No. 2015-1245

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

JOAO BOCK TRANSACTION SYSTEMS, LLC

Plaintiff-Appellant,

v.

JACK HENRY & ASSOCIATES, INC.,

Defendant-Appellee.

Appeal From The United States District Court
For The District of Delaware In Case No. 1:12-cv-01138-SLR,
Honorable Sue L. Robinson

JOAO BOCK TRANSACTION SYSTEMS, LLC'S REPLY BRIEF

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May 11, 2015

CERTIFICATE OF INTEREST

Counsel for Plaintiff-Appellant, Joao Bock Transaction Systems, LLC, certifies the following:

1. The full name of every party or amicus represented by me is:

   Joao Bock Transaction Systems, LLC (Plaintiff-Appellant)

2. The name of the real party in interest represented by me is:

   Joao Bock Transaction Systems, LLC (Plaintiff-Appellant)

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party represented by me is: None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the district court or agency or are expected to appear in this Court are:

   - Heninger Garrison Davis, LLC: Steven W. Ritcheson, Joseph J. Gleason, Maureen V. Abbey, Timothy C. Davis, Jacqueline K. Burt, Jonathan R. Miller, M. Blair Clinton, Joseph Gabaeff (no longer with firm)
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DATED: May 11, 2015

Respectfully submitted,
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STATEMENT OF RELATED CASES - SUPPLEMENT

Pursuant to Federal Circuit Rule 47.5, Plaintiff-Appellant provides as follows:

(a) Plaintiff-Appellant is aware of the following cases pending in this Court in which it is asserting U.S. Patent No. 7,096,003 that may be affected by the Court's decision in this case:

- *Online Resources Corp. v. Joao Bock Transaction Systems*, Nos. 15-1566 and 15-1567 (appeal and cross-appeal from 8:13-cv-00231-JFB-TDT (D. Neb.) and 8:13-cv-00245-JFB-TDT (D. Neb.))

(b) Plaintiff-Appellant is aware of the following cases pending in other Appeals Courts in which it is asserting U.S. Patent No. 7,096,003 that may be affected by the Court's decision in this case:

- *Online Resources Corporation; ACI Worldwide, Inc. v. Joao Bock Transaction Systems, LLC*, Case No. 15-1669 (8th Cir.) (appeal from 8:13-cv-00231-JFB-TDT (D. Neb.) and 8:13-cv-00245-JFB-TDT (D. Neb.))

SUMMARY OF ARGUMENT

JHA's § 101 argument ignores the law, ignores the asserted claims, and ignores the facts. First, JHA ignores the law and asks the Court not to apply the *Alice* test. JHA asks the Court to essentially skip Step 1 of the *Alice* analysis and not even identify the abstract idea to which the claims are purportedly directed. JHA then asks the Court to essentially skip Step 2 of the *Alice* analysis by ignoring that the asserted claims do not come close to monopolizing any abstract idea. JHA next

ignores the asserted claims. JHA's argument repeatedly over-generalizes the asserted claims, incorrectly focusing on individually recited components rather than on the claimed apparatuses as a whole. The asserted machine claims are not broad, particularly as they have been construed by the district court. Instead the asserted claims recite specific, narrowly-claimed, novel apparatuses which, when properly considered, easily pass both Step 1 and Step 2 of the *Alice* analysis. Third, JHA ignores the facts. JBTS demonstrated in its Appellant Brief that the apparatuses of the asserted claims improve upon then-existing remote banking technology, giving account holders more control over their accounts, making remote banking more secure, and ultimately reducing fraud. JHA did not dispute any of these facts. JHA also does not dispute that at least the Lawlor reference taught away from the apparatuses of the asserted claims. JHA further does not dispute that the federal government, years after the priority date of the '003 Patent, began recommending techniques first taught in the '003 Patent as best practices for banks operating in on-line environment. These undisputed facts demonstrate that the inventions of the '003 Patent improved upon existing remote banking technology, used unconventional approaches to reduce account and transaction fraud, and were well ahead of their time.

JHA's 103 argument asks this Court to rule on the fact-intensive question of obviousness in the first instance, without the benefit of a ruling from the district

court on the matter. JHA's argument ignores numerous disputed issues of fact and disputed issues of evidence, and ignores JBTS's extensive evidence of secondary considerations of nonobviousness. All of these open factual issues prevent this Court from finding any of the asserted claims obvious as a matter of law for the first time on appeal.

STATEMENT OF FACTS

JHA correctly notes that Mr. Joao is a patent attorney, but omits that he is also an electrical engineer, with a Bachelor's of Science and a Master's of Science in electrical engineering from Columbia University. (*Sleepy Hollow* Tr., 81:19-83:2 – see JA1636-JA1639). Mr. Joao testified at his deposition that he previously "programmed computers that were used on fighter jets" and would have been capable of programming a bank computer to perform the functions recited in his patent. JA1568-JA1569. Mr. Bock's experience as a police sergeant is relevant because this invention deals extensively with preventing the crime of fraud. See JA1181-JA1182. In fact, the inventions of the '003 Patent were conceived after Mr. Bock shared an idea with Mr. Joao about using pagers to prevent credit card fraud. See *Sleepy Hollow* Tr., 97:9-98:6 – JA1640-JA1642.

Contrary to JHA's argument, the inventors did invent the apparatuses of the asserted claims. While the inventors may not have invented all of the specific components, they most certainly arranged these components in a way never before

disclosed in the prior art. Contrary to JHA's arguments, the inventors also came up with "special or unique way[s] of making the claimed devices function." Indeed, JHA acknowledged as much when it conceded that it could not locate a single § 102 anticipation reference.

JHA makes much of the earlier *Sleepy Hollow* case, but that was a different case involving a different patent with different claim scope. The district court found as much when she denied JHA's motion for summary judgment on collateral estoppel. D.I. 124 at 20, fn. 34 – see JA0121. JHA's Appellee Brief repeatedly over-simplifies the asserted claims, ignoring the actual claim language and reciting only "key structures." See, e.g., Appellee Br. at 7. JHA's Appellee Brief also repeatedly ignores or misrepresents the district court's claim constructions. For example, JHA misrepresents the construction of "processing device," reciting only the words of the district court's construction while ignoring the two paragraphs of explanatory text making clear that the "processing device" is made up of certain specific hardware and software of the central processing computer. Compare Appellee Br. at 10-11; JA0114-JA0115.

Concerning its § 103 argument, JHA fails to note numerous disputes of fact that prevent either this Court from ruling in the first instance that the asserted claims are obvious. For example, the parties dispute whether the Fulton device on which it relies was ever sold or offered for sale. JHA also fails to note that JBTS

filed a motion to strike JHA's evidence of obviousness before the trial court because it was presented in the form of unsworn expert reports, which are not competent evidence on summary judgment. JA0561-0565. JBTS also moved to strike JHA's obviousness arguments relying on Mr. Tuohey's testimony given that neither JHA's final invalidity contentions nor JHA's expert reports on invalidity ever cited or relied on Mr. Tuohey's testimony. JA0565-0566. JHA also ignores the parties' dispute over whether the Cash Management documents with a 1997 copyright date relied on by Mr. Kursh represented a system in use more than one year before the August 8, 1996 priority date of the patent-in-suit. JA0562 at fn 2. JHA also ignores the parties' dispute regarding whether a stop-payment order on a check constituted a limitation or restriction as recited in independent claims 30 and 102. JA0562; JA0568-0569. Notably, JHA's own infringement expert Mr. Calman clearly argued that it did not. JA0155-0157. If true, then neither Fulton reference nor the Cash Management reference would disclose all elements of claims 30, 102 or their dependents, even if considered in combination with the Internet Banking Publications. Finally, JHA ignores or misrepresents the extensive evidence of secondary considerations of nonobviousness. For example, the Lawlor reference expressly taught away from using the internet for remote banking. JA0590. The undisputed failure of Mr. Fulton's system represents a failure of others (JA0605-0606), as does JHA's own undisputed failure to provide an internet-based remote

banking system until years after the priority date of the Patent-in-Suit (JA0260-02561). The FFIEC guidelines in 2005 and 2011 demonstrate widespread acceptance and use of the inventions of the asserted claims, a point which JHA does not even dispute. JA0694-0695; JA0671-0684. The evidence of secondary considerations in the form of JBTS's successful licensing program is also undisputed.

ARGUMENT

The district court's judgment of invalidity cannot be correct. The district court did not expressly identify an abstract idea, something that is clearly required in a proper *Alice* analysis. JHA does not seriously defend the district court's failure to identify an abstract idea, and instead proposes to this Court an abstract idea it long ago abandoned and therefore waived. But the asserted claims are not directed to JHA's newly-resurrected abstract idea, and the asserted claims do not come close to monopolizing that abstract idea. The asserted claims thus clearly pass the *Alice* test.

The district court did not consider JHA's motion for summary judgment of obviousness, and this Court should not do so in the first instance on appeal. Far too many fact questions remain which prevent a finding the asserted claims are obvious as a matter of law. This Court should reverse, or at least vacate, the district court's judgment of invalidity and remand for further proceedings.

I. THE ASSERTED CLAIMS ARE DIRECTED TO PATENT ELIGIBLE SUBJECT MATTER

The asserted claims are directed to specific machines that improve upon primitive, prior art remote banking technology and which reduce the account and transaction fraud identified in the specification as a prevalent problem.

A. JHA Asks The Court To Ignore Both Steps Of The *Alice* Test

The district court's decision cannot be correct. It did not identify any abstract idea, as require at Step of the *Alice* analysis. It did not conclude that the asserted claims monopolized any abstract idea, as required by Step 2 of the *Alice* analysis. The district court even expressly found that at least asserted claim 422 was a "specific application" of the unidentified abstract idea. But if this is correct, then claim 422 – and by extension, all of the other asserted claims as well – survive Step 2 of the *Alice* analysis because they at least recite patent-eligible applications of abstract ideas. *Alice Corp. Pty. Ltd. v. CLS Bank Intern.*, 573 U.S. __, 134 S.Ct. 2347, 2354, 189 L.Ed.2d 296 (2014)("Applications of such concepts … to a new and useful end … pose no comparable risk of pre-emption, and therefore remain eligible for the monopoly granted under our patent laws.").

1. Step 1 Requires An Explicit Identification Of The Abstract Idea.

JHA concedes, as it must, that the District Court did not explicitly identify the purported abstract idea to which the asserted claims are directed, and which forms the foundation of the district court's judgment that the asserted claims were

invalid. See Response Brief at 27, fn. 25. JHA suggests that this is permissible, but offers no case law in support of its position. Id. On the contrary, every case cited by either party where claims were found invalid under § 101 has explicitly identified the abstract idea. See, e.g., Appellee Br. at 21-22 (listing cases explicitly identifying abstract idea). Other than the district court decision appealed from, Appellant has been unable to identify a single case in which claims were found invalid under § 101 without an explicit identification of the abstract idea to which the challenged claims were purportedly directed.

The reason for this is obvious – a proper *Alice* analysis requires an explicit identification of the abstract idea. Indeed, identification of the purported abstract idea is the whole point of Step 1. Moreover, Step 2 asks "what else is there in the claims before us" in addition to the previously-identified abstract idea. *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U. S. __, 132 S.Ct. 1289, 1298, 182 L.Ed.2d 321 (2012). Performance of Step 2 is therefore not possible without an express recitation of the abstract idea identified in Step 1. Invalidating claims under § 101 without identifying the abstract idea would be tantamount to invalidating claims under § 103 without identifying the relevant prior art, or invalidating claims under § 112 without identifying the claim terms which are indefinite or lack written description. Here, the failure to identify an abstract idea prevents JBTS from knowing the basis for the district court's

invalidity judgment, has denied JBTS the ability to effectively dispute that validity judgment on appeal, and has deprived this Court of a fully developed record to review on appeal. The district court's failure to properly identify an abstract idea is by itself sufficient reason to at least vacate the district court's judgment and remand for further proceedings.

2. Step 2 Asks Whether The Claims Monopolize The Identified Abstract Idea.

There is a direct relationship between Step 1 and Step 2 of the Supreme Court's *Alice* analysis. Specifically, Step 2 asks whether the claims at issue monopolize the abstract idea identified in Step 1. *Alice*, 134 S. Ct. at 2357 (Step 2 asks whether "the claim is more than a drafting effort designed to monopolize the abstract idea"). This connection requires a finding that the asserted claims preempt the public from practicing the abstract idea identified at Step 1. See *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1341 (Fed. Cir. 2013)("The question to be answered is whether the claims provide substantial limitations so that the patent does not cover all of the abstract idea."); *DDR Holdings v. Hotels.com L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)(claims held patent eligible because they "do not attempt to preempt every application of the [abstract idea].")

Preventing the monopolization of abstract ideas is not only the point of the Supreme Court's § 101 analysis, it is the limiting factor which prevents § 101 from

invalidating every conceivable invention. *Alice*, 134 S. Ct. at 2354 (exceptions to § 101 must be applied cautiously "lest [they] swallow all of patent law.") The Supreme Court has held that "[a]t some level, all inventions embody, use, reflect, rest upon, or apply … abstract ideas." Id. The preemption analysis required at Step 2 of the *Alice* analysis is thus what prevents courts from finding that every invention is somehow patent ineligible. Absent this required preemption analysis, the Wright Brothers' patent number 821,393 entitled "Flying Machine" could be invalid as directed to the "abstract idea" of transportation. Eli Whitney's 1794 patent on the cotton gin could be invalidated as merely a machine-implemented process of removing seeds from cotton, a process previously performed by humans. Focusing on the facts of the present case, if all it took to invalidate a patented invention was pointing out that the invention includes a computer which performs tasks roughly analogous to those previously performed by humans, no computer-implemented invention would ever be patentable. Under JHA's proposed rule it would certainly never be possible to patent any invention involving banks and computers. The prior art patents to Lawlor and even to JHA's own expert Mr. Fulton, for example, disclose computers involved in performing banking transactions and thus, under JHA's proposed rule, would be patent ineligible. This is not, and cannot be, the law. Step 2 of the *Alice* analysis prevents such sweeping results.

Here, JHA conceded before the district court that that the asserted claims do not preempt the public from practicing any abstract idea. (D.I.173 at fn. 12 – see JA0713). JHA effectively makes the same concession on appeal. Incredibly, JHA's Appellee Brief uses the word "preempt" only once, in a footnote in which JHA again does not dispute that the asserted claims do not preempt the public from using any abstract idea. Appellee Br. at 34, fn. 31. JBTS identified dozens of ways banks could implement remote banking technology without infringing the asserted claims, including prior art systems, hypothetical noninfringing systems, and JHA's own systems that are not accused of infringement. Appellant Br. at 45-47. JHA has not even responded to these arguments, once again conceding that the asserted claims do not monopolize any abstract idea. The point of the Supreme Court's *Alice* test is to prevent patentees from monopolizing abstract ideas. See Appellant Br. at 42-44. JHA's repeated concession that the asserted claims do not monopolize any abstract idea is by itself enough to end the § 101 inquiry at Step 2 and reverse the district court's judgment of invalidity.

B. JHA Has Waived The "Abstract Idea" Set Forth In Its Response Brief

In its Response Brief, JHA now proposes one of the at least six "abstract ideas" which it previously offered and then abandoned before the district court. Specifically, JHA now proposes that the abstract idea of the asserted claims is "observing whether a banking transaction (e.g., a check) meets an account rule or

limit and, in some cases, contacting the account owner about it." JHA Resp. Br. at 15. JHA proposed this same abstract idea in its opening summary judgment brief. JA0257-JA0258 (reciting identical abstract idea as set forth in Appellee Brief). Notably, in proposing this abstract idea, JHA was abandoning five previous formulations of the abstract idea it had previously offered through fact and expert discovery. See Appellant Brief at 14-15. More importantly, JHA went on to abandon this argument, too, first in its opposition to JBTS's motion for summary judgment of no invalidity. JA0531 (not arguing previously proposed abstract idea and instead arguing "the asserted claims merely use a general purpose computer to perform the acts performed by a human being for decades"). JHA then abandoned this abstract idea even more clearly in its reply in support of its own motion for summary judgment of invalidity, where it said:

> There is no merit to plaintiff's first complaint, *i.e.*, that Jack Henry has not consistently articulated the "abstract idea" to which the claims are addressed. While the specific words may have evolved, Jack Henry has consistently told plaintiff that its claims are invalid on § 101 grounds in that they claim no more than a general purpose computer (claimed as parts) performing the acts performed by human beings for decades: communications between a bank and a customer to confirm a bank transaction. (Ex. E, Final Invalidity Contentions at page 19-20). No matter how precisely the "idea" is expressed, it boils down to what Jack Henry has said all along."

JA0709. Through these briefs, JHA clearly abandoned, and therefore waived, its previously-advanced argument that the asserted claims were directed to the abstract idea of "observing whether a banking transaction (e.g., a check) meets an

account rule or limit and, in some cases, contacting the account owner about it." Relying on JHA's abandonment, JBTS did not address in its Appellant Brief the "abstract idea" which JHA now attempts to resurrect in its Appellee Brief. Instead, JBTS spent a considerable portion of its Appellant Brief refuting the only argument which remained after the conclusion of JHA's briefing - that the claims were directed to patent ineligible mental processes. Appellant Br. at 26-34.

JHA should not now be permitted to advance an argument it previously abandoned before the district court. Instead, based on the doctrine of waiver, JHA should be prevented from re-asserting its abandoned argument on appeal. "A party's argument should not be a moving target." *Finnigan Corp. v. International Trade Commission*, 180 F.3d 1354, 1363 (Fed. Cir. 1999). Instead, "the argument at trial and appellate level should be consistent, thereby ensuring a clear presentation of the issue to be resolved, an adequate opportunity for response and evidentiary development by the opposing party, and a record reviewable by the appellate court that is properly crystallized around and responsive to the asserted argument." *Id*. JHA's shifting-sands approach to its § 101 argument has thwarted each of these purposes, and its newly-resurrected argument should not be entertained. JHA's inability to consistently and coherently identify the abstract idea to which the asserted claims are purportedly directed is alone sufficient reason to find that JHA has not carried its burden of proof to demonstrate invalidity. This

Court would not allow an appellee to advance a § 103 invalidity argument based on prior art combinations it abandoned before the district court, and it would not permit an appellee to advance on appeal a claim construction it did not propose to the district court. Similarly, the Court should not permit JHA to advance a § 101 argument based on an "abstract idea" it abandoned before the district court. If waiver is properly applied, the district court judgment of invalidity on § 101 should not only be vacated, but reversed.

C. The Asserted Claims Are Patent Eligible Even Considering JHA's Proposed Abstract Idea

Even if JHA is permitted to advance its previously abandoned formulation of the abstract idea, JHA's § 101 argument fails both steps of the *Alice* analysis. JHA's proposed abstract idea narrowly addresses only part of the asserted claims, and focuses only on limited functionality of the claimed apparatus which was admittedly known in the prior art. But the novel apparatuses of the asserted claims require much more, which is presumably why they were allowed over the prior art. Accordingly, JHA's proposed abstract idea fails to accurately characterize any of the asserted claims, the § 101 analysis fails at Step 1 and the inquiry ends.

If the Court reaches Step 2 of the *Alice* analysis under JHA's now-proposed abstract idea, the asserted claims easily pass muster as a patentable application of the proposed abstract idea. JHA concedes, as it must, that none of the asserted claims preempt the public from practicing anywhere near all of its proposed

abstract idea. This alone demonstrates that the asserted claims at least survive Step 2 of the *Alice* analysis. Even the district court concluded that certain asserted claims constitute "specific applications" of the unidentified abstract idea, meaning that the claims are patent eligible at least under Step 2 of the *Alice* analysis.

1. Step 1: The Asserted Claims Are Not Directed to JHA's Proposed Abstract Idea.

In its Appellee Brief, JHA proposes that the asserted claims are directed to the abstract idea of "observing whether a banking transaction (e.g., a check) meets an account rule or limit and, in some cases, contacting the account owner about it." JHA Resp. Br. at 15. This "abstract idea" vastly over-generalizes the asserted apparatus claims and ignores their specific, narrow limitations. JHA's abstract idea misses the point entirely, and is not even limited to remote banking, the specific field of the inventions.

Of course, every asserted claim does recite a "processing device" which "processes information regarding a banking transaction" (claims 30, 414 and their dependents), "processes an authorization request for a transaction" (claim 102 and dependents), or "processes the transaction" (claim 317 and dependents). But this is only one small part of each of the asserted claims. JHA's proposed abstract idea ignores the novel aspects and primary benefits of the claimed inventions, from putting the account holder in charge of their account, to effecting secure communications with account holders, to reducing fraud. As JBTS noted in its

opening brief, in 1996 the banking industry was reticent to embrace Internet and web-based technologies due to the security risks involved. Appellant Br. at 5. The inventions of the ’003 Patent were novel apparatuses “for providing financial transaction authorization, notification and/or security … which overc[a]me[] the shortcomings of the prior art. col. 4:2-7; JA0061.

In terms of hardware, JHA’s proposed abstract idea entirely ignores the “communication device associated with an individual account holder” required of every asserted claim, and which must, according to the district court’s construction, have “a pre-recognized, pre-registered, or linked relationship with an individual account holder.” JA0116-JA0117. JHA’s proposal also entirely ignores the receiver and transmitter of the central processing computer which must be capable of communicating over the Internet. It entirely ignores the “electronic mail message” of claim 34, the “input device and/or data entry device” of claims 317 and 414, the “wireless device” of claims 343 and 416, and the “network computer” of claim 414. In terms of function, JHA’s proposal ignores that the limitation or restriction of claims 30 and 102 must be received, stored and used “automatically.” JHA further ignores that the “limitation or restriction” of claims 30 and 102 is programmed by the account holder, putting the account holder in charge of their account. JHA’s proposal ignores the “processed independently” limitation of claim 317, and the “real time” limitation of claim 414. This is in direct contradiction to

the Supreme Court's requirement in *Alice* that every limitation must be considered, both individually and as an ordered combination. *Alice*, 134 S. Ct. at 2355.

Moreover, JBTS concedes that banks had computers for processing transactions long before the August 8, 1996 priority date of the '003 Patent. This is why the inventors identified the central processing computer as being programmed with widely-available prior art transaction processing software. JBTS does not claim to have invented, and its claims do not purport to cover, computerized bank transaction processing. But an invention does not become patent ineligible simply because it incorporates existing prior art elements or limitations. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1575 (Fed. Cir. 1987)("Virtually all inventions are necessarily combinations of old elements.") Here, the inventions of the asserted claims cover narrow, novel improvements over prior art transaction processing systems, improvements that reduce fraud and improve security when compared to the prior art systems. JHA's proposed abstract idea focuses on only one prior art aspect of the asserted claims, and fails to accurately characterize any of the asserted claims. As such, the claims are not directed to JHA's proposed abstract idea. The *Alice* analysis thus fails at Step 1, ending the inquiry without proceeding to Step 2. On this basis alone, the Court should reverse the district court's judgment of invalidity.

2. Step 2: The Asserted Claims Do Not Monopolize JHA's Proposed Abstract Idea

Even if the asserted claims were directed to JHA's now-proposed "abstract idea," the asserted claims do not prevent the public from "observing whether a banking transaction (e.g., a check) meets an account rule or limit and, in some cases, contacting the account owner about it." Again, JHA long ago conceded this point, and does not contest the numerous ways JBTS has listed that banks can continue to practice this extraordinarily broad abstract idea without infringing the narrow asserted claims of the '003 Patent. Appellant Br. at 45-47. Nor does JHA defend the district court's clearly erroneous conclusion that the asserted claims "tie up any innovation related to performing banking transactions." A-018. It is thus undisputed that the asserted claims do not improperly monopolize any abstract idea. For this reason alone, the asserted claims survive at least Step 2 of the *Alice* analysis, and claim only patent eligible subject matter.

Further, the asserted claims – particularly as they were construed by the district court – do not merely claim generic computers. Appellant Br. at 48-53. JHA's argument to the contrary improperly focuses on individually recited computer components of the asserted claims and ignores the district court's construction of those terms. See, e.g., Appellee Br. at 29 (the claims "recite a generic or general purpose computer as component parts" that "simply do what such parts do: the memory device stores information, the receiver receives it, the

transmitter transmits it over the Internet, and the processing device processes it."). But as construed by the district court, the asserted claims require more than, for example, a "processing device." The claimed processing device is part of a central processing computer and is "not merely the central processing unit (CPU)." JA0114-JA0115. Rather, the claimed processing device consists of both the hardware components (CPU, RAM, ROM, Database) and software of the central processing computer which "utilizes, generates, authorizes, disallows and determines what is done with transactions and information about transactions." *Id*. (citations omitted). Accordingly, the "processing device" of the asserted claims is not merely a generic CPU, but part of a specific bank computer. JHA's argument focuses on the words "processing device," divorced from the remaining claim language, the specification and the district court's claim construction. The "processing device" is merely one example of how JHA's argument misses the mark. Neither the district court nor JHA has argued that any of the other devices of the asserted claims constitute generic computers, and neither has even contended that the claimed apparatuses as a whole constitute merely generic computers. Because the asserted claims do not merely recite generic computers, they pass Step 2 of the *Alice* analysis.

Finally, the asserted claims recite far more than conventional activity. Again, JHA's argument to the contrary focuses exclusively on the transaction processing

functionality of the central processing computer. See, e.g., Appellee Br. at 28. Again, this is only a small part of the asserted claims, and JHA has not responded to the numerous claim limitations identified by JBTS that recite decidedly unconventional technology. Appellant Br. at 54-57. For example, JHA does not dispute that the Lawlor reference taught that apparatuses like those of the asserted claims would never succeed. JHA further does not dispute that the federal government, years after the priority date of the '003 Patent, began recommending as best practices techniques first taught in the '003 Patent. Nor does JHA dispute that its own Internet-based remote banking system took years to develop, or that Mr. Fulton's device represented a contemporaneous failure by others. Because the asserted claims do not merely recite conventional activity, they pass Step 2 of the *Alice* analysis.

II. DISPUTED QUESTIONS OF FACT PREVENT THE COURT FROM FINDING THE ASSERTED CLAIMS OBVIOUS

The district court did not rule on JHA's motion for summary judgment of invalidity for obviousness, and this Court should not do so now. Numerous open questions of fact remain, all of which must be resolved in JBTS's favor at this stage and which together prevent a finding of obviousness as a matter of law. JBTS has also challenged the admissibility of much of the evidence on which JHA relies for its obviousness position, challenges which are entrusted to the sound discretion of the district court and which have not yet been resolved there. There have been

no findings of fact on obviousness for this Court to review. These disputed questions of fact and open questions of evidence prevent the Court from finding any of the asserted claims obvious as a matter of law in the first instance on appeal.

A. JBTS Has Pending Motions To Strike JHA's Obviousness Evidence

JBTS filed a motion to strike much of the evidence on which JHA now relies for its obviousness argument. JA0561-0566. Importantly, JHA did not timely submit *any* admissible evidence in support of its motion for summary judgment, instead submitting only unsworn expert reports which are not competent evidence on a motion for summary judgment. JA0561; JA0297 (unsworn Kursh Report); JA0436 (unsworn Fulton report). These unsworn expert reports did not include any of the underlying materials cited by JHA's experts for their conclusion of obviousness. Incredibly, JHA now relies on appeal on the same unsworn expert reports, and has thus still not submitted competent evidence into the summary judgment record to support its obviousness argument. See, e.g., *Fowle v. Coca C&C Cola*, 868 F.2d 59, 67 (3d Cir. 1989)(noting that unsworn expert reports are not competent evidence on a motion for summary judgment). This failure alone precludes this Court from finding, on the present record, that any of the asserted claims are obvious as a matter of law.

Even considering these unsworn declarations, the summary judgment record (and thus the record on appeal) still does not include much of the evidence on

which JHA relies for its obviousness argument. Mr. Kursh, for example, contends in his expert report that the asserted claims are obvious over a JHA "legacy Cash Management" system combined with five specific "Internet Banking Publications." JA0358-0359. But Mr. Kursh relies exclusively on the unspecified future testimony of certain JHA witnesses for his conclusion that the "legacy Cash Management system" discloses what Mr. Kursh labels as limitations 30(c), 30(i), 30(k), 102(c), 102(j), 122(b) and 414(g) of the asserted claims. JA0365-0372; JA0382-0388; JA0393-0394; JA0407. None of this testimony is in the summary judgment record or in the appellate record. Further, Mr. Kursh relies on certain "legacy Cash Management documentation" for still more limitations of the asserted claims, but the document on which he relies has a copyright date of 1988-1997, indicating that at least portions of the document were not written until after the August 8, 1996 priority date of the asserted claims. JA0367; JA0727. JHA has offered no evidence into either the summary judgment or appellate record to demonstrate that the portions of the document on which it relies represent a system sold or offered for sale more than one year before the priority date of the asserted claims. JHA also argued on summary judgment, and argues again on appeal, that certain testimony from Mr. Sam Tuohey supports their obviousness conclusion. Appellee Br. at 51. JBTS moved to strike this argument as new since neither JHA's final invalidity contentions nor any of its expert's reports on invalidity cited

or relied upon Mr. Tuohey's testimony. JA0565-0566. Both Mr. Fulton and Mr. Kursh cited additional newly-disclosed documents in their unsworn expert reports and subsequent declarations, including the CCITT Recommendation X.25 Orange Book from 1976, the IETF Request for Comment 791 Internet Protocol from 1981, a *Byte.com* article and a reference to previously undisclosed Citrix software. JA0566.

This Court should not attempt to resolve for the first time on appeal the many evidentiary problems with the obviousness argument JHA presented to the district court. Instead, after vacating or reversing the district court's judgment of invalidity under § 101, this Court should remand to the trial court for further proceedings, where JHA's obviousness argument can be properly considered and a complete factual record developed before conducting any appellate review.

B. JHA's Prior Art Combinations Do Not Disclose All Limitations Of The Asserted Claims

JHA argues that "[t]he only limitations in the asserted claims missing from Cash Management and Fulton were using the Internet for transmission, and using a wireless devices as required by dependent claims 343 and 416." Appellee Br. at 13. This is simply incorrect. In fact, the purportedly prior art Cash Management system did not have the "limitation or restriction" of at least claims 30, 102 and their dependent claims. As explained in JBTS's brief in support of its Motion for Partial Summary Judgment of No Invalidity, JHA and its experts have identified

the "stop payment instruction" of Cash Management as the only restriction or limitation of that system. See JA0157-JA0158. Of course, JHA's own infringement expert has testified that a stop payment instruction cannot serve as the claimed limitation or restriction. JA0156-JA0157 (citing Calman Depo, Sep. 16, 2014 Tr. at 170:22-24; 191:7-14) (see JBTS-0625). JBTS moved for summary judgment on this issue because no reasonable jury could find by clear and convincing evidence that Cash Management satisfied the limitation or restriction of claims 30, 102 and their dependents where JHA's own expert concedes that it did not. JA0152-JA0159. Mr. Calman's testimony at least raises a disputed question of fact preventing a grant of summary judgment on JHA's motion, either at the trial court or in the first instance on appeal.

The purportedly prior art Cash Management system also lacked other important limitations of the claims. The Cash Management system relied on by JHA had no bill payment functionality. (Donald Smith, *Sleepy Hollow* Tr. Mar. 9, 2010 at 1010:3-10; see JA1646.), which is the primary accused functionality of the present-day NetTeller Cash Management system. Old Cash Management lacked the ability to perform interbank transfers, i.e., transferring funds to an account at a different financial institution, because of security risks. (Joe Nicholas Depo, May 2, 2014 Tr. at 92:10-93:6; see JA0635.) It allowed intrabank transfers, but even these could not be scheduled for the future or set to recur as in the accused

functionality of the present-day system. JA0627. Unlike the present-day system, the old Cash Management system lacked the ability to send alerts to a user, which are required for claims 31, 106, 317 and its dependents, and 414 and its dependents. JA1646 ("Q. No alerts at all? A. No."); see also *id*. at 1012:9-18; see also JA1658. It lacked the ability to send electronic mail messages as required by claim 34. JA1648. The 'web' transaction type which exists in the present-day version of NetTeller Cash Management did not exist in the pre-1996 version of Cash Management, so it did not process "Internet transactions" as required by claim 324. see JA0637. Importantly, the pre-1996 version of Cash Management did not include multi-factor authentication, which is important to every asserted claim. (*Id*. at 99:7-15). The original Cash Management could not be used in a mobile environment, as that functionality was not added until around 2010. (*Id*. at 105:22-106:1; see JA0638-JA0639.) Nor could it be used in a wireless environment, as required by asserted claims 343 and 416. (*Id*. at 106:19-20). JHA does not even argue that these missing limitations are found in the "Internet Banking Publications," so their absence from Cash Management is fatal to JHA's obviousness argument.

Mr. Fulton's patent also lacked important claim limitations beyond just communications over the Internet or World Wide Web. First and foremost, the Fulton patent does not disclose the limitation or restriction of claims 30, 102 and

their dependent claims. Mr. Fulton's report identifies two features which he argues disclose the claimed limitation or restriction: "the Stop Payment transaction" and "the Fulton PIN." JA0447 (Claim 30); JA0455 (Claim 102). Again, as noted in JBTS's Motion for Partial Summary Judgment of No Invalidity, JHA's expert Mr. Calman contends that neither PINs nor stop payment transactions can serve as the limitation or restriction of claims 30, 102 and their dependent claims. JA0155-JA0157. JBTS's expert, Mr. Cheng, has also explained why the stop payment of Fulton cannot serve as the claimed limitation or restriction (Cheng Validity, at ¶¶ 10-13; see JA0686-JA0688), and why the Fulton PIN also cannot serve as the claimed limitation or restriction. (*Id*. at ¶¶ 14-16; see JA0688-JA0689). Again, Mr. Calman's testimony and Mr. Cheng's testimony at least create a material dispute of fact preventing the district court or this Court from entering summary judgment that the Fulton patent renders the asserted claims obvious.

Mr. Fulton's patent lacks other limitations of the asserted claims as well. Mr. Fulton's patented system did not send or receive electronic mail messages as recited in claim 34. (Fulton Depo., Sep., 2, 2014 at 212:1-4; see JA0611; Cheng Validity at ¶ 20; see JA0690.) Nor does the Fulton patent disclose the "network computer" of claim 414 and its dependents. (Cheng Validity at ¶ 17; see JA0689.) Mr. Fulton's report relies on Lawlor for the network computer of claim 414, but Lawlor is not part of the obviousness combination JHA argued at summary

judgment. JA0454. JHA concedes that the Fulton patent also does not disclose the Internet transactions of claim 324, or the wireless communications device of claims 343 and 416. JHA does not even argue these elements can be found in the "Internet Banking Publications," meaning their absence is fatal to JHA's obviousness arguments.

C. Secondary Considerations Prevent An Obviousness Ruling At This Stage

Even if JHA's asserted prior art combinations did disclose all limitations of the asserted claims, this Court still could not rule on the question of obviousness in the first instance. This is at least because JBTS has identified numerous secondary considerations of nonobviousness that JHA has not even attempted to rebut. For example, prior failures of others demonstrate the nonobviousness of the inventions. JHA claims that it began working on an internet-based banking solution in 1995 (JA0283), began working to make Cash Management functionality available on the Internet in 1997 (JA0618; JA0619-JA0620; JA0625), but failed to launch the actual product until Fall 1998. (JA0635; see also JA0260-JA0261 (conceding that NetTeller Cash Management was "developed by Jack Henry in 1998 and thereafter.")). Mr. Fulton's patented system was an even bigger failure, never getting out of the prototype stage. JA0605-JA0606. Another secondary consideration supporting nonobviousness is skepticism of others. Here, for example, Morgan Stanley published "The Internet Report" in 1996, which

identified several risks that might "crush the internet." (Cheng Validity at ¶22 – see JA0690; Morgan Stanley "Internet Report"; see JA0655.) The Lawlor patent, relied on by JHA's experts, contains several columns of text explaining why Internet-based banking was a failure, and argued that the financial industry needed to look for an alternative manner of conducting remote banking. (Cheng Validity at ¶25; see JA0698-JA0699; Lawlor excerpt; see JA0950). Several witnesses in this case have testified that user IDs and passwords were sufficient security in priority art banking systems, undermining the motivation to implement JBTS's layered security approach. (Cheng Validity at ¶¶26-30; see JA0693-JA0694; Tuohey Depo, 78:1-7; see JA0643; Nicholas Depo, May 6, 2014, 32:3-34:22; see JA0625-JA0626.) Even government banking regulators did not catch up to the layered security approach of JBTS's asserted claims until many years later. (Cheng Validity at ¶¶31-33; see JA0694-JA0695; FFIEC Supplement to *Authentication in an Internet Banking Environment*; see JA0672-JA0684; Financial Institution Letter from FDIC, FIL50-2011, © June 29, 2011; see JA0671. These facts demonstrate that JBTS's inventions were ahead of their time. Finally, JBTS's patented inventions have been extensively licensed, demonstrating the commercial success of the inventions. (Cheng Validity at ¶¶ 20; see JA0690.) JHA's Appellee Brief does not address any of these secondary considerations, even though JBTS argued them before the district court. This Court Federal has held that a district court's

failure to consider secondary considerations is reversible error. *In re Cyclobenzaprine Hydrochloride Extended-Release Capsule Patent Litig.*, 676 F.3d 1063, 1075 (Fed. Cir. 2012)(reversing district court for reaching conclusion of obviousness before considering objective indicia of nonobviousness). For the same reason, this Court should not resolve factual questions concerning secondary considerations of nonobviousness for the first time on appeal.

CONCLUSION

JHA cannot meet its high burden to show that each of the asserted claims is invalid for claiming patent ineligible subject matter. The district court's judgment of invalidity fails to identify the alleged "abstract idea," concedes that the asserted claims do not monopolize any abstract idea, and then concludes that certain claims represent patent-eligible "specific applications" of the unidentified abstract idea. All of these mean that the asserted claims pass both steps of the *Alice* test. Even if the Court considers JHA's now-proposed abstract idea, the asserted claims are not actually directed to that abstract idea so they pass Step 1. Moreover, the asserted claims do not monopolize JHA's proposed abstract idea meaning they pass Step 2. The narrowly-recited asserted machine claims are directed to patent eligible subject matter, and improve upon existing remote banking technology in numerous specific ways.

JHA's obviousness argument cannot be resolved on appeal until the district court has an opportunity to resolve numerous open questions of both fact and evidence. The Court should reverse, or at least vacate, the district court's unsustainable judgment of invalidity and remand for further proceedings.

Dated: May 11, 2015

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on May 11, 2015, on behalf of Plaintiff-Appellant JOAO BOCK TRANSACTION SYSTEMS, LLC, I caused to be filed with the Clerk of the United States Court of Appeals for the Federal Circuit via the Court's CM/ECF system, which caused to be served by on all counsel of record, a copy of the JOAO BOCK TRANSACTION SYSTEMS, LLC'S REPLY BRIEF.

In addition, I served by electronic mail a copy on counsel as indicated below.

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CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B) or Federal Rule of Appellate Procedure 28.1(e) because it contains 6987 words, excluding parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) or Federal Rule of Appellate Procedure 28.1(e) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6), because it has been prepared in a proportionally spaced typeface using Microsoft Word 2010 in Times New Roman 14 point font.

DATED: May 11, 2015

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