

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Patent Application of:
Geer

Patent No.: **5,583,759**
Application No.: **08/507,856**

Art Unit: Not yet assigned

Issued: **December 10, 1996**
Filed: **Jul. 27, 1995**

Examiner: Not yet assigned

For: **Mechanism for expediting the deposit,
transport and submission of checks into the
payment system**

REQUEST FOR EX PARTE REEXAMINATION

Honorable Commissioner for Patents
U.S. Patent and Trademark Office
Mail Stop Ex Parte Reexam
600 Dulany Street
Alexandria, VA 22313

CONFIDENTIAL
ATTORNEY-CLIENT PRIVILEGED
ATTORNEY WORK PRODUCT

Sir:

United States Patent No. **5,583,759** ("the '759 patent") is currently assigned to DataTreasury Corporation and has an effective filing date of November 22, 1993. The stakes associated with enforcement of the '759 patent (and other patents in the field asserted by DataTreasury) are very high, with published reports stating that DataTreasury has sought to recover **more than one billion dollars** in damages. Lawsuits in which DataTreasury has asserted the '759 patent have received significant attention in the news media. See, e.g., www.datatresury.com/latest_news.asp

DataTreasury has asserted the '759 patent, along with five other patents for which reexaminations are also requested,¹ in multiple pending lawsuits in U.S. District Court for the Eastern District of Texas against numerous defendants in the field of banking and financial services, including:

Bank of America	PNC Bank
The Bank of New York	Suntrust Bank
Citigroup and Citibank	U.S. Bank
Comerica Bank & Trust	Wachovia Bank
First Data Corporation	Wells Fargo Bank
HBSC Bank	

DataTreasury has accused many check processing systems that were implemented to take advantage of the provisions of The Check Clearing for the 21st Century Act ("Check 21"), which became effective on October 28, 2004, of infringement. Check 21 was designed to enable banks to handle checks electronically to increase the speed and efficiency of check processing. DataTreasury's lawsuits are an impediment to the banking industry's ability to implement this important federal legislation. Accordingly, extremely high importance is attached to this request for reexamination.

The '759 patent is nothing more nor less than an attempt to claim a mechanism for physically exchanging financial instruments and settling electronically the exchanged instruments among financial institutions. The claims of the '759 patent attempt to break

¹ A copy of the '759 patent is included in the Appendix. The five other patents are U.S. Patents Nos. 5,265,007; 5,717,868; 5,930,778 ("the '778 patent"); 5,910,988; and 6,032,137.

The '778 issued from an application that is a continuation-in-part of the application that issued as the '759 patent. A copy of the '778 patent is included in the Appendix. The '778 patent was classified in Class 705. The '759 and '778 patents issued before the USPTO implemented "second-pair-of-eyes" review for business method patents in Class 705. *See, e.g.*, <http://www.uspto.gov/web/offices/com/strat21/action/q3p17a.htm> (last visited Oct. 6, 2004).

down well known check clearing networks and their constituent parts into modules that were already well known more than one year before August 7, 1989.

Identification of Claims for Which Reexamination Is Requested

In accordance with 37 CFR 1.510, reexamination of claims 1, 3, and 11 of United States Patent No. **5,583,759** (“the ‘759 patent”) is respectfully requested in view of the following references, which are copied in the appendix:

Owens et al. (Owens), U.S. Patent No. 4,264,808, issued on April 28, 1981.

Uniform Commercial Code (U.C.C.), 1990 Revision, §§ 3-204, 3-401, 3-402, 4-101-Official Comment 2, 4-103, 4-206.

Reexamination of claims 1, 3, and 11 is requested based on **Owens, taken alone or in view of the U.C.C. sections.**

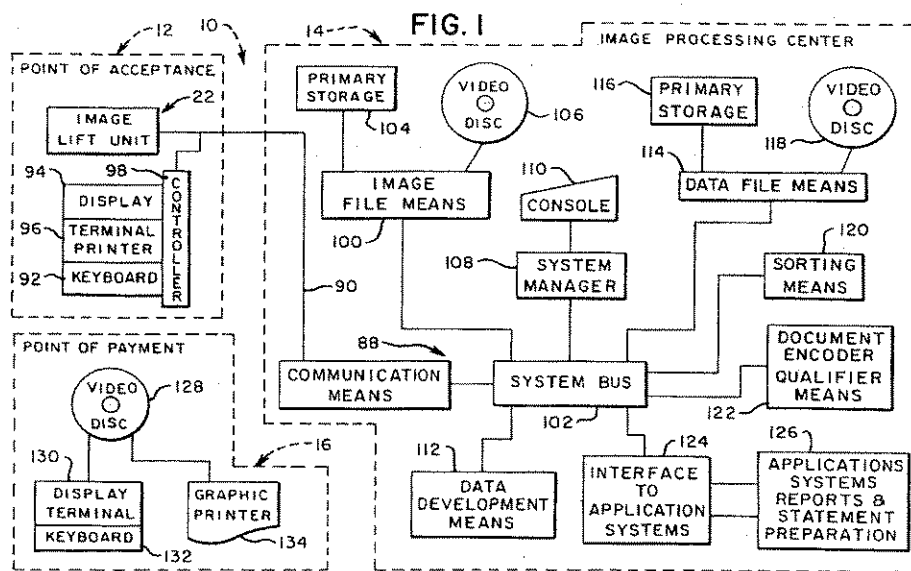
As the applicable maintenance fees have been paid, U.S. Patent No. **5,583,759** is currently enforceable.

Statement Pointing Out Each Substantial New Question of Patentability

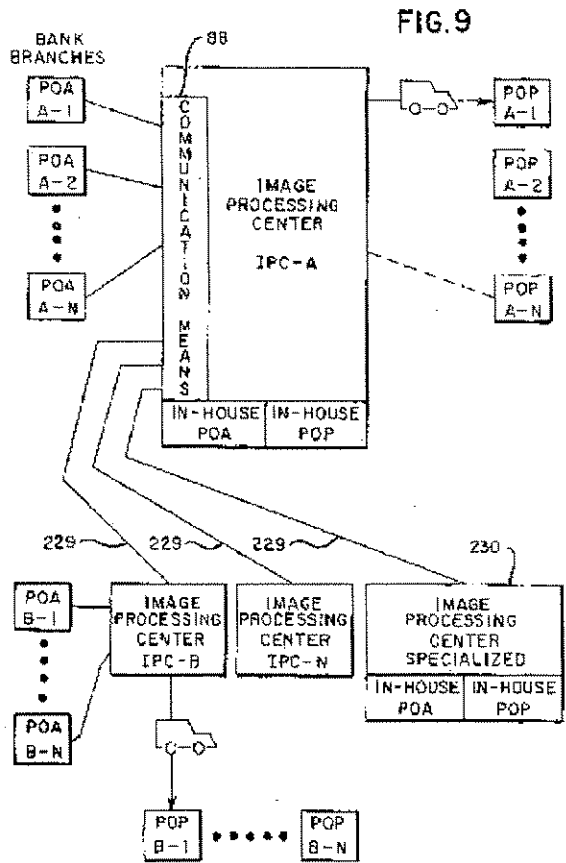
The **Owens** and **U.C.C.** references were not of record in the file of U.S. Patent No. **5,583,759**. The **Owens** patent issued on April 28, 1981. The **Owens** patent is prior art with respect to the ‘759 patent through 35 U.S.C. § 102(b), having issued more than 12 years before the effective filing date of the ‘759 patent application.

Owens discloses a system for processing financial instruments (e.g., checks) that extracts information from the instruments, converts such information into electronic data, and processes the electronic data using high speed communication networks to settle

accounts. Owens describes a banking system with one or more points of acceptance (POA), image processing centers (IPC), and points of payment (POP). Figure 1 is illustrative:



Further, a POA, such as a bank branch, receives and sends physical financial instruments (see, e.g., the truck icon in Fig. 9); scans the financial instruments, creating image data, and sends the instruments and the associated data to an IPC, which can be at the same or different location as the POA and can be a bank branch, bank headquarters, bank processing facility, or independent processing facility (see, e.g., item 90, Fig. 1). Figure 9 is illustrative (See also Col. 19, line 59, to col. 20, line 8.):



The IPC processes the data and the financial instruments and sends them to a POP, which is the institution responsible for the account related to the financial instruments. Based on the data sent from the POA to the IPC and from the IPC to a POP, accounts involving the physical financial documents are settled (see, e.g., Figs. 1 and 9). POAs, IPCs, and POPs may be separate, together, or combined in complex combinations to suit the needs of banking networks (see, e.g., col. 19, line 59, to col. 20, line 8; col. 9, lines 1-4). The IPCs, POAs, and POPs communicate with each other through a conventional high-speed communication network.

In substance, the 1990 revision of the Uniform Commercial Code (“U.C.C.”) §§ 4-103 and 4-206 permits parties (e.g., a payee and a collecting and clearing bank) to agree to procedures for handling bank deposits and collections that would be most suitable for them; it also permits banks to make the simplest form of transfer, so long as the identity of the transferor is preserved. The approach of the U.C.C. is flexible as it embraces many different procedures. For example, Section 4-206 (“Transfer Between Banks”) provides that “[a]ny agreed method that identifies the transferor bank is sufficient for the item’s further transfer to another bank” (emphasis added).

Section 3-204 defines indorsement, which is accomplished by a signature. Section 3-401 discusses signatures, and Section 3-402 provides that signatures may be made by a representative of a represented person. Section 3-401 refers to signatures made “by means of a device or machine.” In substance, the U.C.C. also discloses two functional aspects of: (1) double indorsement, and (2) submission of financial instruments into the payment system by an entity upstream of the collecting and clearing bank in a manner that bypasses the collecting and clearing bank.

Because these teachings of **Owens** and **U.C.C.** disclose the subject matter of the U.S. Patent 5,583,759 claims that was not taught in any prior art cited during the prosecution of U.S. Patent 5,583,759, the teachings of **Owens** and **U.C.C.** each raise a substantial new question of patentability.

Detailed Explanation Under 37 CFR 1.510(b)

The following tables relate the claimed elements to the **Owens** patent and **U.C.C.** disclosures. A more detailed rationale in support of rejection of the identified claims under 35 U.S.C. § 102(b) as anticipated by Owens, and/or under 35 U.S.C. § 103 as unpatentable over Owens in view of the **U.C.C.**, is presented following the tables. The paragraphs 1-8 in the Section entitled Detailed Explanation, at p18-27 below, are used to show correspondence between the elements identified in the tables and the more detailed explanation.

1. Claim 1 of U.S. Patent No. 5,583,759 is anticipated under 35 U.S.C. § 102(b) by Owens as shown by the following claim chart:
2. Claim 1 of U.S. Patent No. 5,583,759 is unpatentable under 35 U.S.C. § 103 as obvious over Owens in view of the U.C.C. provisions as shown by the following claim chart (See discussion below at p. 26-27):

‘759 Patent Claim 1 Terms	Disclosure In The Owens Patent
<p>1. A system for effecting the deposit, settlement and submission into a payment system for collection of funds represented by financial instruments drawn on different institutions that are received by a payee at a first location, said first location determined by the payee remote from the payee’s collecting and clearing bank, comprising:</p>	<p>Owens is directed to bank accounting entry systems as claimed (col. 1, lines 1-68, col. 2, lines 1-14) wherein financial instruments are received by a payee at a first location (Point of Acceptance, POA, col. 2, lines 19-22), in which the first location is determined by the payee (POA) remote from the payee’s collecting and clearing bank. See Detailed Explanation, paragraph 1, atp. 18-19, below. See Fig. 1 where a banking system 10 includes a plurality of: (1) points of acceptance, (2) image processing centers, and (3) points of payment. For simplicity, only one point of acceptance 12 (hereafter referred to as POA), one image processing center 14 (hereinafter referred to as IPC), and one point of payment 16 (hereinafter referred to as POP) are shown.</p>

‘759 Patent Claim 1 Terms	Disclosure In The Owens Patent
	<p>POA 12 captures, in image form, all the information from documents (checks, deposits, etc.) presented thereat and prepares and transmits this information to the associated IPC 14. The POA 12 is also responsible for correcting error transactions.</p> <p>The IPC 14 provides services for several POAs 12 and POPs 16 and is geographically located to provide the services thereto. IPC 14 extracts data from the information received from the associated POAs 12 and puts it into a form that can be used for electronic processing. At some point in the processing of the information for a group of transactions at the IPC 14, the associated documents for this group are physically transported from the POA 12 to the IPC 14 where the documents are physically sorted according to destinations determined while data was developed at the IPC 14.</p> <p>After processing at the IPC 14, a permanent record medium containing the information about accounts for a particular POP 16 is physically shipped to that POP16 for information support of the customers' accounts retained at that POP 16.</p> <p>Owens teaches that each POA, IPC, and/or POP may be located separately, or together. For example, see col. 9, lines 1-4.</p> <p>Each IPC may be associated with multiple POAs, POPs, and other IPCs. For example, see Fig. 9, an organizational chart showing the flexibility of the banking system 10 and how information flows between the various IPCs 14 within the system 10.</p> <p>Because IPC-A may itself be a bank, it may cater to an “in-house” POA and POP. The particular IPCs may communicate with each other through a conventional high-speed communication network shown as lines 229, which is connected to the communication means 88. The discussion above shows that Owens discloses a system in which a payee has a facility for receiving financial instruments at a first location that has a POA and a first IPC. The first IPC communicates with a second IPC that is the payee’s clearing and collecting bank and is remote from the first location. The collecting and clearing bank (i.e., the second IPC) communicates with the payment system through a third IPC, which receives the financial instruments from the first IPC and forwards them to the POPs, which are the payors’ banks (e.g., the banks from</p>

'759 Patent Claim 1 Terms	Disclosure In The Owens Patent
	which the payors' checks are drawn).
<p>a sorter at said first location established by the payee (1) for receiving the financial instruments and (2) for sorting the instruments according to predetermined sort pattern categories determined by the collecting and clearing bank;</p>	<p>Owens discloses a sorter at the first location (i.e., the first IPC at the first location – the IPC may cater to an “in-house” POA (col. 20, line 1), so the IPC may be at the first location, i.e., the location of the POA). See Detailed Explanation, paragraph 2, at p.19-20, below.</p> <p>Also, “...associated documents...are physically transported from the POA 12 to the IPC 14 where the documents are physically sorted according to destinations determined while data was developed at the IPC 14” (FIG. 1, element 120, and col. 8, lines 54-58); and “...associated POA 12...physically ships the documents 18...to the IPC 14 for physical sorting of the documents 18” (col. 13, lines 16-19).</p> <p>Also see col. 17, line 23-col. 18, line 24, and Fig. 7 where document sorting based on sort decisions that were placed in the qualified data (step 142 in Fig. 4) for that transaction group which was placed in the data file means 114 (Fig. 1) is discussed and shown. These sorting techniques are also described in detail in relation to the sorting means 120 of Fig. 1.</p>
<p>a printer at said first location for applying to the instruments at a time before, during or after sorting of the instruments, a separate indorsement on behalf of each of the payee and the collecting and clearing bank with respect to each instrument received;</p>	<p>The '759 patent acknowledges that printing of indorsement information on checks was known and conventional (col. 5, lines 13-18) which comports with the description in Owens of processing financial instruments (e.g., checks) (cols. 2-6). For example, Owens describes a step that encodes the amount and other data necessary for automated account processing (Col. 2, lines 52-54). Inasmuch as appropriate indorsements are necessary for automated account processing, Owens must inherently provide for printing all indorsements.</p> <p>Double indorsement was known in the prior art (e.g., the U.C.C. §3-204 (indorsement), taken together with §3-402 (signature by representative)), including by means of a device or machine. See Detailed Explanation, paragraph 3, at p.20-24, below. Since such double indorsement was well known to bankers, i.e., persons of ordinary skill in the art, as through the U.C.C., and Owens is directed to banking systems known to operate within the confines of the U.C.C., one having skill in the art would have</p>

‘759 Patent Claim 1 Terms	Disclosure In The Owens Patent
	<p>recognized that such double indorsement is inherent in the banking system disclosed by Owens. At the least, the U.C.C. provisions related to so-called double indorsement would have led one having skill in the art to incorporate such a feature in Owens consistent with existing practices, thereby rendering the claimed subject matter obvious within the meaning of 35 U.S.C. § 103.</p> <p>Note also col. 24, line 64 – col. 25, line 55 of Owens, especially col. 25, line 55, ensuring that “endorsements are present.”</p>
<p>the sorter further assembling the sorted instruments with the applied indorsements into discrete groups with respect to the predetermined sort pattern categories;</p>	<p>In Owens, “Those 'transit' documents which exit from the encoder qualifier means 122 are again sorted at the sorting means 120 according to data identifying the particular banks outside the banking system 10 for the usual processing” (col. 13, line 68 – col. 14, line 4). See Detailed Explanation, paragraph 2, at p.19-20, below.</p>
<p>a means at the first location for preparing one or more cash letters associated with each group of instruments;</p>	<p>The ‘759 patent acknowledges that this limitation was known and conventional, explaining at col. 3, lines 58-61, that sorted checks would be delivered “in a cash letter.” See Detailed Explanation, paragraph 4, at p.24, below. This is consistent with the description, at col. 5, lines 8-12 in Owens, of a known, conventional environment for processing financial instruments (e.g., checks). Furthermore, Owens discloses a means at the first location for preparing one or more cash letters. See the “detail listings 194,” for example, explained at col. 17, line 57 – col. 18, line 4 of Owens.</p>

‘759 Patent Claim 1 Terms	Disclosure In The Owens Patent
<p>a communication link between the first location and the collecting and clearing bank for reporting to the bank information in the cash letters in anticipation of a deposit of funds in the payee’s account at the payee’s collecting and clearing bank corresponding to the value of the one or more cash letters;</p>	<p>Owens discloses a communication link between the first location (which includes the first IPC) and the collecting and clearing bank (the second IPC). See FIG. 1 and col. 11, lines 59-65, specifically, “communication means 88.” Also see FIG. 9 and col. 19, line 55-col. 20, line 30, specifically high-speed communication network 229. See Detailed Explanation, paragraph 5, at p.24, below. Note that the first IPC communicates with a second IPC, which is the payee’s collecting and clearing bank and is remote from the first location. The collecting and clearing bank (i.e., the second IPC) communicates with a third IPC, which receives the financial instruments and forwards them to the POPs, which are the payors’ banks (e.g., the banks from which the payors’ checks are drawn).</p>
<p>transport means for delivering the groups of instruments and the one or more cash letters from the first location to a second location for receipt into the payment system according to parameters determined by the payee’s collecting and clearing bank; and</p>	<p>At col. 3, lines 54-63, the ‘759 patent acknowledges that this limitation was known and conventional, which is consistent with the description in Owens of processing financial instruments (e.g., checks). See Detailed Explanation, paragraph 6, at p. 24-25, below. See, for example, col. 5, lines 8-12.</p> <p>At the IPC 14, all document movement is performed under processor control so that when documents cannot be accounted for, corrective action can be initiated. (Col. 17, lines 17-22.)</p> <p>Owens discloses a system in which financial instruments and associated cash letters are sent from the first IPC (at the first location) to the third IPC (the IPC at the second location and designated by the collecting and clearing bank to receive the instruments into the payment system) to the POP (e.g., a payor bank from which the financial instruments are drawn). See col. 18, lines 5-20, where certain on-us documents 18 which are received and initially processed at one IPC 14 are also separated in step 184 and are forwarded to another IPC within the banking system 10 for processing at that IPC. The transportation of the financial instruments and the associated cash letters from the first location to the second location for receipt into the payment system occurs according to parameters determined by the payee’s collecting and clearing bank.</p> <p>In numerous places, Owens shows documents being</p>

'759 Patent Claim 1 Terms	Disclosure In The Owens Patent
	transported by a truck (e.g., Figures 6, 7, 9).

'759 Patent Claim 1 Terms	Disclosure In The Owens Patent
<p>a central processing unit and communication link providing a coordination between the payee and the payee's collecting and clearing bank which predetermines the timing and monitors the transport of the sorted instruments and the cash letters associated therewith and coordinates the recordation of the deposit of the funds represented by the instruments with the collecting and clearing bank in a sequence coordinated with the timing of a settlement of accounts in the check payment system.</p>	<p>Owens discloses that each IPC has a "system manager," which includes a central processing unit (Col. 12, lines 28-37). See Detailed Explanation, paragraph 7, at p.25, below.</p> <p>The communication link is shown at 88 in FIG. 1 and/or 229 in FIG. 9.</p> <p>The central processing unit and the communication link provide coordination between the payee and the payee's collecting and clearing bank that predetermines the timing and monitors the transport of the sorted financial instruments and their associated cash letters. See col. 17, lines 17-22, col. 13, lines 11-19, col. 16, lines 14-20 and 41-50, col. 17, line 23 – col. 18, line 24; Figure 7, and col. 24, lines 54-63.</p> <p>In Owens, the central processing unit and the communication link coordinate the recordation of the deposit of the funds represented by the instruments with the collecting and clearing bank in a sequence coordinated with the timing of a settlement of accounts in the check payment system. See col. 10, line 52 - col. 11, line 11, col. 12, lines 53-56, col. 13, lines 59-68, col. 21, lines 1-16, col. 23, lines 14-43, and col. 24, lines 47-52.</p>

3. Claim 3 of U.S. Patent No. 5,583,759 is anticipated under 35 U.S.C. § 102(b) by

Owens as shown by the following claim chart:

4. Claim 3 of U.S. Patent No. 5,583,759 is unpatentable under 35 U.S.C. § 103 as obvious over **Owens** in view of the U.C.C. provisions as shown by the following claim chart (See discussion below at p 26 - 27):

'759 Patent Claim 3 Terms	Disclosure In The Owens Patent
<p>3. The system of claim 1 in which the collecting and clearing bank is the bank of first deposit for the payee.</p>	<p>Owens discloses a system in which the collecting and clearing bank is the bank of first deposit for the payee. Since payees normally deposit received checks in their associated banks, which are collecting and clearing banks to the payees, a person of ordinary skill in the art would have clearly recognized that the collecting and clearing bank is the bank of first deposit for the payee.</p>

5. Claim 11 of U.S. Patent No. 5,583,759 is anticipated under 35 U.S.C. § 102(b) by Owens as shown by the following claim chart:

6. Claim 11 of U.S. Patent No. 5,583,759 is unpatentable under 35 U.S.C. § 103 as being obvious over Owens in view of the U.C.C. Provisions, as shown by the following claim chart (See discussion below at p. 26-27):

'759 Patent Claim 11 Terms	Disclosure In The Owens Patent
<p>11. A system for effecting the deposit, settlement and submission into a payment system for collection of funds represented by financial instruments drawn on different institutions that are received by different payees and submitted to a bank of first deposit for submission into a check payment system on behalf of a bank of subsequent deposit comprising:</p>	<p>Owens is directed to bank accounting entry systems as claimed (col. 1, lines 1-68, col. 2, lines 1-14) wherein financial instruments are received by a payee at a first location (Point of Acceptance, POA, col. 2, lines 19-22), in which the first location is determined by the payee (POA) remote from the payee's collecting and clearing bank. See Detailed Explanation, paragraph 1, at p.18-19, below.</p> <p>See Fig. 1 where a banking system 10 includes a plurality of: (1) points of acceptance, (2) image processing centers, and (3) points of payment. For simplicity, only one point of acceptance 12 (hereafter referred to as POA), one image processing center 14 (hereinafter referred to as IPC), and one point of payment 16 (hereinafter referred to as POP) are shown. POA 12 captures, in image form, all the information from documents (checks, deposits, etc.) presented thereat and prepares and transmits this information to the associated IPC 14. The POA 12 is also responsible for correcting error transactions.</p> <p>The IPC 14 provides services for several POAs 12 and POPs 16 and is geographically located to provide the services thereto. IPC 14 extracts data from the information received from the associated POAs 12 and puts it into a form that can be used for electronic processing. At some point in the processing of the information for a group of transactions at the IPC 14, the associated documents for this group are physically transported from the POA 12 to the IPC 14 where the documents are physically sorted according to destinations determined while data was developed at the IPC 14.</p> <p>After processing at the IPC 14, a permanent record medium containing the information about accounts for a particular POP 16 is physically shipped to that POP16 for information support of the customers' accounts retained at that POP 16.</p>

'759 Patent Claim 11 Terms	Disclosure In The Owens Patent
	<p>Owens teaches that each POA, IPC, and/or POP may be located separately, or together. For example, see col. 9, lines 1-4.</p> <p>Each IPC may be associated with multiple POAs, POPs, and other IPCs. For example, see Fig. 9, an organizational chart showing the flexibility of the banking system 10 and how information flows between the various IPCs 14 within the system 10.</p> <p>Because IPC-A may itself be a bank, it may cater to an “in-house” POA and POP. The particular IPCs may communicate with each other through a conventional high-speed communication network shown as lines 229, which is connected to the communication means 88. The discussion above shows that Owens discloses a system in which a payee has a facility for receiving financial instruments at a first location that has a POA and a first IPC. The first IPC communicates with a second IPC that is the payee’s clearing and collecting bank and is remote from the first location. The collecting and clearing bank (i.e., the second IPC) communicates with the payment system through a third IPC, which receives the financial instruments from the first IPC and forwards them to the POPs, which are the payors’ banks (e.g., the banks from which the payors’ checks are drawn).</p>
<p>a sorter at a first location (1) for receiving the financial instruments from one or more banks of first deposit and payees and (2) for sorting the instruments according to predetermined sort pattern categories determined by the bank of subsequent deposit for collecting and clearing;</p>	<p>Owens discloses a sorter at the first location (i.e., the first IPC at the first location – the IPC may cater to an “in-house” POA (col. 20, line 1), so the IPC may be at the first location, i.e., the location of the POA). See Detailed Explanation, paragraph 2, at p.19-20, below.</p> <p>Also, “...associated documents...are physically transported from the POA 12 to the IPC 14 where the documents are physically sorted according to destinations determined while data was developed at the IPC 14” (FIG. 1, element 120, and col. 8, lines 54-58); and “...associated POA 12...physically ships the documents 18...to the IPC 14 for physical sorting of the documents 18” (col. 13, lines 16-19).</p> <p>Also see col. 17, line 23-col. 18, line 24, and Fig. 7 where document sorting based on sort decisions that were placed in the qualified data (step 142 in Fig. 4) for that transaction group which was placed in the data file means 114 (Fig. 1) is discussed and shown. These sorting techniques are also described in detail in relation</p>

'759 Patent Claim 11 Terms	Disclosure In The Owens Patent
	to the sorting means 120 of Fig. 1.
<p>a means at said first location for applying separate indorsements to the instruments on behalf of each of the one or more banks of first deposit and payees, and the bank of subsequent deposit with respect to each instrument received;</p>	<p>The '759 patent acknowledges that printing of indorsement information on checks was known and conventional (col. 5, lines 13-18) which comports with the description in Owens of processing financial instruments (e.g., checks) (cols. 2-6). For example, Owens describes a step that encodes the amount and other data necessary for automated account processing (Col. 2, lines 52-54). Inasmuch as appropriate indorsements are necessary for automated account processing, Owens must inherently provide for printing all indorsements.</p> <p>Double indorsement was known in the prior art (e.g., the U.C.C. §3-204 (indorsement), taken together with §3-402 (signature by representative)), including by means of a device or machine. See Detailed Explanation, paragraph 3, at p.20-24, below. Since such double indorsement was well known to bankers, i.e., persons of ordinary skill in the art, as through the U.C.C., and Owens is directed to banking systems known to operate within the confines of the U.C.C., one having skill in the art would have recognized that such double indorsement is inherent in the banking system disclosed by Owens. At the least, the U.C.C. provisions related to so-called double indorsement would have made such a feature in Owens obvious within the meaning of 35 U.S.C. § 103.</p> <p>Note also col. 24, line 64 – col. 25, line 55 of Owens, especially col. 25, line 55, ensuring that “endorsements are present.”</p>
<p>the sorter further assembling the sorted instruments into discrete groups with respect to the predetermined sort categories;</p>	<p>In Owens, “Those 'transit' documents which exit from the encoder qualifier means 122 are again sorted at the sorting means 120 according to data identifying the particular banks outside the banking system 10 for the usual processing” (col. 13, line 68 – col. 14, line 4). See Detailed Explanation, paragraph 2, at p.19-20, below.</p>

'759 Patent Claim 11 Terms	Disclosure In The Owens Patent
<p>a means for preparing one or more cash letters associated with each assembled group of sorted instruments;</p>	<p>The '759 patent acknowledges that this limitation was known and conventional, explaining at col. 3, lines 58-61, that sorted checks would be delivered "in a cash letter." See Detailed Explanation, paragraph 4, at p.24, below. This is consistent with the description, at col. 5, lines 8-12 in Owens, of a known, conventional environment for processing financial instruments (e.g., checks). Furthermore, Owens discloses a means at the first location for preparing one or more cash letters. See the "detail listings 194," for example, explained at col. 17, line 57 – col. 18, line 4 of Owens.</p>
<p>a communication link between the first location and the one or more banks of first deposit and the payee, and the bank of subsequent deposit for reporting to the respective banks and payee information in the cash letters in anticipation of a deposit in the bank of first deposit and payee's account at the bank of subsequent deposit corresponding to the value of the cash letter;</p>	<p>Owens discloses a communication link between the first location (which includes the first IPC) and the collecting and clearing bank (the second IPC). See Detailed Explanation, paragraph 5, at p.24, below. See FIG. 1 and col. 11, lines 59-65, specifically, "communication means 88." Also see FIG. 9 and col. 19, line 55-col. 20, line 30, specifically high-speed communication network 229. Note that the first IPC communicates with a second IPC, which is the payee's collecting and clearing bank and is remote from the first location. The collecting and clearing bank (i.e., the second IPC) communicates with a third IPC, which receives the financial instruments and forwards them to the POPs, which are the payors' banks (e.g., the banks from which the payors' checks are drawn).</p>
<p>transport means for delivering the groups of instruments and the one or more cash letters from the first location to a second location for introduction into the payment system according to parameters determined by the bank of subsequent deposit; and</p>	<p>At col. 3, lines 54-63, the '759 patent acknowledges that this limitation was known and conventional in the prior art, which is consistent with the description in Owens of processing financial instruments (e.g., checks). See Detailed Explanation, paragraph 6, at p. 24-25, below. See, for example, col. 5, lines 8-12.</p> <p>At the IPC 14, all document movement is performed under processor control so that when documents cannot be accounted for, corrective action can be initiated. (Col. 17, lines 17-22.)</p> <p>Owens discloses a system in which financial instruments and associated cash letters are sent from the first IPC (at the first location) to the third IPC (the IPC at the second location and designated by the collecting and clearing bank to receive the instruments into the payment system) to the POP (e.g., a payor bank from which the financial instruments are drawn). See col. 18,</p>

'759 Patent Claim 11 Terms	Disclosure In The Owens Patent
	<p>lines 5-20, where certain on-us documents 18 which are received and initially processed at one IPC 14 are also separated in step 184 and are forwarded to another IPC within the banking system 10 for processing at that IPC. The transportation of the financial instruments and the associated cash letters from the first location to the second location for receipt into the payment system occurs according to parameters determined by the payee's collecting and clearing bank.</p> <p>In numerous places, Owens shows documents being transported by a truck (e.g., Figures 6, 7, 9).</p>
<p>a control unit interconnecting the banks and predetermining the timing and monitoring the transport of the sorted instruments so as to coordinate the recordation of the deposit of the funds represented by the instruments in the account with the collecting and clearing bank in a sequence coordinated with the timing of settlement in the check payment system.</p>	<p>Owens discloses that each IPC has a "system manager," which includes a control unit (Col. 12, lines 28-37). See Detailed Explanation, paragraph 7, at p.25, below. The communication link is shown at 88 in FIG. 1 and/or 229 in FIG. 9.</p> <p>The control unit and the communication link provide coordination between the payee and the payee's collecting and clearing bank that predetermines the timing and monitors the transport of the sorted financial instruments and their associated cash letters. See col. 17, lines 17-22, col. 13, lines 11-19, col. 16, lines 14-20 and 41-50, col. 17, line 23 – col. 18, line 24; Figure 7, and col. 24, lines 54-63.</p> <p>In Owens, the control unit and the communication link coordinate the recordation of the deposit of the funds represented by the instruments with the collecting and clearing bank in a sequence coordinated with the timing of a settlement of accounts in the check payment system. See col. 10, line 52 - col. 11, line 11, col. 12, lines 53-56, col. 13, lines 59-68, col. 21, lines 1-16, col. 23, lines 14-43, and col. 24, lines 47-52.</p>

Detailed Explanation.

A. The '759 patent is anticipated by Owens and the U.C.C.

Paragraph 1. Regarding the preamble to independent claims 1 and 11, **Owens** is directed to bank accounting entry systems where financial instruments are received by a payee at a first location (Point of Acceptance, POA, col. 2, lines 19-22), in which the first location is determined by the payee (POA) remote from the payee's collecting and

clearing bank. Since the POA is wherever the checks first enter the check paying system via submission to the payee, unless the payee is standing in his/her collecting and clearing bank at the time of acceptance, the location of the POA will be “remote” from the collecting and clearing bank. Where the POA is an institution, it must be “remote” from the collecting and clearing bank, unless the two occupy the same space. It is apparent that if the two were co-located, there would be no need to bypass the collecting and clearing bank.

Paragraph 2. Regarding the "sorter" limitations of claims 1 and 11, **Owens** discloses a sorter at the first location (i.e., the first IPC at the first location – the IPC may cater to an “in-house” POA (col. 20, line 1), so the IPC may be at the first location, i.e., the location of the POA) established by the payee (1) for receiving the financial instruments and (2) for sorting the instruments according to predetermined sort pattern categories determined by the collecting and clearing bank. Associated documents are physically transported from the POA 12 to the IPC 14 where the documents are physically sorted according to destinations determined while data were developed at the IPC 14” (FIG. 1, element 120, and col. 8, lines 54-58). Associated POA 12 physically ships the documents 18 to the IPC 14 for physical sorting of the documents 18 (col. 13, lines 16-19).

The sorting in **Owens** is performed in accordance with predetermined sort pattern categories determined by the collecting and clearing bank (See FIGs 1 and 7, and col. 13, line 11-col. 14, line 26, and col. 17, line 23 – col. 18, line 24). See, particularly, for example, col. 13, lines 33-36, where data records are used by the sorting means to perform the sorting. In this regard, the DI# on a document 18 is read by the sorting means 120 and matched with the DI# contained within the associated qualified data

record 74-D to retrieve the associated routing information for sorting the document 18 into the appropriate pocket within the sorting means 120. In this way the sorting means 120 is controlled by data derived by the data development means 112, the functions of which are further explained at col. 12, lines 38-59. The verification routines used to qualify data in development means 112 must be in accordance with rules of a collecting and clearing bank.

Paragraph 3. With regard to the “printer” (claim 1) and “a means” (claim 11) at the first location for applying separate indorsements on behalf of each of the payee and the collecting and clearing banks the U.C.C. and Owens disclose double indorsement in substance. The ‘759 patent acknowledges that printing of both monetary amount and indorsement information on checks was known and conventional (col. 5, lines 13-18). This acknowledgement comports with the description in **Owens** of a prior art environment for processing financial instruments (e.g., checks) (cols. 2-6). For example, **Owens** describes a step that encodes the amount and other data necessary for automated account processing (Col. 2, lines 52-54). Thus, **Owens** describes a means for applying indorsements.

In any event, the ‘759 patent recognizes that provision of indorsement information on checks by means of a device or machine was well known. Accordingly, one having ordinary skill in the art would have been led to provide a printer at the first location (i.e., an “encoder” at the first IPC at the first location) in **Owens’ system** (see col. 13, lines 55-56: “The encoder qualifier means 122 is basically a conventional MICR printer”) consistent with conventional practices and motivated by a reasonable expectation of successfully implementing double indorsement by applying to the instruments at a time

before, during, and/or after sorting of the instruments, a separate indorsement on behalf of each of the payee and the collecting and clearing bank with respect to each instrument received. Note also col. 24, line 64 – col. 25, line 55 of **Owens**, especially col. 25, line 55, ensuring that “endorsements are present.” Based upon an understanding of what was known and conventional, a person of ordinary skill in the art would have recognized that **Owens** necessarily discloses a printer for applying to the instruments indorsements on behalf of each of the payee and the collecting and clearing bank with respect to each instrument received.

Further, in **Owens**, financial instruments are received at a first location that has a POA and a first IPC. The first IPC communicates with a second IPC, which is the payee’s clearing and collecting bank and is remote from the first location. The collecting and clearing bank (i.e., the second IPC) communicates with a third IPC, which receives the financial instruments and forwards them to the POPs, which are the payors’ banks (e.g., the banks from which the payors’ checks are drawn). **Owens** describes a step that encodes the amount and other data necessary for automated account processing (Col. 2, lines 52-54). Inasmuch as appropriate indorsements are necessary for automated account processing, Owens must inherently provide for printing all indorsements.

The **U.C.C.** provides that parties may agree as to the specific procedures for handling bank deposits and collections that would be most suitable for them and which provides the simplest form of transfer, so long as the identity of the transferor was preserved. Moreover, the **U.C.C.** (§ 4-101, Official Comment 2) expresses a goal of promoting the efficiency of the check collection process in an automated system and, by doing so, increasing the speed and lowering the cost of check collection for those who write and

receive checks. A person of ordinary skill in the art, familiar with the U.C.C., would have recognized that once the information from the financial instrument is in electronic form (as it is in **Owens**-col. 8, lines 41-44), it may be sent electronically to any point in the check payment system. In **Owens**, the POA is a payee and/or an institution of first deposit. In a conventional check payment system, the payee would need to deposit the financial instruments, or checks, in the payee's collecting and clearing bank, and that collecting and clearing bank would then capture the information from the financial instruments, bundle and process the information and pass it along down the line in the check payment system until, eventually, each check is presented to the payor's bank for payment, or refusal of payment. But **Owens** teaches processing checks in the image processing center, IPC (col. 8, lines 46-60), wherein an IPC is analogous in function to a collecting and clearing bank (the IPC extracts data from the information received from the associated POA and puts it into a form for electronic processing for account posting, preparation of reports, etc. The IPC physically sorts the documents according to destinations). **Owens** also teaches that the IPC is "geographically located to provide the services" to the POAs and the POPs (col. 8, lines 47-48) and "located geographically as close as possible to the associated POAs so as to reduce transportation time for transporting documents...to improve work flow, and to reduce high-speed communication costs" (col. 20, lines 9-14). Because **Owens** discloses that both the POA (col. 9, line 7) and the IPC (col. 19, line 68-col. 20, line 1) may be banks, and that they should be located as close as possible, the artisan would have been prompted to merely combine the functions of a POA and IPC in one location (Fig. 9), thus essentially combining the functions of a payee and a payee's collecting and clearing bank in one

institution, motivated by a reasonable expectation of simplifying the system by circumventing transmitting the financial instruments, or electronic forms thereof, to a separate collecting and clearing bank. Instead, having the combined POA/IPC (i.e., payee having the functions of a collecting and clearing bank) would transmit information directly into the check paying system. In so doing, a person of ordinary skill in the art, presumed familiar with the U.C.C., would have been led to employ a separate indorsement on behalf of each of the payee (POA) and the collecting and clearing bank on each check, consistent with conventional U.C.C. policies, and transmit the necessary information directly into the check paying system from the POA/IPC, as required by claims 1 and 11.

The cited U.C.C. provisions and commentary clearly describe the preferred embodiment exemplified in the '759 patent. For example, in Example 1 of the '759 patent the two parties to a transaction are (a) an institutional payee, and (b) the bank at which the payee has an account and that serves as the collecting and clearing bank. The collecting and clearing bank is "remote" from the payee since they are separate entities. With only these two parties involved, the only way to simplify the transfer of checks is to have them go into the payment system in a manner that bypasses the collecting and clearing bank. A person of ordinary skill in the art would have recognized that such a check bypass procedure would have provided for indorsement on behalf of the collecting and clearing bank by the payee as a representative of the collecting and clearing bank. If the payee and the collecting and clearing bank were a single entity, or in a single, common location, there would be no need to bypass the collecting and clearing bank in the check paying procedure. Therefore, the artisan would have recognized that **Owens'**

system necessarily and inherently includes (1) double indorsement, and (2) submission of financial instruments into the payment system by an entity upstream of the collecting and clearing bank in a manner that bypasses the collecting and clearing bank

Accordingly, **Owens** discloses a system that anticipates the system defined in claims 1, 3, and 11 of the '759 patent, within the meaning of 35 U.S.C. § 102.

Paragraph 4. With regard to the “cash letters” of claims 1 and 11, the '759 patent acknowledges that cash letters were known and conventional. See, for example, col. 3, lines 58-61, wherein it is disclosed that sorted checks would be delivered “in a cash letter.” This is consistent with the description, at col. 5, lines 8-12 in **Owens**, of a known, conventional environment for processing financial instruments (e.g., checks).

Furthermore, **Owens** discloses a means at the first location for preparing one or more cash letters. See the “detail listings 194,” for example, explained at col. 17, line 57 – col. 18, line 4 of **Owens**.

Paragraph 5. **Owens** discloses a communication link between the first location (which includes the first IPC) and the collecting and clearing bank (the second IPC). See FIG. 1 and col. 11, lines 59-65, specifically, “communication means 88.” Also see FIG. 9 and col. 19, line 55-col. 20, line 30, specifically high-speed communication network 229.

Paragraph 6. Regarding the transport means of claims 1 and 11, col. 3, lines 54-63, the '759 patent acknowledges that such was known and conventional in the prior art. This is consistent with the description in **Owens** of a known, conventional environment for processing financial instruments (e.g., checks). See, for example, col. 5, lines 8-12.

The transportation of the financial instruments and the associated cash letters from the first location to the second location for receipt into the payment system occurs according to parameters determined by the payee's collecting and clearing bank. The following passage is exemplary:

A major requirement of any financial entry processing system entails the movement of documents to their final outclearing destinations. At the IPC 14, all document movement is performed under processor control so that when documents cannot be accounted for, corrective action can be initiated. (**Owens**-Col. 17, lines 17-22.)

Further, in numerous places, **Owens** shows documents being transported by a truck (e.g., Figures 6, 7, 9).

Paragraph 7. The control unit (processor) and the communication link provide coordination between the payee and the payee's collecting and clearing bank that predetermines the timing and monitors the transport of the sorted financial instruments and their associated cash letters. In **Owens**, the central processing unit (col. 12, lines 28-37) and the communication link (88 in FIG. 1 and/or 229 in FIG. 9) provide coordination between the payee and the payee's collecting and clearing bank that predetermines the timing and monitors the transport of the sorted financial instruments and their associated cash letters. See col. 17, lines 17-22, col. 13, lines 11-19, col. 16, lines 14-20 and 41-50, col. 17, line 23 – col. 18, line 24; Figure 7, and col. 24, lines 54-63. Further, the central processing unit and the communication link in **Owens** coordinate the recordation of the deposit of the funds represented by the instruments with the collecting and clearing bank in a sequence coordinated with the timing of a settlement of accounts in the check payment system. See col. 10, line 52 - col. 11, line 11, col. 12, lines 53-56, col. 13, lines 59-68, col. 21, lines 1-16, col. 23, lines 14-43, and col. 24, lines 47-52.

B. The '759 patent is rendered obvious by Owens in view of U.C.C.

A person of ordinary skill in the art of financial transactions is presumed to be aware of the relevance of the U.C.C. See Paragraph 3 in Detailed Explanation, at p.20-24, above. At the least, a person of ordinary skill in the art would have been led to include such features (1) and (2) in **Owens'** system to perform their known and expected functions, motivated by a reasonable expectation of successfully simplifying the process and improving efficiency. Indeed, creating a "process that is more desirable, for example because it is stronger, cheaper, cleaner, faster, lighter, smaller, more durable, or more efficient...to enhance commercial opportunities...is universal-and even common-sensical." *Pfizer, Inc. v. Apotex, Inc.*, _____ F.3d _____ (Case No. 2006-1261) (Fed. Cir. 2007); *Dystar Textilfarben GmbH & Co. Deutschland KG v. C.H. Patrick Co.*, 464 F.3d 1356 (Fed. Cir. 2006). The artisan would have recognized that **Owens'** document processing would be made more efficient by providing for a bypass of the collecting and clearing bank, with the U.C.C. provisions providing the impetus for such a modification, by its suggestion of double indorsement of financial instruments and submission of financial instruments into the payment system by an entity upstream of the collecting and clearing bank in a manner that bypasses the collecting and clearing bank. One way that a patent's subject matter can be proved obvious is by noting that there existed at the time of the invention a known problem for which there was an obvious solution encompassed by the patent's claims. Moreover, an artisan is a person of ordinary creativity. *KSR Int'l v. Teleflex, Inc.*, 550 U.S. ___ (2007). One having ordinary skill in the art would have recognized that inefficiency in the transfer of checks was a known problem. Bypassing

the collecting and clearing bank, as in claims 1, 3, and 11 of the '759 patent, was a solution, well recognized by the artisan familiar with the U.C.C., entailing the use of a double indorsement by the payee, indorsing for both the payee and the collecting and clearing bank, thus circumventing the collecting and clearing bank.

Conclusion

For the reasons above, reexamination of claims 1, 3, and 11 of U.S. Patent No. 5,583,759 is requested.

Dated: May 31, 2007

Respectfully submitted,
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ATTORNEYS/AGENTS FOR REQUESTER

APPENDIX

The following are portions of the U.C.C., 1990 Revision, relied on in this Request for Reexamination.

§ 3-204. INDORSEMENT.

(a) "Indorsement" means a signature, other than that of a signer as maker, drawer, or acceptor, that alone or accompanied by other words is made on an instrument for the purpose of (i) negotiating the instrument, (ii) restricting payment of the instrument, or (iii) incurring indorser's liability on the instrument, but regardless of the intent of the signer, a signature and its accompanying words is an indorsement unless the accompanying words, terms of the instrument, place of the signature, or other circumstances unambiguously indicate that the signature was made for a purpose other than indorsement. For the purpose of determining whether a signature is made on an instrument, a paper affixed to the instrument is a part of the instrument.

(b) "Indorser" means a person who makes an indorsement.

(c) For the purpose of determining whether the transferee of an instrument is a holder, an indorsement that transfers a security interest in the instrument is effective as an unqualified indorsement of the instrument.

(d) If an instrument is payable to a holder under a name that is not the name of the holder, indorsement may be made by the holder in the name stated in the instrument or in the holder's name or both, but signature in both names may be required by a person paying or taking the instrument for value or collection.

§ 3-401. SIGNATURE.

(a) A person is not liable on an instrument unless (i) the person signed the instrument, or (ii) the person is represented by an agent or representative who signed the instrument and the signature is binding on the represented person under Section 3-402.

(b) A signature may be made (i) manually or by means of a device or machine, and (ii) by the use of any name, including a trade or assumed name, or by a word, mark, or symbol executed or adopted by a person with present intention to authenticate a writing.

§ 3-402. SIGNATURE BY REPRESENTATIVE.

(a) If a person acting, or purporting to act, as a representative signs an instrument by signing either the name of the represented person or the name of the signer, the

represented person is bound by the signature to the same extent the represented person would be bound if the signature were on a simple contract. If the represented person is bound, the signature of the representative is the "authorized signature of the represented person" and the represented person is liable on the instrument, whether or not identified in the instrument.

(b) If a representative signs the name of the representative to an instrument and the signature is an authorized signature of the represented person, the following rules apply:

(1) If the form of the signature shows unambiguously that the signature is made on behalf of the represented person who is identified in the instrument, the representative is not liable on the instrument.

(2) Subject to subsection (c), if (i) the form of the signature does not show unambiguously that the signature is made in a representative capacity or (ii) the represented person is not identified in the instrument, the representative is liable on the instrument to a holder in due course that took the instrument without notice that the representative was not intended to be liable on the instrument. With respect to any other person, the representative is liable on the instrument unless the representative proves that the original parties did not intend the representative to be liable on the instrument.

(c) If a representative signs the name of the representative as drawer of a check without indication of the representative status and the check is payable from an account of the represented person who is identified on the check, the signer is not liable on the check if the signature is an authorized signature of the represented person.

Section 36-4-101. SHORT TITLE.

This chapter may be cited as Uniform Commercial Code - Bank Deposits and Collections.

OFFICIAL COMMENT

1. The great number of checks handled by banks and the country-wide nature of the bank collection process require uniformity in the law of bank collections. There is needed a uniform statement of the principal rules of the bank collection process with ample provision for flexibility to meet the needs of the large volume handled and the changing needs and conditions that are bound to come with the years. This Article meets that need.

2. In 1950 at the time Article 4 was drafted, 6.7 billion checks were written annually. By the time of the 1990 revision of Article 4 annual volume was estimated by the American Bankers Association to be about 50 billion checks. The banking system could not have coped with this increase in check volume had it not developed in the late 1950s and early 1960s an automated system for check collection based on encoding checks with machine-readable information by Magnetic Ink Character Recognition (MICR). An important goal of the 1990 revision of Article 4 is to promote the efficiency of the check collection

process by making the provisions of Article 4 more compatible with the needs of an automated system and, by doing so, increase the speed and lower the cost of check collection for those who write and receive checks. An additional goal of the 1990 revision of Article 4 is to remove any statutory barriers in the Article to the ultimate adoption of programs allowing the presentment of checks to payor banks by electronic transmission of information captured from the MICR line on the checks. The potential of these programs for saving the time and expense of transporting the huge volume of checks from depositary to payor banks is evident.

Article 4 defines rights between parties with respect to bank deposits and collections. It is not a regulatory statute. It does not regulate the terms of the bank-customer agreement, nor does it prescribe what constraints different jurisdictions may wish to impose on that relationship in the interest of consumer protection. The revisions in Article 4 are intended to create a legal framework that accommodates automation and truncation for the benefit of all bank customers. This may raise consumer problems which enacting jurisdictions may wish to address in individual legislation. For example, with respect to Section 4-401(c), jurisdictions may wish to examine their unfair and deceptive practices laws to determine whether they are adequate to protect drawers who postdate checks from unscrupulous practices that may arise on the part of persons who induce drawers to issue postdated checks in the erroneous belief that the checks will not be immediately payable. Another example arises from the fact that under various truncation plans customers will no longer receive their cancelled checks and will no longer have the cancelled check to prove payment. Individual legislation might provide that a copy of a bank statement along with a copy of the check is prima facie evidence of payment.

§ 4-103. VARIATION BY AGREEMENT; MEASURE OF DAMAGES; ACTION CONSTITUTING ORDINARY CARE.

(a) The effect of the provisions of this Article may be varied by agreement, but the parties to the agreement cannot disclaim a bank's responsibility for its lack of good faith or failure to exercise ordinary care or limit the measure of damages for the lack or failure. However, the parties may determine by agreement the standards by which the bank's responsibility is to be measured if those standards are not manifestly unreasonable.

(b) Federal Reserve regulations and operating circulars, clearing-house rules, and the like have the effect of agreements under subsection (a), whether or not specifically assented to by all parties interested in items handled.

(c) Action or non-action approved by this Article or pursuant to Federal Reserve regulations or operating circulars is the exercise of ordinary care and, in the absence of special instructions, action or non-action consistent with clearing-house rules and the like or with a general banking usage not disapproved by this Article, is prima facie the exercise of ordinary care.

(d) The specification or approval of certain procedures by this Article is not disapproval of other procedures that may be reasonable under the circumstances.

(e) The measure of damages for failure to exercise ordinary care in handling an item is the amount of the item reduced by an amount that could not have been realized by the exercise of ordinary care. If there is also bad faith it includes any other damages the party suffered as a proximate consequence.

§ 4-206. TRANSFER BETWEEN BANKS.

Any agreed method that identifies the transferor bank is sufficient for the item's further transfer to another bank.