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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte PETER HITCHMOTH

Appeal 2015-005416
Application 13/834,425¹
Technology Center 3600

Before NINA L. MEDLOCK, BRUCE T. WIEDER, and
MATTHEW S. MEYERS, *Administrative Patent Judges*.

WIEDER, *Administrative Patent Judge*.

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. § 134 from the Examiner's rejection of claims 1–12 and 14–18. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

CLAIMED SUBJECT MATTER

Appellant's claimed "invention relates to an electronic invoice payment system, and more particularly to systems and methods for

¹ According to Appellant, the real party in interest is Bottomline Technologies (DE), Inc. (Appeal Br. 2.)

analyzing vendor behavior propensities in such an electronic invoice payment system.” (Spec. 1, ll. 5–7.)

Claim 1 is the sole independent claim on appeal. It recites (emphasis added):

1. An electronic invoice payment system comprising:
 - a database stored on a non-transitory computer readable medium, the database including a plurality of vendor records containing information pertaining to a plurality of vendors;
 - a network interface configured to receive presented invoices from multiple vendors for payment by multiple buyers, wherein the presented invoices are stored in an invoice database stored on the non-transitory computer-readable medium; and
 - a processor configured to analyze at least a portion of the vendor records to determine whether a subject vendor selected from among the plurality of vendors satisfies one or more predetermined criteria, and when the processor determines that the subject vendor satisfies the one or more predetermined criteria, *to calculate a vendor propensity factor that operates as a measure of the subject vendor’s propensity to participate in an aspect of the electronic invoice payment system pertaining to processing invoices for payment by buyers to vendors based on the presented invoices* and generate a vendor propensity record including the vendor propensity factor for the subject vendor.

REJECTIONS

Claims 1–12 and 14–18 are rejected under 35 U.S.C. § 101 as directed to patent-ineligible subject matter.

Claims 1, 2, 4, 5, 7, 10–12, and 14–18 are rejected under 35 U.S.C. § 103(a)² as unpatentable in view of Gindlesperger (US 7,451,106 B1, iss. Nov. 11, 2008) and Rojahn (US 2007/0260776 A1, pub. Nov. 8, 2007).

Claims 3 and 9 are rejected under 35 U.S.C. § 103(a) as unpatentable in view of Gindlesperger, Rojahn, and Suchan Chae & Paul Heidhues, *Buyer's Alliances for Bargaining Power*, 13 J. Econ. & Mgmt. Strategy 4, Winter 2004, at 731–54.

Claim 6 is rejected under 35 U.S.C. § 103(a) as unpatentable in view of Gindlesperger, Rojahn, and David S. Evans, *It Takes Two to Tango: The Economics of Two-Sided Markets*, *The Payment Card Econ. Rvw.*, Winter 2003, at 1–12.

Claim 8 is rejected under 35 U.S.C. § 103(a) as unpatentable in view of Gindlesperger, Rojahn, and İbrahim Gürler, *Supplier Selection Criteria of Turkish Automotive Industry*, 2 J. Yasar Univ. 6, 555–69 (2007).

ANALYSIS

The § 101 rejection

After the Final Action was mailed, the Supreme Court decided *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014). *Alice* applies a two-part framework, earlier set out in *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66 (2012), “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that

² The Examiner states that “[c]laim 13 is cancelled.” (Final Action 2.) Therefore, we treat the statement that “[c]laims 1, 2, 4, 5, 7, and 10–18 are rejected under . . . 103(a)” as a typographical error. (*See id.*)

claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355.

Under the two-part framework, it must first be determined if “the claims at issue are directed to a patent-ineligible concept.” *Id.* If the claims are determined to be directed to a patent-ineligible concept, e.g., an abstract idea, then the second part of the framework is applied to determine if “the elements of the claim . . . contain[] an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *Id.* at 2357 (citing *Mayo*, 566 U.S. at 72–73, 79).

In the Answer, the Examiner enters a new ground of rejection rejecting claims 1–12 and 14–18 under § 101. Appellant does not separately argue the subject matter eligibility of the rejected claims. Therefore, we select claim 1 as representative and claims 2–12 and 14–18 stand or fall with claim 1. *See* 37 C.F.R. § 41.37(c)(1)(iv).

With regard to part one of the *Alice* framework, the Examiner determines that the claims “are directed to an electronic invoice payment system, which is a fundamental economic practice, as well as a method of organizing human activities, and thus an abstract idea.” (Answer 2.)

Appellant disagrees and argues that “[t]he Examiner has taken too limited a view of what constitutes the nature of the invention.” (Reply Br. 3.) In particular, Appellant argues that

although invoice processing in a broad sense may be considered a fundamental economic practice or a method of organizing human activities, in operation the claimed invention goes beyond such basic activity. Rather, the claimed invention conducts a new analysis of otherwise conventional invoice records, to

automatically calculate the vendor propensity factor and then generate the vendor propensity record.

(*Id.*)

Under part one of the *Alice* framework, we “look at the ‘focus of the claimed advance over the prior art’ to determine if the claim’s ‘character as a whole’ is directed to excluded subject matter.” *Affinity Labs of Texas, LLC v. DirectTV, LLC*, 838 F.3d 1253, 1257 (Fed. Cir. 2016) (quoting *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016)). Thus, although we consider the claim as a whole, the “directed to” inquiry focuses on the claim’s “character as a whole.”

The Specification provides evidence as to what the invention is directed. In this case, “[t]he present invention provides a system and methods that provide an algorithm to predict or identify a vendor’s propensity to participate in one or more aspects of a third party invoice processing system. An improved electronic invoice system thus has a vendor propensity analysis feature.” (Spec. p. 7, l. 30 – p. 8, l. 2.) In short, Appellant’s invention is directed to an electronic invoice system that includes a predictive algorithm.

The Federal Circuit has “treated analyzing information by steps people go through in their minds, or by mathematical algorithms, without more, as essentially mental processes within the abstract-idea category.” *Elec. Power Grp.*, 830 F.3d at 1354. Additionally, the Federal Circuit has “recognized that merely presenting the results of abstract processes of collecting and analyzing information, without more (such as identifying a particular tool for presentation), is abstract as an ancillary part of such collection and analysis.” *Id.* Thus, a system, like the claimed system, “that

employs mathematical algorithms to manipulate existing information to generate additional information is not patent eligible.” *See Digitech Image Techs, LLC v. Elecs. for Imaging, Inc.*, 758 F.3d 1344, 1351 (Fed. Cir. 2014).

Appellant, however, argues that the present claims are not directed to an abstract idea and can be analogized to the claims in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014). (Reply Br. 3–5.) We disagree.

The claims in *DDR* “do not recite a mathematical algorithm.” *Id.* at 1257. Appellant’s claims recite “calculat[ing] a vendor propensity factor,” i.e., applying an algorithm. (*See* Claim 1.) Moreover, the claims in *DDR* “specify how interactions with the Internet are manipulated to yield a desired result – a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *DDR Holdings*, 773 F.3d at 1258. Although Appellant argues that “the claimed invention conducts a new analysis of otherwise conventional invoice records,” (Reply Br. 4), Appellant simply applies an algorithm to conduct the analysis. And, as discussed above, “a process that employs mathematical algorithms to manipulate existing information to generate additional information is not patent eligible.” *Digitech*, 758 F.3d at 1351.

In view of the above, we are not persuaded that the Examiner erred in determining that the claims are directed to an abstract idea.

With regard to part two of the *Alice* framework, the Examiner determines that

[t]he claims do not include additional elements that are sufficient to amount to significantly more than the judicial exception

because the claims do not provide improvements to another technology or technical field, improvements to the functioning of the computer itself, and do not provide meaningful limitations beyond general linking the use of an abstract idea to a particular technological environment.

(Answer 2.)

Appellant again argues that “[t]he claimed invention conducts a new analysis on otherwise conventional invoice records.” (Reply Br. 6.)

However, for the reasons discussed above, we are not persuaded of error.

Appellant additionally argues that the claims “avoid[] preemption of conventional aspects of invoice processing.” (*Id.*)

Preemption, however, is not a separate test.

To be clear, the proper focus is not preemption *per se*, for some measure of preemption is intrinsic in the statutory right granted with every patent to exclude competitors, for a limited time, from practicing the claimed invention. *See* 35 U.S.C. § 154. Rather, the animating concern is that claims should not be coextensive with a natural law, natural phenomenon, or abstract idea; a patent-eligible claim must include one or more substantive limitations that, in the words of the Supreme Court, add “significantly more” to the basic principle, with the result that the claim covers significantly *less*. *See Mayo* 132 S. Ct. at 1294 [566 U.S. at 72–73].

CLS Bank Int’l v. Alice Corp. Pty. Ltd., 717 F.3d 1269, 1281 (Fed. Cir. 2013), *aff’d*, 134 S. Ct. 2347 (2014). Moreover, “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Id.*

In view of the above, we are not persuaded that the Examiner erred in rejecting claims 1–12 and 14–18 under § 101.

The § 103 rejection

In relevant part, claim 1 recites: “to calculate a vendor propensity factor that operates as a measure of the subject vendor’s propensity to participate in an aspect of the electronic invoice payment system pertaining to processing invoices for payment by buyers to vendors based on the presented invoices.”

The Examiner finds that Gindlesperger discloses “‘pertaining to processing invoices for payment by buyers to vendors based on the presented invoices’ (‘system can prepare the invoice data ... for proper allocation of costs’ . . . , Col. 17 lines 2–17).” (Final Action 4.) The Examiner also finds that Rojahn discloses “‘and when the processor determines that the subject vendor satisfies the one or more predetermined criteria, to calculate a vendor propensity factor that operates as a measure of the subject vendor’s propensity to participate in an aspect of the electronic invoice payment system’ (‘total requirement assessment score’ ¶100–102).” (*Id.*)

Gindlesperger discloses “selecting a lowest bidding vendor from a plurality of vendors of a customized good or service, including receiving a set of vendor’s attributes from each of the plurality of vendors representing their respective capabilities.” (Gindlesperger, Abstract.) Gindlesperger further discloses receiving invoice data from vendor and generating, “for the buyer’s approval, a corresponding invoice at the buyer’s web site portal workspace.” (*Id.* at 17, ll. 2–6.)

Rojahn discloses “assessing vendors for meeting requirements of a service provider for deploying a selected service.” (Rojahn, Abstract.)

Rojahn further discloses that for each relevant vendor, “a score is provided representing this vendor’s actual capability.” (*Id.* ¶ 100.)

The Examiner determines that

[i]t would be obvious of one of ordinary skill in the art at the time of invention to modify Gindlesperger to include the teachings of Rojahn because one goal of the Gindlesperger invention is to eliminate time-consuming assessments of each bidder (Col. 16 lines 35–37). Incorporating the vendor scoring taught by Rojahn would further this goal and allow the user to better evaluate vendors with a more comprehensive vendor management tool.

(Final Action 4.)

But the Examiner does not sufficiently explain why it would have been obvious to modify Gindlesperger’s teaching of a system that can prepare invoice data in view of Rojahn’s teaching of a requirement assessment score. Specifically, the Examiner does not sufficiently explain why it would have obvious to modify the prior art so as to calculate a vendor propensity factor “based on the presented invoices,” as recited in claim 1. *See KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 418 (2007), citing *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006) (“[T]here must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.”).

Therefore, we are persuaded that the Examiner erred in rejecting claim 1 and dependent claims 2–12 and 14–18 under § 103(a).

DECISION

The Examiner’s rejection of claims 1–12 and 14–18 under 35 U.S.C. § 101 is affirmed.

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The Examiner's rejections of claims 1–12 and 14–18 under 35 U.S.C. § 103(a) are reversed.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a)(1)(iv).

AFFIRMED