

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

UPAID SYSTEMS, LTD.,	)	Case No. 1:17-cv-08150
	)	
Plaintiff,	)	Honorable Gary Feinerman
	)	
v.	)	
	)	
CARD CONCEPTS, INC.,	)	
	)	
Defendant.	)	

**DEFENDANT CARD CONCEPTS, INC.’S  
RENEWED RULE 12(c) MOTION FOR JUDGMENT ON THE PLEADINGS**

TABLE OF CONTENTS

	Page
BACKGROUND .....	1
I.    CCI’s Accused Systems .....	1
II.   Procedural History .....	2
III.  The ’947 Patent .....	3
LEGAL STANDARD.....	5
ARGUMENT.....	6
I.    The Asserted Claims of the ’947 Patent are Invalid Under 35 U.S.C. § 101.....	6
A.    The Asserted Patent Has Never Been Tested Under § 101. ....	7
B.    Asserted Claim 1 is Representative of Claims 2-37, and Asserted Claim 38 is Representative of Claims 39-55 .....	8
C.    The Representative Claims Fail Step 1 of <i>Alice</i> : They Claim Abstract Ideas.....	9
D.    The Representative Claims Fail Step 2 of <i>Alice</i> : They Include No Inventive Concept .....	11
CONCLUSION.....	15

**TABLE OF AUTHORITIES**

	<b>Page</b>
<b>CASES</b>	
<i>Accenture Glob. Servs., GmbH v. Guidewire Software, Inc.</i> , 728 F.3d 1336 (Fed. Cir. 2013).....	8
<i>Alice Corp. Pty. Ltd. v. CLS Bank Int’l</i> , 134 S. Ct. 2347 (2014).....	passim
<i>Ashcroft v. Iqbal</i> , 556 U.S. 662 (2009).....	5
<i>Automated Tracking Sols., LLC v. Coca-Cola Co.</i> , No. 2017-1494, 2018 WL 935455 (Fed. Cir. Feb. 16, 2018).....	8
<i>Bell Atl. Corp. v. Twombly</i> , 550 U.S. 544 (2007).....	5
<i>Brownmark Films, LLC v. Comedy Partners</i> , 682 F.3d 687 (7th Cir. 2012).....	5
<i>buySAFE, Inc. v. Google, Inc.</i> , 765 F.3d 1350 (Fed. Cir. 2014).....	10, 12
<i>Cleveland Clinic Found. v. True Health Diagnostics LLC</i> , 859 F.3d 1352 (Fed. Cir. 2017).....	6
<i>Content Extraction &amp; Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n</i> , 776 F.3d 1343 (Fed. Cir. 2014).....	8
<i>Diamond v. Chakrabarty</i> , 447 U.S. 303 (1980).....	6
<i>Diamond v. Diehr</i> , 450 U.S. 175 (1981).....	8
<i>Intellectual Ventures I LLC v. Symantec Corp.</i> , 838 F.3d 1307 (Fed. Cir. 2016).....	8, 9
<i>Joao Control &amp; Monitoring Sys., LLC v. Telular Corp.</i> , 173 F. Supp. 3d 717 (N.D. Ill. 2016).....	6, 7, 10
<i>Maxon, LLC v. Funai Corp., Inc.</i> , No. 2017-2139, 2018 WL 1719101 (Fed. Cir. Apr. 9, 2018).....	12

**TABLE OF AUTHORITIES**  
(continued)

	<b>Page</b>
<i>Mayo Collaborative Servs. v. Prometheus Labs., Inc.</i> , 566 U.S. 55 (2012).....	6, 8
<i>Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.</i> , 811 F.3d 1314 (Fed. Cir. 2016).....	12
<i>N. Ind. Gun &amp; Outdoor Shows, Inc. v. City of S. Bend</i> , 163 F.3d 449 (7th Cir. 1998) .....	14
<i>Open Text S.A. v. Box, Inc.</i> , 78 F. Supp. 3d 1043 (N.D. Cal. 2015) .....	12
<i>Planet Bingo, LLC v. VKGS LLC</i> , 576 F. App'x 1005 (Fed. Cir. 2014) .....	8
<i>Smart Systems Innovations, LLC v. Chicago Transit Authority</i> , 873 F.3d 1364 (Fed. Cir. 2017).....	10, 11
<i>U.S. v. Wood</i> , 925 F.2d 1580 (7th Cir. 1991) .....	5
<i>Versata Dev. Grp., Inc. v. SAP Am., Inc.</i> , 793 F.3d 1306 (Fed. Cir. 2015).....	10, 11
<i>Wright v. Associated Ins. Cos.</i> , 29 F.3d 1244 (7th Cir. 1994) .....	5
 <b>STATUTES</b>	
35 U.S.C. § 101 .....	passim
35 U.S.C. §§ 102 and 103 .....	7
 <b>RULES</b>	
Rule 12(b)(6).....	2, 5
Rule 12(c).....	2, 3, 5, 6

Plaintiff Upaid Systems, Ltd. (“Plaintiff”) has asserted 51 claims of U.S. Patent No. 8,976,947 (the “’947 patent”)—a patent relating to telephony systems and “advanced communications services,” such as voicemail and call forwarding—against Defendant Card Concepts, Inc. (“CCI”), a company that designs and sells automated payment systems for the self-service laundromat industry. Despite Plaintiff’s allegations in the complaint that the ’947 patent solved problems in the telephony industry, the patent claims themselves—the measure of Plaintiff’s protectable rights—are directed to nothing more than abstract ideas implemented on generic computer components, namely: *pre-authorizing and charging for a service or transaction* and *replenishing funds in a pre-authorized account*. Plaintiff, itself, reveals the abstractness of its claims by stretching them to read on CCI’s technology, which has nothing to do with the systems described in the patent specification. Viewed under the proper § 101 framework, and in light of Plaintiff’s own admissions in the existing record, the claims fail to capture any “inventive concept.” Accordingly, CCI moves the Court for judgment on the pleadings on the grounds that all asserted claims of the ’947 patent are invalid as directed to patent-ineligible subject matter under 35 U.S.C. § 101.

## **BACKGROUND**

### **I. CCI’s Accused Systems**

CCI is a leading innovator of automated payment systems for the self-service laundromat industry. CCI sells two systems, both of which are accused in this case: LaundryCard and FasCard. CCI further provides a mobile app for use in connection with its FasCard system, which is also accused here. All three technologies are described extensively on CCI’s website at [www.laundrycard.com](http://www.laundrycard.com). The accused systems work much like other pre-paid cards, such as the Ventra card or Metra pass, but CCI’s systems are directed to the laundromat business to help eliminate the need for cash or coins.

## II. Procedural History

Plaintiff initiated this action on November 10, 2017. (ECF 1.) Plaintiff's original complaint included a single count against CCI, asserting theories of direct infringement, inducement, and contributory infringement of claim 1 of the '947 patent. (*Id.* at ¶¶ 10-24.)

On March 5, 2018, CCI filed a Rule 12(c) Motion for Judgment on the Pleadings and Rule 12(b)(6) Motion to Dismiss. (ECF 13.) When Plaintiff filed its opposition to CCI's motion on April 11, 2018, Plaintiff also filed a cross motion for leave to amend its complaint and attached thereto a 35-page proposed amended complaint, thus implicitly admitting the merits of CCI's motion. (ECF 24, 24-1.) The proposed amended complaint asserted dozens of additional claims of the '947 patent. (*Id.*) Plaintiff further submitted sixteen exhibits (comprising thousands of pages) to the proposed amended complaint, including the complete prosecution history files of the asserted patent and all related patents (none of which is asserted here); design documents allegedly describing commercial embodiments of the purported invention; and claim charts setting forth Plaintiff's infringement contentions as to CCI's three accused systems. (ECF Nos. 24-2 to 24-8.)

CCI filed a reply in support of its motion on May 9, 2018. (ECF 28.) There, CCI stated that it did not oppose Plaintiff's motion for leave to amend the complaint and further withdrew without prejudice its Rule 12(b)(6) motion to dismiss. (*Id.* at 2, n.1.) CCI directed its arguments on reply to Plaintiff's proposed amended complaint, arguing that, even considering Plaintiff's amended pleadings, the asserted claims of the '947 patent still failed § 101. (*See id.*)

On May 14, 2018, the Court denied CCI's motion as moot, instructed Plaintiff to file its proposed amended complaint as a separate docket entry, and granted CCI leave to renew its

§ 101 arguments in a motion directed to the First Amended Complaint (“FAC”).<sup>1</sup> (ECF 31.) Plaintiff filed its FAC on May 15, 2018, again attaching the voluminous exhibits described above. (ECF 32, 32-1 to 32-7.) CCI now renews its Rule 12(c) Motion for Judgment on the Pleadings against the FAC.

### **III. The ’947 Patent**

The ’947 patent, which is entitled “Enhanced Communication Platform and Related Communication Method Using the Platform,” relates generally to telephony systems. (ECF 32-1, Ex. A.) According to the patent specification, the purported invention disclosed therein is meant to overcome problems in providing subscriber-requested telephony services, such as “abbreviated dialing,” “call forwarding,” and “network voice mail,” through existing communication switches, even when the switch is not configured to provide such services, and allowing calling card users access to such advanced communication services. (*Id.* at 1:24-2:29; 2:29-3:32.) In particular, the specification recites that:

The preferred embodiments of the present invention overcome the problems associated with existing mechanisms for delivering advanced communication services to customers, with or without use of PIN access cards by providing an easily implemented, cost-effective, “open standards” telephony solution that provides value-added services, such as voice mail, to people and businesses regardless of the sophistication of the switch to which they are connected, at a minimal cost to a local telephone company, service provider, or the subscribing consumer.

(*Id.* at 3:33-42.) Plaintiff further characterizes the benefits of the purported invention in the FAC as follows:

---

<sup>1</sup> Since March 2018, Plaintiff has filed near identical complaints against seven of CCI’s customers in multiple jurisdictions, solely on the basis of their use of CCI’s systems, despite Plaintiff having already filed suit against CCI, the real defendant in interest. Several of these customers operate only one or two laundromats, and thus cannot provide any information regarding the accused systems that Plaintiff will not already receive from CCI here. Moreover, even if Plaintiff prevails here, it can recover its damages only once from CCI, and thus cannot expect duplicate recoveries from CCI’s customers. Accordingly, the only reasonable explanation for the lawsuits against CCI’s customers is that Plaintiff is using litigation to pressure those customers into taking a license, which Plaintiff can then leverage against CCI here. As further evidence of Plaintiff’s bad faith, Plaintiff refused to stipulate to a 30-day extension to answer for one of CCI’s customers, forcing the customer to move for an opposed extension.

- “The ’947 patent enables the operation of advanced communications services regardless of equipment or network hardware limitations.” (ECF 32 at ¶ 68.)
- “The invention(s) disclosed in the ’947 patent enable advanced communication services, which are normally dependent on the carriers’ (e.g., network) equipment and thus restricted by the carriers’ equipment, to operate over the carriers’ equipment which the advanced communication services cannot normally operate.” (*Id.* at ¶ 70.)
- “Another object and advantage of the present invention is it allows connectivity through a plurality of external networks of different types that are external to the enhance [*sic*] platform.” (*Id.* at ¶ 71.)

Although the ’947 patent allegedly solves problems in the telephony industry, here, Plaintiff has asserted it against CCI, which operates in the laundromat space—an application wholly divorced from the patent specification.

All of the asserted independent claims of the ’947 patent recite at least one “platform.” Throughout the FAC, Plaintiff repeatedly credits the “platform” as being its purported invention that enabled the “improvements” described in the ’947 patent, *see, e.g.*:

- “Mr. Joyce [Upaid’s founder] realized the need to improve the above example limitations . . . and the lack of interoperability between these networks, in order to drive innovation. ***Mr. Joyce’s solution was to create an enhanced platform***, external to these carrier networks, that was configured to operate communication services and transactions for these carrier networks. Development of this enhanced platform was carried out at a cost of over 12 million dollars in research and development by Upaid.” (*Id.* at ¶ 13 (emphasis added).)
- “At one time, ***Upaid developed a platform*** for pre-authorizing communication services and transactions, ***which are the invention(s) described in the ’947 patent.***” (*Id.* at ¶ 16 (emphasis added).)
- “[T]he ’947 patent improved the operation of the carriers’ equipment and networks by enabling the advanced communication services to operate on the carrier’s equipment and networks ***via Upaid’s enhanced platform.***” (*Id.* at ¶ 70 (emphasis added).)



Indeed, the title of the patent indicates that it is directed to an “Enhanced Communication *Platform* and Related Communication *Method Using the Platform*.” (ECF 32-1, Ex. A (emphasis added).)

Notwithstanding Plaintiff’s representations, when viewed under the proper framework, the claims of the ’947 patent simply do not capture the supposed innovation disclosed in the specification. Rather, they are directed to nothing more than abstract ideas implemented using generic, conventional computer components.

### LEGAL STANDARD

A motion for judgment on the pleadings under Federal Rule of Civil Procedure 12(c) is subject to the same standards as Rule 12(b)(6) motions. *See U.S. v. Wood*, 925 F.2d 1580, 1581 (7th Cir. 1991). A court may dismiss a complaint under Rule 12(b)(6) for “failure to state a claim upon which relief can be granted.” Fed. R. Civ. P. 12(b)(6). To survive a Rule 12(b)(6) (and thus a Rule 12(c)) motion, “a complaint must contain sufficient factual matter, accepted as true, to ‘state a claim to relief that is plausible on its face.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). “A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Iqbal*, 556 U.S. at 678. In ruling on such motions, a court may consider the complaint, exhibits attached to the complaint, and documents referenced and relied upon in the complaint. *See Wright v. Associated Ins. Cos.*, 29 F.3d 1244, 1248 (7th Cir. 1994); *see also Brownmark Films, LLC v. Comedy Partners*, 682 F.3d 687, 690-91 (7th Cir. 2012). The court must take all well-pleaded facts alleged in the complaint as true and draw all reasonable inferences in favor of the plaintiff, *see Bell*, 550 U.S. at 555, but need not accept “[t]hreadbare recitals of the elements of a cause of action, supported by mere conclusory statements.” *Iqbal*, 556 U.S. at 678.

When challenging patent eligibility under § 101 on a Rule 12(c) motion, the defendant must “point to clear and convincing evidence that the patent covers a patent-ineligible subject matter,” but the clear-and-convincing standard applies to only questions of fact. *Joao Control & Monitoring Sys., LLC v. Telular Corp.*, 173 F. Supp. 3d 717, 724-25 (N.D. Ill. 2016).

## ARGUMENT

### I. The Asserted Claims of the '947 Patent are Invalid Under 35 U.S.C. § 101.

The patent laws do not “embrace[] every discovery.” *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980). Section 101 of the Patent Act sets out the threshold eligibility requirement. *See* 35 U.S.C. § 101. The Supreme Court has long held that § 101 contains three important exceptions that are not eligible for patenting: laws of nature, natural phenomena, and abstract ideas. *See Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 55, 70 (2012) (citing *Diamond v. Diehr*, 450 U.S. 175, 185 (1981)).

Courts employ a two-part test to determine whether claims recite patent-eligible subject matter. *See Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2355 (2014). First, the Court must determine “whether the claims at issue are directed to one of [the three] patent-ineligible concepts,” *i.e.*, a law of nature, natural phenomenon, or abstract idea. *Id.* If so, the Court must determine whether the additional elements of the claims, individually and as an ordered combination, “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 566 U.S. at 78-79). This second step searches for an “inventive concept”—“an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Id.* (quoting *Mayo*, 566 U.S. at 72-73). For the reasons that follow, Plaintiff’s asserted claims fail this test.

Notably, the Federal Circuit has “repeatedly affirmed § 101 rejections at the motion to dismiss stage, before claim construction or significant discovery has commenced.” *Cleveland*

*Clinic Found. v. True Health Diagnostics LLC*, 859 F.3d 1352, 1360 (Fed. Cir. 2017) (collecting cases). “[W]here patent eligibility is dispositive, determining that issue at the outset ‘will have a number of salutary effects,’ such as conserving scarce judicial resources and minimizing unnecessary litigation costs.” *Joao*, 173 F. Supp. 3d at 725 (internal citation omitted).

**A. The Asserted Patent Has Never Been Tested Under § 101.**

As an initial matter, Plaintiff’s suggestion that the ’947 patent survived an *Alice* review during prosecution is misleading. (ECF 32 at ¶ 63 (“Examiner Tran and the USPTO made no rejection of any of the claims of the ’947 patent for subject matter eligibility, and on information and belief did not regard the subject matter of the claims as directed to any abstract idea or ineligible subject matter.”)) In truth, the patent has simply never before been tested head-on under § 101.

The ’947 patent was issued on March 10, 2015, roughly one year after the U.S. Supreme Court decided *Alice*. Nevertheless, the ’947 patent was never challenged under § 101 during prosecution. Nor were any of the related patents, as confirmed by the prosecution histories appended to the proposed FAC, which make no mention of “abstract ideas” under § 101.<sup>2</sup> (*See* ECF Nos. 32-1 to 32-7, Exs. C-H.)

Moreover, Plaintiff’s allegations that the ’947 and related patents survived rejections under 35 U.S.C. §§ 102 and 103 during prosecution are immaterial. (ECF 32 at ¶¶ 35-67). The Supreme Court has clarified that “[t]he novelty of any element or steps in a process, or even of the process itself, is of no relevance in determining whether the subject matter of a claim falls

---

<sup>2</sup>Plaintiff points to the fact that U.S. Patent No. 9,432,377, which depends from the ’947 patent, survived a § 101 rejection. (*See* ECF 32 at ¶¶ 66-67.) Not only is Plaintiff highlighting claims not being challenged by CCI, but even if the ’377 patent claims were relevant at all, the § 101 rejection related to the ’377 patent did not address whether the claims were directed to an *abstract idea*, the critical issue here. Rather, the examiner rejected certain claims of the ’337 patent under a natural-phenomenon rationale, stating: “[T]here exist[ed] within the scope of the claim an embodiment [where] ‘medium/media’ can be a signal or carrier wave,” where such waves “are considered physical phenomena that are not within the statutory categories of 35 USC 101 (i.e., process, machine, manufacture, or composition of matter) . . . .” (9/16/15 *Ex Parte Quayle* Action at 2 (attached hereto as Exhibit 1).)

within the § 101 categories of possibly patentable subject matter.” *Diamond*, 450 U.S. at 188-89; *see also Mayo*, 566 U.S. at 91 (rejecting “Government’s invitation to substitute §§ 102, 103, and 112 inquiries for the better established inquiry under § 101”). Plaintiff’s statements in the FAC regarding the prosecution of these patents thus have no bearing on CCI’s § 101 motion.

**B. Asserted Claim 1 is Representative of Claims 2-37, and Asserted Claim 38 is Representative of Claims 39-55**

When considering § 101 motions, courts routinely employ representative claims to analyze claims of different scope. *See, e.g., Automated Tracking Sols., LLC v. Coca-Cola Co.*, No. 2017-1494, 2018 WL 935455, at \*5 (Fed. Cir. Feb. 16, 2018); *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1316 n.9 (Fed. Cir. 2016) (“Addressing each of the asserted claims is unnecessary when ‘all the claims are substantially similar and linked to the same abstract idea.’” (citation omitted).) Representative claims help the Court streamline its § 101 analysis, especially in cases like this one where there are numerous asserted claims. *See, e.g., Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1348-49 (Fed. Cir. 2014) (finding 242 claims invalid based on analysis of two independent claims). In identifying representative claims for § 101 purposes, the distinction between system and method claims is irrelevant. *See Alice*, 134 S. Ct. at 2360 (“Because petitioner’s system and media claims add nothing of substance to the underlying abstract idea, we hold that they too are patent ineligible under § 101.”); *Planet Bingo, LLC v. VKGS LLC*, 576 F. App’x 1005, 1007 (Fed. Cir. 2014) (“[W]e agree with the district court that there is no meaningful distinction between the method and system claims . . . .”); *Accenture Glob. Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1342 (Fed. Cir. 2013) (affirming that system claims were invalid under § 101 where they “offer[ed] no meaningful limitations beyond the method claims that [were] held patent-ineligible”).

Here, asserted claim 1 of the '947 patent is representative of claims 2-37, and asserted claim 38 is representative of claims 39-55. That is because claims 2-37 and 39-55 “are substantially similar and linked to the same abstract idea” as claims 1 and 37, respectively, as demonstrated in the chart attached hereto in Exhibit 2.<sup>3</sup> *Intellectual Ventures I*, 838 F.3d at 1316 n.9. Indeed, Plaintiff itself tacitly admits that the asserted claims may fairly be treated together by citing overlapping (if not verbatim) evidence of infringement for numerous different claims in its proffered infringement charts. (ECF 32-7, Exs. K, M, N.) Therefore, the Court should treat claims 1 and 38 as representative of all other asserted claims and focus its § 101 analysis on those claims.

**C. The Representative Claims Fail Step 1 of *Alice*: They Claim Abstract Ideas**

Representative claim 1 of the '947 patent is directed to the abstract idea of using conventional computers and networks to perform the generalized steps of *pre-authorizing and charging for a service or transaction*. The steps recited in the claim—“accepting and processing a request from a user,” “verifying that the user is authorized,” and “charging . . . an authorized account associated with the user”—are generic and lack any detail as to how this abstract idea is performed. (ECF 32-1, Ex. A at claim 1.)

Similarly, representative claim 38 is directed to the abstract idea of using conventional computers and networks to perform the generalized steps of *replenishing funds in a pre-authorized account*. The claim recites the following steps: “sending a notification to [a] user” that their “pre-authorized account needs additional funds”; “receiving a response message from the user . . . requesting additional funds”; “authenticating . . . that the user is associated with the pre-authorized account and another account from which the additional funds may be drawn”; and

---

<sup>3</sup> Claims 1 and 38 are reproduced in full in Exhibit 2.

“crediting the pre-authorized account as a consequence of debiting the other account.” (*Id.* at claim 38.)

For both claims 1 and 38, the steps describe “no particular concrete or tangible form or application,” and recite nothing of the complex telephony switches described in the ’947 patent specification or the problems supposedly overcome by the patent. *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1333-34 (Fed. Cir. 2015). Instead, the claims merely tie generic computers and networks to routine processes for pre-authorizing and charging for services or transactions (claim 1) and replenishing funds in pre-authorized accounts (claim 38). The fact that the asserted claims involve physical, tangible components—such as “at least one computer” and “a transceiver”—is of no consequence. *See Joao*, 173 F. Supp. 3d at 728 (“An abstract idea . . . is not patentable merely because it includes physical components or structures.”).

The Federal Circuit has held that claims with similar limitations to representative claims 1 and 38 are impermissibly abstract. In *buySAFE, Inc. v. Google, Inc.*, for example, the patent-in-suit claimed methods for guaranteeing a party’s performance of its online transaction. *See* 765 F.3d 1350, 1351 (Fed. Cir. 2014). The representative claim recited a method in which a computer (1) “**receives a request** for a performance guarantee for an ‘online commercial transaction;” (2) “**processes the request** by underwriting the requesting party in order to provide the transaction guarantee service;” and (3) “**offers, via a ‘computer network,’ a transaction guaranty.**” *Id.* (emphasis added). The Federal Circuit held the claims were “squarely” directed to the abstract idea of creating a “transaction performance guaranty,” a commercial transaction having “ancient lineage.” *Id.* at 1354-55.

Similarly, in *Smart Systems Innovations, LLC v. Chicago Transit Authority*, the Federal Circuit affirmed the Northern District of Illinois’s entry of judgment on the pleadings that claims

relating to “a system and method for regulating entry in a transit system using information from a bankcard, such as a credit card or debit card,” were invalid under § 101 as directed to an abstract idea. 873 F.3d 1364, 1368-76 (Fed. Cir. 2017). The claims at issue, which were asserted against the Ventra card system, involved acquiring identification data from a bankcard and either using that data to verify the validity of the bankcard, and denying access to a transit system if the bankcard was invalid (much like the “verifying” step of claim 1 and the “authenticating” step of claim 38 here); or funding a transit ride from one of multiple balances associated with that bankcard (much like the “charging” step of claim 1 and the “crediting” step of claim 38 here). *See id.* at 1372. The court reasoned that the asserted claims were directed to nothing more than “the collection, storage, and recognition of data,” rendering them impermissibly abstract. *Id.*

Here, representative claims 1 and 38 of the ’947 patent describe nothing more than commonplace commercial practices, namely, pre-authorizing and charging for services and transactions (claim 1) and replenishing funds in a pre-authorized account (claim 38). The claims thus impermissibly cover abstract ideas.

**D. The Representative Claims Fail Step 2 of Alice: They Include No Inventive Concept**

Under *Alice*, once a court decides that a claim is directed to an abstract idea, it must “determine whether [the claim] contains an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 566 U.S. at 72, 79). Well-understood, routine, conventional activities or technology—including general-purpose computers, networks, and transceivers—do not provide an inventive concept. *See id.* at 2357-59. “Thus, if a patent’s recitation of a computer amounts to a mere instruction to implement an abstract idea on a computer, that addition cannot impart patent eligibility.” *Id.* at 2358 (internal alterations and citations omitted). The claims must be directed

to more than performing generic, conventional functions by a general purpose computer; they should “purport to improve the functioning of the computer itself.” *Id.* at 2359-60; *see also buySAFE*, 765 F.3d at 1355 (concluding that “[t]he claims’ invocation of computers adds no inventive concept” where the “computer functionality is generic”).

Here, the elements recited in representative claims 1 and 38 fail to add any inventive concept or meaningful limitation to transform the abstract ideas into patent-eligible subject matter. Each claim recites only generic computer elements, such as “computer,” “network(s),” and “transceiver”—all of which the Federal Circuit has held to be insufficient to supply an “inventive concept.” *See Maxon, LLC v. Funai Corp., Inc.*, No. 2017-2139, 2018 WL 1719101, at \*2 (Fed. Cir. Apr. 9, 2018) (holding that district court correctly found that “transceiver” was a generic computer element); *Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1324-25 (Fed. Cir. 2016) (ruling that generic computer components such as “network” did not satisfy the inventive concept requirement); *buySAFE*, 765 F.3d at 1355 (“That a computer receives and sends the information over a network—with no further specification—is not even arguably inventive.”).

Indeed, even the ’947 patent specification makes clear that the recited computer elements are entirely ordinary and conventional, stating: “A preferred embodiment of the invention is ***readily implemented on a network by presently available communication apparatuses and electronic components.***” (ECF 32-1, Ex. A at 7:45-47 (emphasis added)); *see also Open Text S.A. v. Box, Inc.*, 78 F. Supp. 3d 1043, 1048 (N.D. Cal. 2015) (finding no inventive concept where “it is apparent from the patent itself that the[] implementation-specific elements were known prior to the invention”).



To the extent Plaintiff argues that the “platform” recited in claims 1 and 38 provides an inventive concept, that argument is belied by the materials already in the record. In particular, the ’947 patent specification repeatedly describes the claimed platform as nothing more than a generic computer executing software:

- **“The platform and method (hereinafter collectively referred to as the ‘system’) of the present invention** meet such a need by interfacing with older ‘legacy’ switches, whether analog or digital, and by **operating on industry-standard computer platforms** that satisfy telephone companies’ functional and technical requirements.” (ECF 32-1, Ex. A at 2:22-28 (emphasis added));
- “NetManager™ 104 can run on **industry standard PC platforms** with telco grade working specifications, such as an ISA/PCI/CPCI based CTI server running a Windows NT 4.0 server supporting DNA.” (*Id.* at 13:46-51 (emphasis added));
- “The Switch Manager™ subsystem, which again is the telephony system for providing the out-dialing, call conferencing, and voice mail services of the CallManager™, **operates on a Windows NT platform or a Unix platform, and non-proprietary hardware (such as Intel-microprocessor based servers) with any number of common CTI cards 25 (for example, offered by Dialogic Corporation).**” (*Id.* at 16:23-29 (emphasis added)).

The prosecution history of U.S. Patent No. 7,308,087 (the parent of the asserted patent), which Plaintiff appended to the FAC, further supports that the claimed “platform” is nothing more than a generic computer running software:

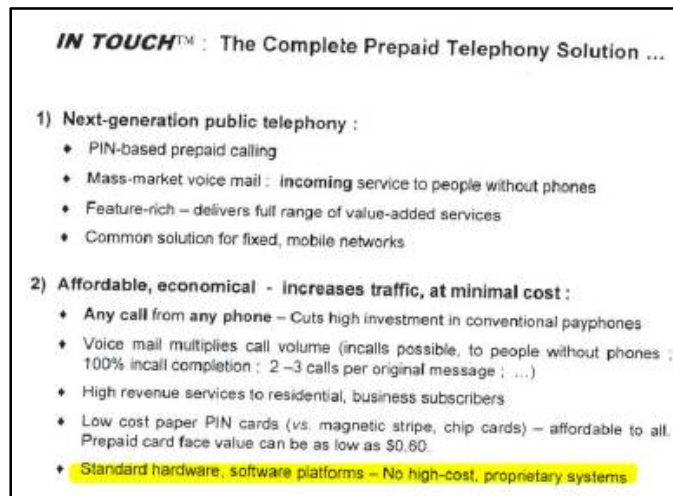
#### **The Application**

The application is directed to a telephony platform 100 (Fig. 1) which is connected to, but separate from telephone companies 13. As illustrated in Fig. 1, **telephony platform 100 includes server 17 running Net Manager™ subsystem 104 and server 23 running "Call Manager™ subsystem 102.** As represented by "server 17/23" in Fig. 2, the telephony platform is also

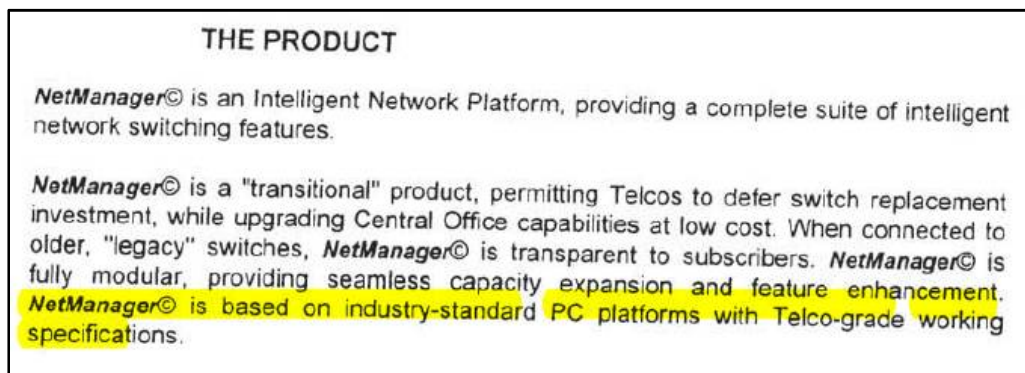
(ECF 32-4, Ex. F at 370 (highlighting added).)

Plaintiff also attached design documents to the FAC purportedly describing commercial embodiments of the claimed system. (ECF 32 at ¶ 16 (“At one time, Upaid developed a platform for pre-authorizing communication services and transactions, which are the invention(s)

described in the '947 patent. The products were the IN TOUCH Mass-Market Prepaid Calling System, Net Manager and Call Manager, copies of the design documents are attached hereto as Exhibit B.”.) Those documents, which are now part of the record for purposes of ruling on CCI’s motion, *see N. Ind. Gun & Outdoor Shows, Inc. v. City of S. Bend*, 163 F.3d 449, 452-53 (7th Cir. 1998), include the following descriptions of the claimed system, which confirm that it (and the “platform” in particular) employs generic computer components:



(ECF 32-1, Ex. B at 55 (highlighting added; reads: “Standard hardware, software platforms – No high-cost, proprietary systems”).)



(*Id.* at 62, 533, 728 (highlighting added).)

♦ **NetManager is powerful and user-friendly.** Industry standard "WINTEL" platforms, intuitive GUI-type screens with familiar user-conventions.

(*Id.* at 710 (note: "WINTEL" refers to PCs using Intel processors running Microsoft Windows).)

The newest standard for PCI-based computers for industrial and TELCO applications is called CompactPCI®. It is electrically equivalent to desktop PCI with a different physical form factor. CompactPCI utilizes the same 3U and 6U Eurocard form factor popularized by the VME bus, but with different connectors.

The CompactPCI® standard has been developed by the PCI Industrial Computer Manufacturers Group, a consortium of over 300 suppliers and users who develop specifications for PCI-based systems and boards for use in industrial and telecom computing applications. The consortium's mission is to extend the PCI standard, as approved by the PCI Special Interest Group (PCI SIG).

NetManager™ is based on the CompactPCI standard hardware to achieve higher reliability and Hot Swapping capability.

(*Id.* at 743 (highlighting added).) These admissions are sufficient to show that the "platform" recited in the asserted claims is nothing but a generic computer component that cannot supply an "inventive concept" under *Alice* step 2.

In light of the governing case law and Plaintiff's clear admissions in the record, there are no unresolved fact issues regarding the existence (or lack thereof) of an "inventive concept," and judgment on the pleadings is proper.

### CONCLUSION

For all these reasons, CCI respectfully requests that this Court grant its motion and thereby hold that all asserted claims of the '947 patent are invalid under 35 U.S.C. § 101.

Dated: May 30, 2018

Respectfully submitted,

/s/ Douglas L. Sawyer  
Douglas L. Sawyer  
Caroline A. Teichner  
PERKINS COIE LLP  
131 South Dearborn Street, Suite 1700

Chicago, Illinois 60603-5559

T: (312) 324-8400

F: (312) 324-9400

[DSawyer@perkinscoie.com](mailto:DSawyer@perkinscoie.com)

[CTeichner@perkinscoie.com](mailto:CTeichner@perkinscoie.com)

*Counsel for Defendant,  
Card Concepts, Inc.*

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that on May 30, 2018, a copy of the foregoing was filed electronically using the Court's CM/ECF system, which will send notification of such filing to all attorneys of record.

/s/ Caroline A. Teichner