UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

OIP TECHNOLOGIES, INC.,

Plaintiff,

v.

AMAZON.COM, INC.,

Defendant.

_____/

No. C-12-1233 EMC

ORDER GRANTING DEFENDANT'S MOTION TO DISMISS

(Docket No. 33)

I. INTRODUCTION

Pending before the Court is Defendant Amazon's motion to dismiss for failure to state a claim under Rule 12(b)(6) of the Federal Rules of Civil Procedure. Docket No. 33. Defendant argues that Plaintiff OIP's patent is facially invalid under 35 U.S.C. § 101 because it covers non-patent-eligible subject matter. Having considered the parties' submissions and oral argument, and for the reasons set forth below, the Court **GRANTS** Defendant's motion to dismiss under § 101.

II. FACTUAL & PROCEDURAL BACKGROUND

In the Complaint, Docket No. 1, Plaintiff alleges as follows. Plaintiff OIP is the successor to Optivo Corporation. Compl. ¶ 19. Defendant Amazon is the world's leading online retailer with its headquarters in Seattle, Washington. OIP owns the patent at issue in this case – U.S. Patent No. 7,970,713 ("the '713 patent") – entitled "Method and Apparatus for Automatic Pricing in Electronic Commerce." Compl., Ex. 1. OIP's invention was designed to facilitate e-commerce price selection and optimization. *Id.* ¶ 9. Marketed as the Optivo Pricing Solution, the invention allowed for "automated testing and selection of prices for goods and services sold online." *Id.* ¶ 10. Optivo

released the product in 2001and allowed e-commerce companies to participate in trials of the technology. *Id.* ¶ 11.

Amazon's consumer electronics unit participated in a trial demonstration in June 2001, increasing its contribution margin by 7% of revenue. *Id.* ¶¶ 13-14. The parties exchanged information under a Non-Disclosure Agreement during that time. *Id.* ¶ 13. The parties met on September 18, 2001, to discuss Amazon's potential acquisition of Optivo and its technology. *Id.* ¶ 16. At that meeting, Optivo presented a detailed presentation regarding the patent-pending technology, and projected that using the Optivo technology could increase margins by $100 million. *Id.* ¶ 17. Amazon declined to purchase Optivo, but offered employment to two Optivo engineers for the job title of "Price Statisticians." *Id.* ¶ 18. Both engineers fielded technical questions about the Optivo technology during the interview. *Id.*

Approximately ten years later, on June 28, 2011, the '713 patent issued. *Id.* ¶ 19. The abstract to the '713 patent states:

> An automatic pricing method and apparatus for use in electronic commerce environments is described. Automatic pricing uses live price testing to estimate and measure demand for specific products--taking into account where appropriate, a vendor selected segmentation scheme. The results of live price testing are compared using a vendor selected goal function, e.g. profit maximization, to select a new price. A goal function that balances short term gains versus long term gains based on customer lifetime value is described. The live price testing approach used is designed to minimize losses due to price testing through statistical methods. Additionally, methods for distributing price testing across time so as to avoid problems caused by too many ongoing tests as well as side effects from testing are described. The selected price is a win for both purchasers and vendors as the automatic price will approximate the efficiency of a reverse auction without the inconvenience of the auction format while being goal maximizing for the vendor. For example, a vendor that normally sets prices of items for sale to customers can use embodiments of the invention to great effect.

Compl. Ex. 1, at 1. The '713 patent contains two independent claims, which the Court reproduces below. Claim 1, the independent method claim, states:

> A method of pricing a product for sale, the method comprising:
>
> [1] testing each price of a plurality of prices by sending a first set of electronic messages over a network to devices;

[a] wherein said electronic messages include offers of said product;

[b] wherein said offers are to be presented to potential customers of said product to allow said potential customers to purchase said product for the prices included in said offers;

[c] wherein the devices are programmed to communicate offer terms, including the prices contained in the messages received by the devices;

[d] wherein the devices are programmed to receive offers for the product based on the offer terms;

[e] wherein the devices are not configured to fulfill orders by providing the product;

[f] wherein each price of said plurality of prices is used in the offer associated with at least one electronic message in said first set of electronic messages;

[2] gathering, within a machine-readable medium, statistics generated during said testing about how the potential customers responded to the offers, wherein the statistics include number of sales of the product made at each of the plurality of prices;

[3] using a computerized system to read said statistics from said machine-readable medium and to automatically determine, based on said statistics, an estimated outcome of using each of the plurality of prices for the product;

[4] selecting a price at which to sell said product based on the estimated outcome determined by said computerized system; and

[5] sending a second set of electronic messages over the network, wherein the second set of electronic messages include offers, to be presented to potential customers, of said product at said selected price.

Compl. Ex. 1. Claim 27, the independent medium claim, describes:

A computer-readable medium carrying instructions which, when executed by one or more processors, cause the one or more processors to price a product for sale by performing the steps of:

[1] testing each price of a plurality of prices by sending a first set of electronic messages over a network to devices;

[a] wherein said electronic messages include offers of said product;

[b] wherein said offers are to be presented to potential customers of said product to allow said potential

> customers to purchase said product for the prices included in said offers;
>
> [c] wherein the devices are programmed to communicate offer terms, including the prices contained in the messages received by the devices;
>
> [d] wherein the devices are programmed to receive orders for the product based on the offer terms;
>
> [e] wherein the devices are not configured to fulfill orders by providing the product;
>
> [f] wherein each price of said plurality of prices is used in the offer associated with at least one electronic message in said first set of electronic messages;
>
> [2] gathering, within a machine-readable medium, statistics generated during said testing about how the potential customers responded to the offers, wherein the statistics include number of sales of the product made at each of the plurality of prices;
>
> [3] using a computerized system to read said statistics from said machine-readable medium and to automatically determine, based on said statistics, an estimated outcome of using each of the plurality of prices for the product;
>
> [4] selecting a price at which to sell said product based on the estimated outcome determined by said computerized system; and
>
> [5] sending a second set of electronic messages over the network, wherein the second set of electronic messages include offers, to be presented to potential customers, of said product at said selected price.

Id.

Thus, the two independent claims are identical but that Claim 27 provides for a "computer-readable medium" capable of performing the method of Claim 1. The remaining claims are dependent claims, based off of Claims 1 or 27.

On March 12, 2012, OIP filed this suit alleging that Amazon infringes the '713 patent by, *e.g.*, "making and using software systems for automated testing and selection of prices for products and services offered for sale on www.amazon.com wherein statistics are generated during the testing, estimated outcomes are determined, and prices are selected for a subsequent offer for sale of a product or service based on the estimated outcomes." *Id.* ¶ 24. OIP further alleges that Amazon's infringement of the '713 patent "has been and continues to be willful." *Id.* ¶ 26. Plaintiff alleges that

Amazon has had notice that the patent was pending since at least 2001, because Plaintiff directly so informed it. *Id.* ¶ 20.

III. DISCUSSION

A. Legal Standard

Under Federal Rule of Civil Procedure 12(b)(6), a party may move to dismiss based on the failure to state a claim upon which relief may be granted. *See* Fed. R. Civ. P. 12(b)(6). A motion to dismiss based on Rule 12(b)(6) challenges the legal sufficiency of the claims alleged. *See Parks Sch. of Bus. v. Symington*, 51 F.3d 1480, 1484 (9th Cir. 1995). In considering such a motion, a court must take all allegations of material fact as true and construe them in the light most favorable to the nonmoving party, although "conclusory allegations of law and unwarranted inferences are insufficient to avoid a Rule 12(b)(6) dismissal." *Cousins v. Lockyer*, 568 F.3d 1063, 1067 (9th Cir. 2009). While "a complaint need not contain detailed factual allegations . . . it must plead 'enough facts to state a claim to relief that is plausible on its face.'" *Id.* "A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009); *see also Bell Atl. Corp v. Twombly*, 550 U.S. 544, 556 (2007). "The plausibility standard is not akin to a 'probability requirement,' but it asks for more than sheer possibility that a defendant acted unlawfully." *Iqbal*, 556 U.S. at 678 (quoting *Twombly*, 550 U.S. at 556).

B. Patent Eligibility Under 35 U.S.C. § 101

Section 101 of the Patent Act provides that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefore, subject to the conditions and requirements of this title." 35 U.S.C. § 101. "In choosing such expansive terms modified by the comprehensive 'any,' Congress plainly contemplated that the patent laws would be given wide scope." *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010).

Notwithstanding the broad scope of § 101, however, there are three judicially-created exceptions to § 101 patent-eligibility: "laws of nature, physical phenomena, and abstract ideas." *Bilski*, 130 S. Ct. at 3225; *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289,

DOCKET ALARM

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS
Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS
Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS
Sync your system to PACER to automate legal marketing.