

# **EXHIBIT 1004**

**TO PETITIONER GOOGLE INC.'S  
PETITION FOR COVERED BUSINESS  
METHOD REVIEW OF  
U.S. PATENT NO. 7,942,317**



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(54) Title: METHOD AND SYSTEM FOR CONDUCTING ELECTRONIC COMMERCE TRANSACTIONS		
<p>(57) Abstract</p> <p>A system and method for conducting electronic payment transactions accepts and stores information describing an item sold by a merchant on a commerce server. The merchant also defines payment processing rules that define the payment methods accepted by the merchant. The merchant, in turn, is provided with a reference identifying the commerce server and the item. The merchant preferably publishes this reference at the merchant's web site on a web page offering the item for sale. A customer viewing the merchant's web site indicates a desire to purchase the item by selecting the reference. As a result, the customer is put in contact with the commerce server and is provided with information from the commerce server about the item and is given a list of payment options. The customer preferably selects a payment option and provides the commerce server with payment information, such as a credit card number. In response, the commerce server contacts a selected payment system and completes the electronic commerce transaction. The commerce server then notifies the customer and the merchant of the results of the electronic commerce transaction and delivers the item to the customer.</p>		

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# METHOD AND SYSTEM FOR CONDUCTING ELECTRONIC COMMERCE TRANSACTIONS

## CROSS-REFERENCE TO RELATED APPLICATION

5 This application is a continuation-in-part of U.S. Provisional Application No.  
60/054,121, filed July 29, 1997.

## BACKGROUND

### FIELD OF THE INVENTION

This invention pertains in general to electronic commerce and in particular to a method  
10 and system for conducting electronic payment transactions via the Internet.

### BACKGROUND OF THE INVENTION

Electronic commerce conducted over the Internet has become increasingly important  
over the last decade. Online merchants offer goods and services for sale or rent including  
15 physical objects such as compact disks, books, and clothing, and intellectual property such as  
streaming music and movies and electronic books. Physical items may be delivered to the  
customer via the mail or a variety of other shipping options. Intellectual property, in contrast,  
may be delivered to the customer by allowing a download via the file transfer protocol  
("FTP"), providing the customer with an access key, establishing a telnet session, or through  
20 some other form of electronic delivery.

Typically, these goods and services are displayed on the merchant's web site and a  
prospective customer views, selects, and purchases the goods using web browsing software  
such as NETSCAPE NAVIGATOR<sup>®</sup>. The customer usually pays for a product by establishing  
a secure connection with the merchant's web server and transmitting payment information,  
25 such as a credit card number, to the merchant. The merchant then uses back-end processing to  
verify the payment information and receive payment. For example, the merchant may use a  
secure telephone line or network link to contact the credit card issuer before accepting the  
customer's order. Eventually, the merchant and credit card issuer settle payment and the  
merchant delivers the product or service to the customer.

30 A difficulty with the above-described scenario is that each merchant must implement an  
inventory and payment database and a payment acceptance and verification system. For  
example, the merchant must establish and maintain a database tracking sales, delivery, and  
payment information and product inventories in order to support the electronic commerce  
system. There is significant cost and complexity in maintaining this database, including the  
35 difficulty of integrating it with legacy accounting and fulfillment systems and aggravated by

the scarcity of truly skilled personnel. In addition, the merchant must design web pages to securely accept the order and payment information and implement the functionality to verify the payment. These tasks can be extremely difficult if the merchant accepts payment using many different methods, such as credit cards and electronic fund transfers, or accepts payment in more than one currency. Moreover, having a large number of separate payment acceptance systems on the Internet provides a greater opportunity for fraud and abuse because the flaws of each system can be exploited.

Although Internet-based electronic commerce clearinghouses have been developed to handle transactions from many different parties, these clearinghouses do not provide a convenient interface to the merchant. In addition, the merchant must still establish the payment, verification, and database systems described above.

Accordingly, there is a need in the art for a method and system for conducting electronic commerce on the Internet which reduces the amount of work that must be performed by the online merchant. Preferably, the method and system will allow the merchant to easily and verifiably perform inventory, sales, and delivery tracking and transparently support different types of payments and currencies.

#### SUMMARY OF THE INVENTION

The above needs are met by a method and system for conducting electronic commerce transactions that allows a merchant to easily sell a mix of physical and intangible items and supports sales, inventory, and delivery tracking and a variety of payment systems by having the merchant establish an account on a commerce server. The commerce server provides the merchant with inventory, accounting, and order management systems. Furthermore, the commerce server allows merchants to conduct electronic commerce with other merchants and vendors.

The commerce server includes a web server providing web pages to the merchant. By using these web pages, the merchant establishes an account on the commerce server. Then, the merchant provides the commerce server with information about an item sold by the merchant, such as a plane ticket, clothing, a book, a software product, or playing time with an online game. The merchant also provides the commerce server with other attributes of the item from which the customer may select, for example, the quantity or duration of an item. In addition, the merchant supplies payment processing rules defining the payment options that are acceptable to the merchant, such as which currencies and payment systems are allowed and when or how often to bill the customer.

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