

“O”

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

DEALERTRACK, INC.,
Plaintiff,
v.
DAVID L. HUBER; FINANCE
EXPRESS, LLC; JOHN DOE
DEALERS,
Defendants.

CASE NO. CV 06-2335 AG (FMOx)

ORDER GRANTING MOTION FOR
SUMMARY JUDGMENT OF
INVALIDITY OF ‘427 PATENT

Defendants Finance Express, LLC (“Finance Express”) and RouteOne, LLC (“RouteOne”) (collectively, “Defendants”) have filed a Motion for Summary Judgment of Invalidation as to U.S. Patent 7,181,427 (“Motion”). Because the Court finds that the ‘427 Patent is directed to unpatentable subject matter under 35 U.S.C. § 101 and the recent case of *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008), Defendants’ Motion is GRANTED.

BACKGROUND

Plaintiff DealerTrack, Inc. (“DealerTrack”) asserts that Finance Express and RouteOne

1 have infringed three of DealerTrack's patents, including U.S. Patent 7,181,427 (the "'427
2 Patent"). The '427 Patent, which was issued on February 20, 2007, is entitled "Automated
3 Credit Application System." According to the Abstract, the patent is directed to a "computer
4 based credit application processing system [that] provides a graphical user interface, automatic
5 software update downloading, lender to lender routing of credit applications, and integration
6 with in-house finance and insurance systems and third party data entry facilities, among other
7 features." The background section of the patent explains that before the '427 Patent, most
8 processes for obtaining credit and financing of major consumer purchases had been done
9 manually. (Hadley Decl. Ex. 1 at 1:23-25.) With the invention of the '427 Patent, the "entire
10 indirect loan application processing, routing, and funding" is placed in an environment with
11 graphical user interfaces. (*Id.* at 1:48-2:56.)

12 DealerTrack asserts that Defendants have infringed on claims 1, 3, and 4 of the '427
13 Patent. Claim 1, an independent claim, recites a "computer aided method" of managing a credit
14 application, consisting of the following steps:

- 15
- 16 [A] receiving credit application data from a remote application
17 entry and display device;
- 18 [B] selectively forwarding the credit application data to remote
19 funding source terminal devices;
- 20 [C] forwarding funding decision data from at least one of the
21 remote funding source terminal devices to the remote
22 application entry and display device;
- 23 [D] wherein the selectively forwarding the credit application data
24 step further comprises:
- 25 [E] sending at least a portion of a credit application to more than
26 one of said remote funding sources substantially at the same
27 time;
- 28 [F] sending at least a portion of a credit application to more than

1 one of said remote funding sources sequentially until a
2 finding [sic] source returns a positive funding decision;

3 [G] sending . . . a credit application . . . after a predetermined time
4 . . . ; or;

5 [H] sending the credit application from a first remote funding
6 source to a second remote finding [sic] source

7
8 Claim 3 recites the method of Claim 1, with the additional steps of “aggregating data for a dealer
9 having a plurality of dealerships located at different locations” and “providing the dealer with a
10 consolidated report using the aggregated data.” Claim 4 recites the method of Claim 1, with the
11 additional step of “obtaining credit report data from at least one remote credit bureau terminal
12 device.”

13 Defendants now seek summary judgment that the ‘427 Patent is invalid based on a recent
14 Federal Circuit decision.

15
16 **LEGAL STANDARD**

17
18 Claims of an issued United States patent are presumed valid. 35 U.S.C. § 282. “A party
19 seeking to establish that particular claims are invalid must overcome the presumption of validity
20 in 35 U.S.C. § 282 by clear and convincing evidence.” *State Contracting & Eng’g Corp. v.*
21 *Condotte Am., Inc.*, 346 F.3d 1057, 1067 (Fed. Cir. 2003). “Although an exact definition is
22 elusive, ‘clear and convincing evidence’ has been described as evidence that ‘place[s] in the
23 ultimate factfinder an abiding conviction that the truth of its factual contentions are highly
24 probable.’” *Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1359 n.5 (Fed. Cir. 2007) (quoting
25 *Colorado v. New Mexico*, 467 U.S. 310, 316 (1984)). In conducting an invalidity analysis, each
26 claim must be examined individually.

1 **ANALYSIS**

2
3 Defendants argue that the '427 Patent is invalid because it fails to meet the patentability
4 test set forth in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008). The Court agrees.

5
6 **1. APPLICABLE LAW**

7
8 The patent statute provides that “[w]hoever invents or discovers any new and useful
9 process, machine, manufacture, or composition of matter, or any new and useful improvement
10 thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” 35
11 U.S.C. § 101. Whether a claim is patentable under Section 101 is a “threshold inquiry,” and
12 “any claim of an application failing the requirements of § 101 must be rejected even if it meets
13 all of the other legal requirements of patentability.” *Bilski*, 545 F.3d at 950.

14 Courts have used varying standards in determining whether a claimed ‘process’ is
15 patentable under Section 101. In *Bilski*, decided on October 30, 2008, the Federal Circuit
16 clarified the appropriate standard to apply in determining whether a ‘process’ is patentable under
17 Section 101. The court determined that “the proper inquiry under § 101 is . . . whether the claim
18 meets the machine-or-transformation test.” *Bilski*, 545 F.3d at 961. The court also reviewed and
19 rejected other tests, such as the “useful, concrete and tangible result” test and the “technological
20 arts” test, finding the tests “no longer valid” and holding that aspects of earlier decisions relying
21 on those tests “should no longer be relied on.” *Id.* at 960-61.

22 “The machine-or-transformation test is a two-branched inquiry; an applicant may show
23 that a process claim satisfies § 101 either by showing that his claim is tied to a particular
24 machine, or by showing that his claim transforms an article.” *Bilski*, 545 F.3d at 961. The court
25 explained that two considerations were important to analysis under the machine-or-
26 transformation test. First, “the use of a specific machine or transformation of an article must
27 impose meaningful limits on the claim’s scope to impart patent-eligibility.” *Id.* Second, “the
28 involvement of the machine or transformation in the claimed process must not merely be

1 insignificant extra-solution activity.” *Id.* at 962.

2
3 **2. PATENTABILITY OF THE ‘427 PATENT UNDER *BILSKI***

4
5 Because DealerTrack appears to concede that the claims of the ‘427 Patent do not meet
6 the “transformation” prong of the *Bilski* test, the Court applies only the “machine” prong of the
7 test. *See Exigent Tech., Inc. v. Atrana Solutions, Inc.*, 442 F.3d 1301, 1309 (Fed. Cir. 2006)
8 (summary judgment is proper where a patentee “fail[s] to set forth any argument or evidence” in
9 response to an accused infringer’s motion for summary judgment); *USA Petroleum Co. v.*
10 *Atlantic Richfield Co.*, 13 F.3d 1276, 1284 (9th Cir. 1994) (“If a party fails to assert a legal
11 reason why summary judgment should not be granted, that ground is waived . . .”).

12 *Bilski* did not apply the “machine or apparatus” prong of the test, and the Federal Circuit
13 opted to “leave to future cases the elaboration of the precise contours of machine
14 implementation, as well as the answers to particular questions, such as whether or when
15 recitation of a computer suffices to tie a process claim to a particular machine.” *Bilski*, 545 F.3d
16 at 962. The court declined to adopt a “broad exclusion over software or any other such category
17 of subject matter beyond the exclusion of claims drawn to fundamental principles set forth by the
18 Supreme Court.” *Id.* at 960 n.23. Cases decided before *Bilski* have rejected the broad argument
19 that “a programmed general purpose computer could never be viewed as patentable subject
20 matter under [Section] 101,” as “a general purpose computer in effect becomes a special purpose
21 computer once it is programmed to perform particular functions pursuant to instructions from
22 program software.” *In re Alappat*, 33 F.3d 1526, 1545 (Fed. Cir. 1994). In rejecting a claimed
23 method for programming a general purpose computer to convert binary-coded decimal numerals
24 into pure binary numerals, the Supreme Court noted that its holding did not preclude “a patent
25 for any program servicing a computer.” *Gottschalk v. Benson*, 409 U.S. 63, 71 (1972).

26 In the short time since *Bilski* was decided, the Board of Patent Appeals and Interferences
27 (“BPAI”) has rendered several decisions analyzing whether methods claiming the assistance of
28 computers and communications networks are sufficiently tied to particular machines to satisfy

1 the “machine” prong of the *Bilski* test. Several of those decisions hold that claims reciting the
2 use of general purpose processors or computers do not satisfy the test. *See, e.g., Ex parte Gutta*,
3 No. 2008-3000 at 5-6 (BPAI Jan. 15, 2009) (rejecting under Section 101 a claim reciting “a
4 computerized method performed by a data processor”); *Ex Parte Nawathe*, No. 2007-3360, 2009
5 WL 327520, *4 (BPAI Feb. 9, 2009) (rejecting under Section 101 a claim reciting a
6 “computerized method” of inputting and representing XML documents as insufficiently tied to
7 “a particular computer specifically programmed for executing the steps of the claimed method”);
8 *Ex Parte Cornea-Hasegan*, No. 2008-4742 at 9-10 (BPAI Jan. 13, 2009) (rejecting under
9 Section 101 a claimed method for predicting results of mathematical operations, finding that
10 “[t]he recitation of a ‘processor’ performing various functions is nothing more than a general
11 purpose computer that has been programmed in an unspecified manner to implement the
12 functional steps recited in the claims”). More recently, the Northern District of California
13 invalidated a patent claiming a method for detecting fraud in a credit card transaction between a
14 consumer and a merchant over the Internet, finding that the process failed the “machine” prong
15 of *Bilski*. In *Cybersource Corp. v. Retail Decisions, Inc.*, 2009 U.S. Dist. LEXIS 26056, at *20-
16 21 (N.D. Cal. Mar. 26, 2009), Judge Marilyn Patel rejected the plaintiff’s argument that the
17 claim’s recitation of fraud detection “over the Internet” required the use of a particular machine,
18 finding that the Internet instead “is a network of millions of individual machines.”

19 Here, DealerTrack argues that the asserted claims of the ‘427 Patent are tied to a central
20 processor “consisting of a specially programmed computer hardware and database,” a “remote
21 application entry and display device,” and a “remote funding source terminal device.” (Opp’n
22 15:20-21; 16:8-9.) The ‘427 Patent does not specify how the computer hardware and database
23 are “specially programmed” to perform the steps claimed in the patent. In its claim construction
24 order, this Court construed “remote application entry and display device” as “any device, e.g.,
25 personal computer or dumb terminal, remote from the central processor, for application entry
26 and display.” (*See Claim Construction Order at 27.*) The Court further construed “terminal
27 device” as “any device, e.g., personal computer or dumb terminal, located at a logical or physical
28 terminus of the system.” (*See Claim Construction Order at 28.*) The Court finds that none of

1 these devices constitutes a “particular machine” within the meaning of *Bilski*. The ‘427 Patent
2 does not specify precisely how the computer hardware and database are “specially
3 programmed,” and the claimed central processor is nothing more than a general purpose
4 computer that has been programmed in some unspecified manner. Under *Bilski* and the recent
5 decisions interpreting it, the central processor in this case cannot constitute a “particular
6 machine.” Further, this Court’s claim construction order defined both the “remote application
7 entry and data device” and “remote funding source terminal device” to include “any device,”
8 such as a personal computer or dumb terminal, and these devices clearly cannot constitute
9 particular machines.

10 None of the claims of the ‘427 Patent require the use of a “particular machine,” and the
11 patent is thus invalid under *Bilski*.

12
13 **3. CONCLUSION**

14
15 No reasonable fact-finder could conclude that Defendants have failed to prove invalidity
16 by clear and convincing evidence, and Defendants are entitled to summary judgment of
17 invalidity of the ‘427 Patent. See *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986);
18 *State Contracting*, 346 F.3d at 1067.

19
20 **DISPOSITION**

21
22 The Motion of Defendants Finance Express and RouteOne is GRANTED.

23
24 IT IS SO ORDERED.

25 DATED: July 7, 2009

26
27 
28 Andrew J. Guilford
United States District Judge