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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte DONALD KINGSBOROUGH, TALBOTT ROCHE, TERI LLACH, and JULIANNA SHAW

Appeal 2015-007384[1]
Application 11/459,733[2]
Technology Center 3600

Before JOSEPH A. FISCHETTI, TARA L. HUTCHINGS, and MATTHEW S. MEYERS, *Administrative Patent Judges*.

MEYERS, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellants appeal under 35 U.S.C. § 134(a) from the Examiner's Final Rejection of claims 1, 2, 4–8, and 10–29. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

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[1] Our decision references Appellants' Appeal Brief ("Appeal Br.," filed March 23, 2015) and Reply Brief ("Reply Br.," filed August 3, 2015), the Examiner's Answer ("Ans.," mailed June 3, 2015), and Final Office Action ("Final Act.," mailed October 24, 2014).

[2] Appellants identify Safeway, Inc. as the real party in interest (Appeal Br. 4).

CLAIMED INVENTION

Appellants' claims relate "generally to methods and apparatus for conducting retail sales and, more particularly, to methods and apparatus for payment for retail purchases by consumers enrolled in payment and/or loyalty programs offered by a retailer" (Spec. ¶ 2).

Claim 1 is the sole independent claim on appeal. Claim 1, reproduced below, is illustrative of the subject matter on appeal:

> 1. A method of enrolling a customer in a merchant payment program offered by an enrolling merchant's computer system, the enrolling merchant's computer system comprising software which causes the enrolling merchant's computer system to perform the method, the method comprising:
>
> (a) receiving, by the enrolling merchant's computer system, from the customer while the customer is at a point of sale, via a merchant's computer system input device, payment account information which identifies at least one financial resource for completing a transaction with the enrolling merchant's computer system;
>
> (b) receiving, by the enrolling merchant's computer system, from the customer while the customer is at the point of sale, a unique identifier which is unique to the customer and which differs from the payment account information;
>
> (c) associating, by the enrolling merchant's computer system, the unique identifier with the payment account information; and
>
> (d) registering, by the enrolling merchant's computer system, the customer in the merchant payment program based on receipt of the payment account information and the unique identifier, wherein registering enables the customer to initiate another transaction with the enrolling merchant's computer system involving the payment account information, via provision of the unique identifier.

REJECTIONS

Claims 1, 2, 4–8, and 10–29 are rejected under 35 U.S.C. § 101 as directed to non-statutory subject matter.

Claims 1, 2, 4, 5, 7, 8, 10, and 12–29 are rejected under 35 U.S.C. § 103(a) as unpatentable over Iannacci (US 7,318,049 B2, iss. Jan. 8, 2008).

Claim 6 is rejected under 35 U.S.C. § 103(a) as unpatentable over Iannacci and Mann, III (US 2003/0061167 A1, pub. Mar. 27, 2003).

Claim 11 is rejected under 35 U.S.C. § 103(a) as unpatentable over Iannacci and Official Notice.

ANALYSIS

Non-statutory subject matter

The Appellants argue the claims as a group. *See* Appeal Br. 6–21. We select independent claim 1 as representative. Claims 2, 4, 8, and 10–29 stand or fall with independent claim 1. *See* 37 C.F.R. § 41.37(c)(1)(iv).

In rejecting claims 1, 2, 4–8, and 10–29 as being directed to ineligible subject matter, the Examiner finds that the claims are directed to an abstract idea of "enrolling a customer in a merchant payment program[, which] is a method of organizing human activities. In this case the human activity is enrolling a person in a payment program" (Final Act. 5; *see also* Ans. 18).

In response, Appellants

> [a]ssum[e], without conceding, that (1) the Office Action's characterization of the instant claims as merely directed to the concept of "enrolling a customer in a merchant payment program, *see id.*, and, assume[]without conceding that (2) "enrolling a customer in a merchant payment program" would be deemed to be a "method of organizing human activities," *id.*, such that a full analysis for subject matter eligibility is needed, the pending claims would still recite patent eligible subject

> matter. That is, under the full *Alice* analysis, Appellants' claims include significantly more than the alleged abstract idea.

(Appeal Br. 14).

Under 35 U.S.C. § 101, an invention is patent-eligible if it claims a "new and useful process, machine, manufacture, or composition of matter." 35 U.S.C. § 101. The Supreme Court, however, has long interpreted § 101 to include an implicit exception: "laws of nature, natural phenomena, and abstract ideas" are not patentable. *See, e.g., Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014).

In determining whether independent claim 1 falls within the excluded category of abstract ideas, we are guided in our analysis by the Supreme Court's two-step framework, described in *Mayo* and *Alice*. *Alice*, 134 S. Ct. at 2355 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1296–97 (2012)). In accordance with that framework, we first must determine whether the claim is "directed to" a patent-ineligible abstract idea. If so, we then consider the elements of the claim — both individually and as an ordered combination — to assess whether the additional elements transform the nature of the claim into a patent-eligible application of the abstract idea. *Id.* This is a search for an "inventive concept" — an element or combination of elements sufficient to ensure that the claim amounts to "significantly more" than the abstract idea itself. *Id.*

Turning to the first part of the analysis, we agree with the Examiner "that the claims are directed to an abstract idea of 'enrolling a customer in a merchant payment program'" (Final Act. 5). In making this determination, we note that the Specification discloses that the present invention "relates generally to methods and apparatus for conducting retail sales and, more particularly, to methods and apparatus for payment for retail purchases by consumers enrolled in payment and/or loyalty programs offered by a retailer" (Spec. ¶ 2). Accordingly to the Specification "[m]erchants have attempted to minimize the inconvenience to shoppers which results from requiring the shopper to present a loyalty card in order to receive discounts on goods and/or other benefits" (*id.* ¶ 3). The Specification observes, however, that "[d]rawbacks of such loyalty and payment systems include the requirement that a consumer must carry a physical device such as a card, RFID tag or mobile telephone or consent to a biometric scan, a process disliked by many" (*id.* ¶ 5). The Specification, thus, identifies "needs exist for the development for methods for improving the convenience of a customer's shopping experience, especially in the areas of improved transaction speed, enhanced loyalty programs, and combinations thereof" (*id.*). And to address this need, the Specification proposes a process which "enables a customer to enroll in a card-free program offered by a merchant" (*id.* ¶ 7). And, taking independent claim 1 as representative, the claimed subject matter is generally directed to "[a] method of enrolling a customer in a merchant payment program offered by an enrolling merchant's computer system" which includes steps for "(a) receiving . . . payment account information," "(b) receiving . . . a unique identifier," "(c) associating . . . the unique identifier with the payment account information," and "(d) registering . . . the customer in the merchant payment program."

Here, we find the concept of "enrolling a customer in a merchant payment program" to which independent claim 1 has been found to be directed to is similar to, for example, anonymous loan shopping" (*Mortgage Grader, Inc. v. First Choice Loan Services Inc.,* 811 F.3d 1314, 1320 (Fed. Cir. 2016)), "a loan-application clearinghouse or, more simply, coordinating loans" (*LendingTree, LLC v. Zillow, Inc.*, 656 Fed. App'x. 991, 996 (Fed. Cir. 2016)), and "categorical data storage" (*Cyberfone Systems, LLC v. CNN Interactive Group, Inc.*, 558 Fed. Appx. 988, 992 (Fed. Cir. 2014)), which have been found to be abstract ideas. Furthermore, the claim steps of receiving information, associating information, and storing the associated information, i.e., registering, accomplishes little more than to collect data, analyze it, and store the data based on the analysis, amounting to a combination abstract-idea processes. *Cf. Electric Power Group, LLC v. Alstom S.A.*, 830 F.3d 1350 (Fed. Cir. 2016). While the data as claimed are more particularly limited to the field of enrolling customers in a merchant payment program, said limitation simply provides a contextual description of the data, which are within the realm of abstract ideas. *Cf. CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1371 (Fed. Cir. 2011) ("The Court [*Parker v. Flook*, 437 U.S. 584 (1978)] rejected the notion that the recitation of a practical application for the calculation could alone make the invention patentable.") Furthermore, the Federal Circuit held that the claims were directed to an abstract idea, explaining that "[t]he advance they purport to make is a process of gathering and analyzing information of a specified content, then displaying the results, and not any particular assertedly inventive technology for performing those functions." *Elec. Power Grp.*, 830 F.3d at 1354.

Accordingly, we find that independent claim 1 involves nothing more than steps of receiving information, associating information, and storing the associated information, i.e., registering — activities squarely within the realm of abstract ideas. *See, e.g.*, *Elec. Power Grp., LLC*, 830 F.3d at 1353–54 (when "the focus of the asserted claims" is "on collecting information, analyzing it, and displaying certain results of the collection and analysis," the claims are directed to an abstract idea). *See also Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344–45 (Fed. Cir. 2013) (claims reciting "generalized software components arranged to implement an abstract concept [of generating insurance-policy-related tasks based on rules to be completed upon the occurrence of an event] on a computer" not patent eligible).

We also are not persuaded by Appellants' argument that independent claim 1 is not directed to an abstract idea because it "requires i) performance of the recited tasks by an 'enrolling merchant's computer system,' and ii) receipt of payment account information 'via a merchant's computer system input device'" (Appeal Br. 9–11), and as such, "is patent eligible under the streamlined analysis because Appellants' method sufficiently limits its practical application and is not an attempt to pre-empt or tie-up the alleged abstract idea of 'enrolling a customer in a merchant payment program'" (*id.* at 11–12 (citing 2014 Interim Guidance on Patent Subject Matter Eligibility, Fed. Reg., Vol. 79, No. 241 at 74625.); *see also* Reply Br. 6–9). Even if the claims clearly do not pre-empt "enrolling merchant's computer system," the lack of pre-emption does not demonstrate patent eligibility. *See Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 2511 (2016) ("Where 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."); *see also OIP Techs., Inc. v. Amazon.com, Inc.,* 788 F.3d 1359, 1362–63 (Fed. Cir.), *cert. denied*, 136 S. Ct. 701 (2015).

Appellants also argue that rejection is improper because the "[t]he Examiner's Answer identifies at least two other abstract ideas which are narrower in scope tha[n] the originally identified abstract idea" (Reply Br. 6–8). However, the Court found in *Alice* that it need not labor to delimit the precise contours of the "abstract ideas" category in that case. *See Alice*, 134 S. Ct. at 2357. We also note that "an abstract idea can generally be described at different levels of abstraction." *Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240 (Fed. Cir. 2016). The Examiner's "slight revision of its abstract idea analysis does not impact the patentability analysis." *Id.* at 1241. Thus, Appellants' argument is not persuasive.

Turning to the second step of the analysis, the Examiner finds

> the method steps of claim 1 are not enough to qualify as "significantly more." The steps of receiving payment account information from the customer (i.e. receiving data), receiving a unique identifier from the customer (i.e. receiving data), associating the unique identifier with the payment account information (i.e. storing data), and registering the customer is the merchant payment program (i.e. storing data) are all steps requiring no more than a generic computer to perform generic computer functions. Specifically, receiving data and storing data are well-understood, routine and conventional activities previously known in the industry.

(Ans. 18). We agree with the Examiner.

Appellants, on the other hand, first argue that the "claims include significantly more than the alleged abstract idea because the method is tied a particular machine (Appeal Br. 14–17). More particularly, Appellants argue that independent claim 1 recites an "enrolling merchant's computer system [which] is a physical computer device" that is specifically programmed to perform the claimed method (*id.* at 15 (citing Spec. ¶ 187)). However, there is no indication in the record that any specialized computer hardware or other "inventive" computer components are required. In fact, the Specification merely discloses that it utilizes a "computer system 500 [that] is comprised of a processor subsystem 502 coupled to a memory subsystem 504 by a bus subsystem (not shown)" (Spec. ¶ 187). As such, we are not persuaded that independent claim 1 is adequately tied to "a particular machine or apparatus." *Bilski v. Kappos*, 561 U.S. 593, 600 (2010).

Appellants also argue that "the Examiner has not shown, and has merely concluded, the steps performed by the enrolling merchant's computer system are merely 'well-understood, routine and conventional activities previously known in the industry'" (Appeal Br. 16 (citing Final Act. 5); *see also* Reply Br. 11–12). However, Appellants' argument is not persuasive because it fails to provide adequate evidence or technical reasoning why the steps of independent claim 1, i.e., "(a) receiving . . . payment account information," "(b) receiving . . . a unique identifier," "(c) associating . . . the unique identifier with the payment account information," and "(d) registering . . . the customer in the merchant payment program," considered individually or as an ordered combination, are anything more than well-understood, routine, and conventional activities of a computer. *See Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014) ("[T]he claimed sequence of steps comprises only 'conventional steps, specified at a high level of generality,' which is insufficient to supply an 'inventive concept.'") (Citing *Alice*, 134 S. Ct. at 2357) (internal citations omitted).

Appellants next argue that the claims include significantly more than the alleged abstract idea because the method improves upon existing enrollment schemes (Appeal Br. 17–18; *see also* Reply Br. 14–15). More particularly, Appellants argue "[b]ecause merchants may themselves enroll a customer in a payment program based on receipt of both the payment account information and the unique identifier, Appellants' method provides merchants benefits which accompany no need for third party enrollment service providers" (*id.* at 18). However, we find that the "improvement" to which the Appellants refers is a business improvement rather than an improvement to a technological or technical field. Furthermore, Appellants have not provided evidence that the programming related to their "improvement" would entail anything atypical from conventional programming.

Appellants further argue that the claims include significantly more than the alleged abstract idea because the method embodies a solution necessarily rooted in computer technology (Appeal Br. 18–20; *see also* Reply Br. 13–14). More particularly, Appellants argue

> [t]hat is, the implementation of the claimed method by the enrolling merchant's computer system does not utilize technology which requires physical devices or personally intrusive scans to process a payment; instead, the enrolling merchant's computer system utilizes technology which receives payment account information and a unique identifier to enroll a customer in a merchant's payment program, which allows the customer to initiate another transaction via provision of the unique identifier.

(Appeal Br. 19; *see also* Reply Br. 10–11). Although Appellants' claimed method may improve a customer's experience by "not utiliz[ing] technology which requires physical devices or personally intrusive scans to process a payment" (Appeal Br. 19). Appellants have not established that the claimed method improves the technology of the computer itself, for example, or some other relevant technology. Nor have Appellants provided adequate evidence or technical reasoning that independent claim 1 improves some existing *technological process* or solves some *technological problem* in conventional industry practice. *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1334 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 2510, 195 L. Ed. 2d 841 (2016) (finding that the "claims recit[ed] a commonplace business method aimed at processing business information despite being applied on a general purpose computer."); *see also Alice*, 134 S. Ct. at 2359. At best, Appellants' claimed method improves a business problem of customer satisfaction by "minimiz[ing] the inconvenience to shoppers which results from requiring the shopper to present a loyalty card in order to receive discounts on goods and/or other benefits" (Spec. ¶ 3).

Appellants last argue that the "claims do not generally recite 'use the Internet' to perform a business practice[; but] instead recite a specific way to enroll customers into a merchant payment program offered by the enrolling merchant's computer system (Appeal Br. 20). Specifically, Appellants contend that "the claimed method recites an enrolling merchant's computer system in the context of at least one other structural computer components (e.g., the merchant's computer system input device) which imparts a networked structural context for the enrolling merchant's computer system" (*id.*). However, as discussed above, there is no indication in the record that any specialized computer hardware or other "inventive" computer components are required (*see, e.g.*, Spec. ¶ 187). And, as the Federal Circuit stated: "after *Alice*, there can remain no doubt: recitation of generic computer limitations does not make an otherwise ineligible claim patent-eligible." *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1256 (Fed. Cir. 2014).

In view of the foregoing, we sustain the Examiner's rejection under 35 U.S.C. § 101 of independent claim 1, and claims 2, 4, 8, and 10–29, which fall with independent claim 1.

Obviousness

Independent claim 1 and dependent claims 2, 4, 5, 7, 8, 10, and 12–29

We are persuaded the Examiner erred in finding that Iannacci discloses or suggests "an enrolling merchant's computer system which registers a customer in the merchant payment program based on receipt, by the enrolling merchant's computer system, of payment account information and a unique identifier from the customer as required by Appellants' claim 1" (Appeal Br. 26; *see also* Reply Br. 16–17).

The Examiner maintains the rejection is proper, and relies on Iannacci, at column 52, lines 57–66, column 54, lines 55–59, column 58, line 59, and column 79, lines 30–50, as disclosing the argued subject matter (*see* Final Act. Ans. 7–10; *see also* Ans. 4–7, 20–24).

Iannacci is directed to "an on-line, interactive, and fully integrated benefit-driven value exchange and settlement program that monitors, evaluates, and manages economic and personal benefits and executes functions to produce and acquire the maximum or preferred benefit items for users by guiding and automating appropriate payment and settlement actions" (Iannacci, Abstract). Iannacci discloses that its universal account identifier provides "one account and access mechanism (e.g., magnetic stripe card, smart card, personal digital device) [that] gives consumers convenient access to all their payment, award, and loyalty accounts" (*id.* at col. 24, ll. 40–43; *see also id.* at col. 26, ll. 56–64). Iannacci discloses "the universal card issuer or universal server receives the transaction information and identifies the universal cardholder and merchant" (*id.* at col. 34, ll. 53–55; *see also id.* at col. 52, ll. 52–57). The universal server then "determine[s] that the merchant either has existing, or may obtain, such associated payment and award processing accounts" and also "determine[s] that the universal cardholder either has existing, or may obtain, such associated payment and redemption accounts" (*id.* at col. 35, ll. 9–13; *see also id.* at col. 79, ll. 1–50). To obtain an award processing account, Iannacci discloses

> an "Instant-In" account enrollment system and process would automatically and immediately enroll a universal account owner in a membership program by supplying approved owner information to the option supplier or payment/award issuer if such action was required to obtain beneficial option offers and if the owner permit[t]ed such Instant-In functions"

(*Id.* at col. 26, ll. 43–50).

In operation, Iannacci discloses that "[u]niversal cardholder **110** and merchant **120** exchange information via link **115**" and "[m]erchant **120** and universal server **135** exchange information with each other via links **125** and **130**, respectively" (*id.* at col. 53, l. 66 – col. 54, l. 3; *see also id.* at Fig. 1). Iannacci further discloses that "[l]ink **115** allows universal cardholder **110** to exchange transaction related information, such as a universal account identifier delivered as a number, with merchant **120**" and "[o]nce received in the course of a transaction (e.g., a point-of-sale transaction), merchant **120** can then re-transmit (possibly via a credit card processor) such universal card number and other transaction information . . . to universal server **135** for appropriate processing" (*id.* at col. 54, ll. 4–12). Iannacci also discloses that its COMM PORT **210** "is configured to communicate via telecommunications links or some other network topology to universal account owners such as universal cardholder **110** (FIG. 1), merchants such as merchant **120** (FIG. 1) . . . , and payment and award issuers such as payment/award issuer **165** (FIG. 1)" (*id.* at col. 58, lines, 48–54), but also could be configured to communicate "in a closed intranet environment utilizing conventional networking protocols such as TCP/IP and the like" (*id.* at col. 58, ll. 59–61; *see also id.* at Fig. 2).

After reviewing the cited portions of Iannacci, we agree with Appellants that there is nothing in the relied upon portions of Iannacci that discloses or suggests the argued subject matter (*see* Appeal Br. 23–27). Although we agree with the Examiner that Iannacci discloses "an enrolling merchant's computer system which registers a customer in the merchant payment program based on receipt, by the enrolling merchant's computer system" of a "universal account identifier" (*see* Final Act. 7), we cannot agree with the Examiner that "Iannacci explicitly discloses receiving both pieces of data (e.g. universal account number [characterized by the Examiner as the claimed "payment account information,"] and PIN/personal security word [characterized by the Examiner as the claimed "unique identifier which is unique to the customer and which differs from the payment account information,"]) from the customer while the customer is at the POS device of the merchant (i.e. part of the merchant computer system)" (Ans. 20 (emphasis omitted)).

The difficulty with the Examiner's finding is that Iannacci does not disclose that its merchant computer system receives a PIN or "personal security word," i.e., "a unique identifier which is unique to the customer and which differs from the payment account information," as required by limitation [b] of independent claim 1. Instead, the cited portion of Iannacci discloses that its system

> contemplates the use of voice response units (e.g., VRUs maintained by a universal server processing system or credit card issuer or payment/award issuer) that may be operated to allow universal cardholder **110** to enter a universal account identifier into a data processing system maintained by universal server **135** or payment/award issuers **165**.

(Iannacci, col. 54, ll. 49–55 (emphasis added)). Put simply, only the universal account number is received. Regarding the portion of Iannacci relied on by the Examiner that refers to a "personal security word," Iannacci merely discloses that "voice response operation is well known in the transaction processing area especially in the case where personal checks are authorized only after a customer speaks a personal security word into a VRU via a telephone connection" (*id.* at col. 54, ll. 55–59). Stated another way, the personal security word mentioned in Iannacci is not described as a second piece of data received in an enrollment method, i.e., a unique identifier which is unique to the customer and which differs from the payment account information. Thus, Iannacci fails to disclose or suggest "an enrolling merchant's computer system which registers a customer in the merchant payment program based on receipt, by the enrolling merchant's computer system, of payment account information and a unique identifier from the customer as required by Appellants' claim 1."

In view of the foregoing, we do not sustain the Examiner's rejection of independent claim 1 under 35 U.S.C. § 103(a). For the same reasons, we also do not sustain the Examiner's rejection of claims 2, 4, 5, 7, 8, 10, and 12–29, which depend therefrom.

Dependent claims 6 and 11

Claims 6 and 11 depend from independent claim 1. The Examiner's rejections of claim 6 under 35 U.S.C. § 103(a) based on Mann, in combination with Iannacci, and claim 11 based on Official Notice, in combination with Iannacci, do not cure the deficiency in the Examiner's rejection of independent claim 1. Therefore, we do not sustain the Examiner's rejections of claims 6 and 11 under 35 U.S.C. § 103(a) for the same reasons set forth above with respect to independent claim 1.

DECISION

The Examiner's rejection of claims 1, 2, 4–8, and 10–29 under 35 U.S.C. § 101 is affirmed.

The Examiner's rejections of claims 1, 2, 4–8, and 10–29 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