IMX by keying information once and not accepting faxed rate sheets); Ex. 2006, 1 (mortgage brokers wait for lender rate sheets each day and "IMX eliminates this paper chase by moving the entire process into an anonymous electronic trading environment").

Initially, IMX implemented its automated loan process on the IBM Global Network, which is a private network. Ex. 2006, 2. Thus, the loan information was not publicly accessible via the Internet. Ex. 1001, 9:12–21 (the network 140 can be an IBM Advantis network, the internet, intranet, dial-up telephone lines, or lease communication lines). The '947 patent also discloses that "selected lenders are allowed to access selected categories of loan profiles depending on the nature of their membership or privileges granted to them when signing up for using the system **100**." *Id.* at 11:16–19. Loan information was accessible only to lenders with access to the network.

Thus, we are persuaded, by a preponderance of the evidence, that the challenged claims do not recite an inventive concept and therefore the claims are drawn to a patent ineligible abstract idea.

C. *35 U.S.C. § 101 as a Ground of Unpatentability*
For Covered Business Method Patent Reviews

IMX argues that §101 is not a ground of unpatentability that can be asserted in a covered business method patent review. PO Resp. 17. This argument is not persuasive in view of *Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1330 (Fed. Cir. 2015), which held that covered business method patent reviews may consider challenges under § 101, as IMX acknowledges (*id.* n.1). The Federal Circuit held that § 101

has long been recognized as a basis for patentability and validity challenges to United States patents. *Versata*, 793 F.3d at 1330. Thus, the PTAB may consider § 101 challenges among the grounds of patentability raised in post-grant reviews under AIA § 18. *Id.* at 1329–30.

IV. ORDER

Accordingly, it is hereby:

ORDERED that Petitioner has demonstrated, by a preponderance of evidence, that claims 7, 8, 26, and 27 of U.S. Patent No. 5,995,947 are 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.

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