

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

**NOTICE OF ENTRY OF
JUDGMENT ACCOMPANIED BY OPINION**

OPINION FILED AND JUDGMENT ENTERED: 07/27/2017

The attached opinion announcing the judgment of the court in your case was filed and judgment was entered on the date indicated above. The mandate will be issued in due course.

Information is also provided about petitions for rehearing and suggestions for rehearing en banc. The questions and answers are those frequently asked and answered by the Clerk's Office.

Costs are taxed against the appellant in favor of the appellee under Rule 39. The party entitled to costs is provided a bill of costs form and an instruction sheet with this notice.

The parties are encouraged to stipulate to the costs. A bill of costs will be presumed correct in the absence of a timely filed objection.

Costs are payable to the party awarded costs. If costs are awarded to the government, they should be paid to the Treasurer of the United States. Where costs are awarded against the government, payment should be made to the person(s) designated under the governing statutes, the court's orders, and the parties' written settlement agreements. In cases between private parties, payment should be made to counsel for the party awarded costs or, if the party is not represented by counsel, to the party pro se. Payment of costs should not be sent to the court. Costs should be paid promptly.

If the court also imposed monetary sanctions, they are payable to the opposing party unless the court's opinion provides otherwise. Sanctions should be paid in the same way as costs.

Regarding exhibits and visual aids: Your attention is directed Fed. R. App. P. 34(g) which states that the clerk may destroy or dispose of the exhibits if counsel does not reclaim them within a reasonable time after the clerk gives notice to remove them. (The clerk deems a reasonable time to be 15 days from the date the final mandate is issued.)

FOR THE COURT

/s/ Peter R. Marksteiner

Peter R. Marksteiner
Clerk of Court

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

AUDATEX NORTH AMERICA, INC.,
Appellant

v.

MITCHELL INTERNATIONAL, INC.,
Appellee

2016-1913, 2016-1914

Appeals from the United States Patent and Trade-
mark Office, Patent Trial and Appeal Board in Nos.
CBM2014-00171, CBM2014-00173.

Decided: July 27, 2017

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PETERSON, San Francisco, CA.

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INC.

Before PROST, *Chief Judge*, O'MALLEY and CHEN,
Circuit Judges.

PROST, *Chief Judge*.

Audatex North America, Inc. appeals from two covered business method (“CBM”) review proceedings, Case Nos. CBM2014-00171 and -00173. In those proceedings, the Patent Trial and Appeal Board (“Board”) held all claims patent ineligible under 35 U.S.C. § 101 and invalid as obvious under 35 U.S.C. § 103. We affirm.

I

These appeals involve U.S. Patent Nos. 7,912,740 (“’740 patent”) and 8,468,038 (“’038 patent”). The ’038 patent is a continuation of the ’740 patent. Entitled “system and method for processing work products for vehicles via the world wide web,” these patents relate to systems for entering data associated with an insurance claim for damaged vehicles. ’740 patent col. 1 ll. 8–10; ’038 patent col. 1 ll. 18–21. The systems process these data into a valuation report transmitted via the Internet, allowing insurance claims adjusters to access a vehicle valuation database more readily. *E.g.*, ’740 patent col. 1 ll. 10–11, 48–51.

Upon instituting both CBM proceedings, the Board held all claims ineligible under § 101 and invalid as obvious under § 103. Audatex filed a motion to amend, cancelling claims 1–29 of the ’740 patent and proposing substitute claims 30–58. It similarly moved to amend the ’038 patent, cancelling claims 1–31 and proposing substitute claims 32–62.¹ Claims 37 and 40 of the ’740 patent

¹ This opinion refers to substitute claims 30–58 of the ’740 patent and substitute claims 32–62 of the ’038 patent collectively as “the proposed claims.”

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are representative. Appellant's Opening Br. 16 ("Audatex Br.")² Claim 37 directly depends from independent claim 30. We reproduce both claims below (underlined text indicates additions from original claims 1 and 8, respectively):

30. A method for obtaining an automobile insurance claim valuation report of a damaged vehicle in association with the processing of an insurance claim, comprising:

transmitting a uniform resource locator over an electronic communication network from a client computer;

connecting with a web site that corresponds to the uniform resource locator, the web site provides a plurality of web pages that allows an operator to input data relating to an insurance claim for the damaged vehicle, the insurance claim being a request to recover market value or repair cost in association with an insurance policy;

entering data relating to the insurance claim;

² At oral argument, Audatex maintained that the '740 and '038 patents do not stand or fall together under § 101. Yet Audatex provided very little, if any, analysis specific to the '038 patent. Having reviewed its opening and reply briefs, we identified only a single sentence under its Argument heading where it provided separate treatment for this patent under § 101. *See* Audatex Br. 38–39 (discussing how elements recited in claim 41 purportedly affect the step-one analysis). This isolated argument neither affects our analysis under § 101, nor our conclusion regarding the representative nature of claims 37 and 40.

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providing a parts list and calculated estimate data through the web site; processing the entered data to generate a valuation report for the damaged vehicle, the valuation report provides a market value for the damaged vehicle, before the damaged vehicle was damaged, based on factors including mileage, condition, and geographic location; and,

transmitting the valuation report to the client computer over the electronic communication network through the web site.

37. The method of claim 30, further comprising transmitting the valuation report from a valuation server to a web server before transmitting the valuation report to the client computer, the valuation report being generated by the valuation server with a database of vehicle values that is called by a first active server page, the parts list and calculated estimate data being provided by a program called by a second active server page.

J.A. 330–31.

According to Audatex, the substituted claims solve problems associated with utilizing data from constantly changing databases for multiple customers through the use of Active Server Page (“ASP”) files. Audatex Br. 7; ’740 patent col. 2 ll. 30–45. Claim 37, for example, employs two such ASP files: the first for calling a database of vehicle values; the second to call a program for providing vehicle parts lists and calculated estimate data. J.A. 331. These ASP calls allow the valuation server to generate valuation reports that adjusters use for their calculations. ’740 patent col. 2 ll. 42–45. The proposed claims thus describe methods and systems for obtaining automobile insurance claim valuation reports by combining calls to multiple databases that provide customized insurance

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estimate tools for insurance adjusters based on their specific needs.

After considering these amendments, the Board maintained its ineligibility and obviousness grounds for the proposed claims. J.A. 1–43 ('740 patent); J.A. 44–85 ('038 patent). Audatex appeals on both grounds. We have jurisdiction under 28 U.S.C. § 1295(a)(4)(A).

II

On appeal, Audatex asks the court to reverse the Board and hold that the proposed claims recite eligible subject matter and are non-obviousness in light of the prior art of record. We turn first to patent eligibility.

Patent eligibility under 35 U.S.C. § 101 is an issue of law reviewed de novo. *Accenture Glob. Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1340–41 (Fed. Cir. 2013). To determine patent eligibility, we apply a two-step process under *Alice Corp. Party v. CLS Bank International*, 134 S. Ct. 2347, 2355 (2014). *See also Affinity Labs of Tex., LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1257 (Fed. Cir. 2016) (referring to step one as the “abstract idea” step and step two as the “inventive concept” step).

At the outset, we reject an evidentiary concern Audatex raises regarding the Board’s application of the burden of proof for its amended claims. Audatex Br. 31–32. Specifically, it contends that the Board improperly shifted the burden to Audatex to prove the eligibility and patentability of the proposed claims. *Id.* at 31. We conclude that the proposed claims recite patent-ineligible subject matter regardless of who bears that burden for the reasons that follow.³

³ Audatex does not appear to dispute that under a de novo review, assignment of the burden of proof likely

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A

Turning to step one, Audatex argues that the proposed claims are not abstract, but rather directed to specific improvements of computer-related technology. Specifically, it compares the claims to those we analyzed in *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), and argues that the Board “vast[ly] oversimplifi[ed] the proposed claims despite our cautioning against such characterizations. Audatex Br. 38. For example, it contends that claim 40 of the ’740 patent provides “a very specific way of generating a valuation report, including a special-purpose valuation server that processes the data and generates the valuation report with a database of vehicles values.” *Id.* It emphasizes that the system employs a first ASP to call this database and requires a

bears little relevance to our § 101 analysis here. Oral Argument 9:29–55, <http://oralarguments.cafc.uscourts.gov/mp3/2016-1913.mp3>. Immediately pivoting from the burden issue, Audatex alternatively argued that the Board erred because it did not specifically address substitute claims 37 and 40 of the ’740 patent under § 101. *Id.* at 9:56–10:09. We disagree. In its motion to amend and related reply brief, Audatex did not provide the Board with separate/specific patent-eligibility arguments for these claims. J.A. 323–28, 403–05. Rather, it set forth arguments applicable to the ’740 patent more generally. *See, e.g.*, J.A. 328 (“The substitute claims for the ’740 patent are quite different from the claim[s] in *Flook*.”); J.A. 403 (“[T]he substitute claims . . . improve the functioning of the prior art systems.”). In addition to providing a detailed patent-eligibility analysis for original claims 1–29, the Board considered these arguments in light of the newly amended claims, but determined that those amendments did not affect its analysis or conclusions. Oral Argument 10:10–40; J.A. 14–23, 33–35.

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second ASP to call the parts lists and calculated estimate data. *Id.* It concludes that these features, “combined with other elements such as an electronic network, a client computer, and a web server that allows for the input of data relating to an insurance claim and transmission of a valuation report,” render the claims non-abstract. *Id.* It further argues that the proposed claims provide several specific improvements over the prior art. *See, e.g., id.* at 40 (“Audatex figured out how to combine aspects of multiple prior art systems (such as obtaining a repair cost and a market valuation) into a single integrated architecture for simplifying the process of creating a vehicle valuation report.”).

We conclude that the proposed claims are directed to the abstract idea of “providing a vehicle valuation through the collection and use of vehicle information.” Here, the proposed claims recite nothing more than the collection of information to generate a valuation report for a damaged vehicle with the aid of well-known technology. They are neither directed to an improvement in computer functionality, nor provide a specific improvement in the way computers operate. *Cf. Enfish*, 822 F.3d at 1336–37. Rather, they embody an abstract idea that merely uses a computer and generic components as tools to collect these data and generate reports. This is insufficient under step one. *See Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1354 (Fed. Cir. 2016); *In re TLI Commc’ns LLC Patent Litig.*, 823 F.3d 607, 612 (Fed. Cir. 2016) (stating that claims “directed to the use of conventional or generic technology in a nascent but well-known environment” are not eligible under step one).

B

Regarding step two, Audatex argues that the proposed claims meet the inventive-concept test for two reasons: “First, they improve the technological infrastructure that is used to generate valuation reports. Second, the pro-

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posed claims, when considered as a whole, consist of more than just conventional activities.” Audatex Br. 42–43. Again, we disagree.

Here, the proposed claims neither improve the technological infrastructure nor provide solutions to challenges particular to the Internet. Rather, they add computer functionality and recite use of the Internet to increase the speed and efficiency of an abstract process. This is not enough. See *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1370 (Fed. Cir. 2015) (“[M]erely adding computer functionality to increase the speed or efficiency of the process does not confer patent eligibility on an otherwise abstract idea.”); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014) (“[T]he use of the Internet is not sufficient to save otherwise abstract claims from ineligibility under § 101.”). Further, the proposed claims merely recite a host of generic computer components. For example, claim 37, which incorporates claim 30, recites: “a web site,” “web pages,” “a client computer,” “an electronic communication network,” “a database,” “a web server,” and “a valuation server.” J.A. 330–31.

In addition to these indisputably conventional features, Audatex relies heavily throughout its briefing on the two ASPs recited in claims 37 and 40. But Audatex itself concedes that it did not invent ASPs, Audatex Br. 7–8, and the claims do not recite them in a manner that produces “a result that overrides the routine and conventional” use of these known features. *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1258 (Fed. Cir. 2014). When viewed as an ordered combination, the proposed claims recite no more than the sort of “perfectly conventional” generic computer components employed in a customary manner that we have held insufficient to transform the abstract idea into a patent-eligible invention. *Intellectual Ventures I LLC v. Symantec Corp.*, 838

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F.3d 1307, 1321 (Fed. Cir. 2016). We thus conclude that the proposed claims fail step two as well.

We have considered Audatex's remaining arguments but find them unpersuasive. Accordingly, we conclude that the proposed claims recite patent-ineligible subject matter under § 101. Having reached this conclusion, we need not reach the obviousness grounds of Audatex's appeal.

CONCLUSION

For the foregoing reasons, we conclude that the proposed claims are ineligible under § 101 and affirm the Board.

AFFIRMED

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Questions and Answers

Petitions for Rehearing (Fed. Cir. R. 40)
and
Petitions for Hearing or Rehearing En Banc (Fed. Cir. R. 35)

Q. When is a petition for rehearing appropriate?

A. Petitions for panel rehearing are rarely successful because they most often fail to articulate sufficient grounds upon which to grant them. For example, a petition for panel rehearing should not be used to reargue issues already briefed and orally argued; if a party failed to persuade the court on an issue in the first instance, a petition for panel rehearing should not be used as an attempt to get a second “bite at the apple.” This is especially so when the court has entered a judgment of affirmance without opinion under Fed. Cir. R. 36. Such dispositions are entered if the court determines the judgment of the trial court is based on findings that are not clearly erroneous, the evidence supporting the jury verdict is sufficient, the record supports the trial court’s ruling, the decision of the administrative agency warrants affirmance under the appropriate standard of review, or the judgment or decision is without an error of law.

Q. When is a petition for hearing or rehearing en banc appropriate?

A. En banc decisions are extraordinary occurrences. To properly answer the question, one must first understand the responsibility of a three-judge merits panel of the court. The panel is charged with deciding individual appeals according to the law of the circuit as established in the court’s precedential opinions. While each merits panel is empowered to enter precedential opinions, the ultimate duty of the court en banc is to set forth the law of the Federal Circuit, which merit panels are obliged to follow.

Thus, as a usual prerequisite, a merits panel of the court must have entered a precedential opinion in support of its judgment for a suggestion for rehearing en banc to be appropriate. In addition, the party seeking rehearing en banc must show that either the merits panel has failed to follow identifiable decisions of the U.S. Supreme Court or

Federal Circuit precedential opinions or that the merits panel has followed circuit precedent, which the party seeks to have overruled by the court en banc.

Q. How frequently are petitions for rehearing granted by merits panels or petitions for rehearing en banc accepted by the court?

A. The data regarding petitions for rehearing since 1982 shows that merits panels granted some relief in only three percent of the more than 1900 petitions filed. The relief granted usually involved only minor corrections of factual misstatements, rarely resulting in a change of outcome in the decision.

En banc petitions were accepted less frequently, in only 16 of more than 1100 requests. Historically, the court itself initiated en banc review in more than half (21 of 37) of the very few appeals decided en banc since 1982. This sua sponte, en banc review is a by-product of the court’s practice of circulating every precedential panel decision to all the judges of the Federal Circuit before it is published. No count is kept of sua sponte, en banc polls that fail to carry enough judges, but one of the reasons that virtually all of the more than 1100 petitions made by the parties since 1982 have been declined is that the court itself has already implicitly approved the precedential opinions before they are filed by the merits panel.

Q. Is it necessary to have filed either of these petitions before filing a petition for certiorari in the U.S. Supreme Court?

A. No. All that is needed is a final judgment of the Court of Appeals. As a matter of interest, very few petitions for certiorari from Federal Circuit decisions are granted. Since 1982, the U.S. Supreme Court has granted certiorari in only 31 appeals heard in the Federal Circuit. Almost 1000 petitions for certiorari have been filed in that period.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

INFORMATION SHEET

FILING A PETITION FOR A WRIT OF CERTIORARI

There is no automatic right of appeal to the Supreme Court of the United States from judgments of the Federal Circuit. You must file a petition for a writ of certiorari which the Supreme Court will grant only when there are compelling reasons. (See Rule 10 of the Rules of the Supreme Court of the United States, hereinafter called Rules.)

Time. The petition must be filed in the Supreme Court of the United States within 90 days of the entry of judgment in this Court or within 90 days of the denial of a timely petition for rehearing. The judgment is entered on the day the Federal Circuit issues a final decision in your case. [The time does not run from the issuance of the mandate, which has no effect on the right to petition.] (See Rule 13 of the Rules.)

Fees. Either the \$300 docketing fee or a motion for leave to proceed in forma pauperis with an affidavit in support thereof must accompany the petition. (See Rules 38 and 39.)

Authorized Filer. The petition must be filed by a member of the bar of the Supreme Court of the United States or by the petitioner representing himself or herself.

Format of a Petition. The Rules are very specific about the order of the required information and should be consulted before you start drafting your petition. (See Rule 14.) Rules 33 and 34 should be consulted regarding type size and font, paper size, paper weight, margins, page limits, cover, etc.

Number of Copies. Forty copies of a petition must be filed unless the petitioner is proceeding in forma pauperis, in which case an original and ten copies of the petition for writ of certiorari and of the motion for leave to proceed in forma pauperis. (See Rule 12.)

Where to File. You must file your documents at the Supreme Court.

**Clerk
Supreme Court of the United States
1 First Street, NE
Washington, DC 20543
(202) 479-3000**

No documents are filed at the Federal Circuit and the Federal Circuit provides no information to the Supreme Court unless the Supreme Court asks for the information.

Access to the Rules. The current rules can be found in Title 28 of the United States Code Annotated and other legal publications available in many public libraries.