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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte ROBERT DAVID BARSON and MATAN LAN

Appeal 2016-004883
Application 13/826,925
Technology Center 3600

Before NINA L. MEDLOCK, AMEE A. SHAH, and
ROBERT J. SILVERMAN, *Administrative Patent Judges*

SHAH, *Administrative Patent Judge*.

DECISION ON APPEAL¹

The Appellants² appeal under 35 U.S.C. § 134(a) from the Examiner’s final decision rejecting claims 1–30, which are all of the pending claims, under 35 U.S.C. § 101 as being directed to non-statutory subject matter. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

¹ Throughout this opinion, we refer to the Appellants’ Appeal Brief (“Appeal Br.,” filed Sept. 8, 2015), Reply Brief (“Reply Br.,” filed Apr. 1, 2016), and Specification (“Spec.,” filed Mar. 14, 2013), and to the Examiner’s Answer (“Ans.,” mailed Feb. 1, 2016) and Final Office Action (“Final Act.,” mailed Nov. 7, 2014).

² According to the Appellants, the real party in interest is “The MSA Card Technology Group, LLC.” Appeal Br. 3.

STATEMENT OF THE CASE

The Appellants' invention "relates generally to administering restricted-use financial accounts for individuals, and more specifically to the administration of accounts and payments implemented under the Medicare Secondary Payer Act." Spec. ¶ 1.

Claims 1, 11, and 24 are the independent claims on appeal. Claim 1 (Appeal Br. 24–26) (Claims App.) is illustrative of the subject matter on appeal, and is reproduced below:

1. A method of conditionally authorizing payments for healthcare goods or services over a payment network using a centralized computer system, the method comprising:

providing a user-interface associated with the centralized computer system and configured for use by a user or the user's authorized representative to create or access the user's account, access or provide payment information related to the user's account, access or provide documentation related to the user's account history, and access or provide personal information related to the user;

receiving, via the user-interface, personal information regarding the user, the personal information including a medically diagnosed condition of the user for which treatment is sought by the user;

creating, with the centralized computer system, a user profile of the user in a database associated with the centralized computer system, the user profile comprising the personal information;

causing, with the centralized computer system, a financial institution independent from the system to create a restricted-use financial account in the name of the user by providing the received personal information to the financial institution, wherein the restricted-use financial account is restricted to payment of eligible expenses from the financial account that are determined based on the medically diagnosed condition;

causing, with the centralized computer system, a source independent from the system to fund the financial account with funds for use by the user for payment of the eligible expenses;

causing, with the centralized computer system, the issuance of a payment card and association of the payment card with the financial account for use by the user for payment of eligible expenses from the financial account to a provider of goods or services for treatment of the medically diagnosed condition of the user, wherein transactions submitted by non-authorized providers using the payment card are automatically denied payment;

providing a provider-interface associated with the centralized computer system and configured for use by a provider of goods or services to be provided for the medically diagnosed condition of the user to create or access the provider's account, access or provide treatment information related to the goods or services, access or provide documentation related to the provider's account history, and access or provide payment information related to the goods or services;

receiving, via the provider-interface, a payment authorization request on behalf of the provider of the goods or services to be provided for the medically diagnosed condition of the user;

obtaining, with the centralized computer system and from a rules source independent from the system, a set of rules comprising eligibility requirements for goods or services provided by providers;

determining, with an adjudication engine associated with the centralized computer system, if the goods or services related to the payment authorization request is an eligible expense payable from the financial account and an approved amount for payment of said eligible goods or services, wherein the adjudication engine applies the set of rules to the personal information in the user profile in order to determine the eligibility and approved amount of the expense;

if the payment authorization request is adjudicated as payable, authorizing, with the centralized computer system, a

card issuing processor to approve a card payment request submitted from the provider via the payment network to settle funds from the financial account to an account of the provider, wherein the card issuing processor will only approve the card payment request if the card payment request was submitted from an authorized provider for the approved amount; and

updating, with the centralized computer system, the user profile with information regarding the goods or services and the settled funds comprising the eligible expense.

ANALYSIS

The Appellants argue claims 1–30 as a group. *See* Appeal Br. 13, 15. We select claim 1 as representative of the group with claims 2–30 standing or falling therewith. *See* 37 C.F.R. § 41.37(c)(1)(iv).

Under 35 U.S.C. § 101, a patent may be obtained for “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” The Supreme Court has “long held that this provision contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014) (quoting *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013)).

The Supreme Court in *Alice* reiterated the two-step framework, set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66, 78–79 (2012), “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in that analysis is to “determine whether the claims at issue are *directed to* one of those patent-ineligible concepts.” *Id.* (citing

Mayo, 566 U.S. at 79) (emphasis added). If so, the second step is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether the additional elements “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 566 U.S. at 78–79).

In other words, the second step is to “search for an ‘inventive concept’—*i.e.*, an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Id.* (alteration in original) (quoting *Mayo*, 566 U.S. at 72–73). The Court acknowledged in *Mayo*, that “all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.” *Mayo*, 566 U.S. at 71. We, therefore, look to whether the claims focus on a specific means or method that improves the relevant technology or are instead directed to a result or effect that itself is the abstract idea, and merely invoke generic processes and machinery, *i.e.*, “whether the focus of the claims is on [a] specific asserted improvement in computer capabilities . . . or, instead, on a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool.” *See Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335–36 (Fed. Cir. 2016).

Under the first step of the *Alice* framework, the Examiner determines that the claims are directed to the fundamental economic practice of administering a restricted-use financial account, an abstract idea. Final Act. 2; Ans. 3. Conversely, the Appellants contend that the claims are not directed to an abstract idea but rather to “approving/denying card payments for medical goods or services requested over conventional payment

networks using a specific technical solution that is not available in conventional payment networks.” Appeal Br. 15; *see also id.* at 16.

Before determining whether the claims at issue are directed to an abstract idea, we must first determine what the claims are directed to.

The “directed to” inquiry . . . cannot simply ask whether the claims involve a patent-ineligible concept, because essentially every routinely patent-eligible claim involving physical products and actions involves a law of nature and/or natural phenomenon—after all, they take place in the physical world. *See Mayo*, 132 S. Ct. at 1293 (“For all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.”) Rather, the “directed to” inquiry applies a stage-one filter to claims, considered in light of the specification, based on whether “their character as a whole is directed to excluded subject matter.” *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015); *see Genetic Techs. Ltd. v. Meril L.L.C.*, 2016 WL 1393573, at *5 (Fed. Cir. 2016) (inquiring into “the focus of the claimed advance over the prior art”).

Enfish, 822 F.3d at 1335.

The step-one analysis requires us to consider the claims “in their entirety to ascertain whether their character as a whole is directed to excluded subject matter.” *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015). The question is whether the claims as a whole “focus on a specific means or method that improves the relevant technology” or are “directed to a result or effect that itself is the abstract idea and merely invoke generic processes and machinery.” *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1314 (Fed. Cir. 2016).

In this case, the preamble of claim 1 provides for a “method of conditionally authorizing payments for healthcare goods or services over a payment network using a centralized computer system.” Appeal Br. 24

(Claims App.). Claim 1 recites the limitations of providing an interface to create or access an account and access or provide related information data and documentation data, receiving information data, creating profile data in a database, causing an independent financial institution to create a restricted-use account by providing received data information, causing an independent source to fund the accounts, causing issuance of a payment card, receiving authorization data related to good or services to be provided, obtaining rules data, determining if the goods or services is an eligible expense payable by applying the rules, if payable, authorized approval of the request to settle funds, and updating profile data. *See id.* The Specification provides that the invention is directed to “the administration of accounts and payments implemented under the Medicare Secondary Payer Act” (Spec. ¶ 1) and to “administering a financial account on behalf of a system member, where payments from the financial account are restricted to only eligible expenses” (*id.* ¶ 6).

In that context, the claim is directed to administering restricted-use financial accounts for eligible healthcare-related goods and services.³ This is similar to claims found to be abstract ideas by our reviewing courts in *Smart Systems Innovation, Inc. v. Chicago Transit Authority*, 873 F.3d 1364, 1371–72 (Fed. Cir. 2017) (formation of financial transactions in a certain field), *Alice*, 134 S. Ct. at 2356 (using a third party to mitigate settlement risk), *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1355 (Fed. Cir. 2014)

³ We 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 Board’s “slight revision of its abstract idea analysis does not impact the patentability analysis.” *Id.* at 1241.

(guaranteeing transactions), and *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1372–73 (Fed. Cir. 2011) (verifying the validity of credit card transactions over the Internet).

We find unpersuasive the Appellants’ arguments that the claim is not abstract because it is analogous to those of *DDR Holdings, LLC v.*

Hotels.com, L.P., 773 F.3d 1245 (Fed. Cir. 2014), because it is

necessarily rooted in computer technology in order to overcome a technical problem specifically arising in the realm of electronic payment networks, namely: the inability for conventional electronic payment portals, such as a point of sale card reader, to selectively approve transactions based on the nature of the goods and services transacted for

(Appeal Br. 16; *see also id.* at 21), and because the claim provides a technical solution in that “much like the patent eligible claims in *DDR Holdings*, the features recited by [the claim] improve the functioning of a conventional *payment network*” (*id.* at 19; *see also* Reply Br. 2–4).

In *DDR Holdings*, the Federal Circuit determined that the claims addressed the problem of retaining website visitors who, if adhering to the routine, conventional functioning of Internet hyperlink protocol, would be transported instantly away from a host’s website after clicking on an advertisement and activating a hyperlink. *DDR Holdings*, 773 F.3d at 1257. The Federal Circuit, thus, held that the claims were directed to statutory subject matter because they claim a solution “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” *Id.* The court cautioned that “not all claims purporting to address Internet-centric challenges are eligible for patent.” *Id.* at 1258. And the court contrasted the claims to those at issue in

Ultramercial Inc. v. Hulu, LLC, 772 F.3d 709 (Fed. Cir. 2014) in that, in *DDR Holdings*, the computer network was not operating in its “normal expected manner” and the claims did not “recite an invention that is merely the routine or conventional use of the Internet.” *Id.* at 1258–59.

In contrast here, according to the Appellants, the claim addresses the technical problem of “selectively approv[ing] transactions based on the nature of the goods and services transacted for” that “arises because existing payment networks restrict the information that may be transmitted, and therefore are inadequate to provide the eligibility protection of the presently claimed systems and methods.” Appeal Br. 16. The Specification provides that the invention creates and administers “accounts and payments provided under the Medicare Secondary Payer Act [and] do[es] not suffer from the deficiencies of the prior art” related to “the complexity of the process by which settlement funds must be set aside and used, and the annual reporting requirements” that cause many individuals to “choose to utilize a professional administrator of an MSA account and/or a third-party solution.” Spec. ¶ 5. Thus, the invention administers a “restricted-use financial account [that] assists members in properly expending funds from their financial account, and thus maintaining compliance with any guidelines or laws regulating the expenditure of funds from their account.” *Id.* ¶ 6. As such, the Specification provides that the invention addresses the problems of a complex process requiring outside help, ensuring proper expenditure of funds, and ensuring compliance with regulations. *See id.* ¶¶ 5–6. These are not problems rooted in technology arising out of computer networks, but rather business and/or administrative problems existing prior to the Internet and computers. *See Spec.* ¶¶ 2–5 (discussing legal requirements governing

payments and documentation). Further, although we do not see, and the Appellants do not direct attention to, where the Specification provides that the invention addresses a problem of prior art systems restricting information causing inadequate eligibility protection, we note that inadequate eligibility protection is also not a problem rooted in technology arising out of networks and existed prior to the Internet.

Also, unlike *DDR Holdings*, here, the technical solution comprises components of the claimed centralized computer system operating in their normal capacities to provide a user interface to access, create, and provide an account and information, receive, create, and update data and a data record, cause funding of an account and issuance of a payment card, determine eligibility by applying rules, and conditionally approve a request. The Specification provides very few details in the way of the components, but merely provides for a system with a generic platform, processors, network, database, and portals (*see* Spec. ¶¶ 24–28, Figs. 1, 2), without any particular inventive technology, to implement the abstract idea. Specifically, the Specification provides for a computer network in the form of a widely available payment network such as VISA or MASTERCARD. Spec. ¶ 24; *see also* Appeal Br. 19. The Appellants do not direct attention to, and we do not see, where the Specification provides for an improvement in the technical functioning of these networks. The rules for determining payment do not improve a technological process, but invoke computers in the analysis of data. *See Smart Systems*, 873 F.3d at 1372–73. The claim “recite[s] an invention that is merely the routine or conventional use of the Internet.” *DDR Holdings*, 773 F.3d at 1258–59.

Under the second step in the *Alice* framework, we adopt and find supported the Examiner’s determination that the claim limitations, taken individually or as an ordered combination, do not recite an inventive concept. *See* Final Act. 2; Ans. 13. We are unpersuaded by the Appellants’ arguments that the claim limitations recite significantly more than the abstract idea. *See* Appeal Br. 20–22. The Appellants recite the limitations of the claim (*id.* at 21) and simply state that they

amount to significantly more than a patent upon the identified abstract idea of administering a financial account for a user because the features (a) effect a transformation of a particular article to another state; (b) the features reflect an improvement in existing technology that go beyond what is well-understood, routine, and conventional in the field; and (c) the recited elements, taken as a whole, do not effectively preempt or foreclose all possible applications of the idea of administering a restricted-use financial account.

Appeal Br. 21–22.

The Appellants do not provide further support or reasoning as to why or how the limitations effect a transformation or are not well-understood, routine, and conventional functions of a generic computer. As discussed above, the centralized computer system comprises generic components operating in their normal capacities. Accessing, creating, and providing an account and information, receiving, creating, and updating data and a data record, causing funding of an account and issuance of a payment card, determining eligibility by applying rules, and conditionally approving a request are all routine, well-understood, and routine functions of a generic computer and “merely require generic computer implementation.” *Smart Systems*, 873 F.3d at 1374 (quoting *buySAFE*, 765 F.3d at 1350). Further, the claim does not pass the machine-or-transformation test because it is “not

tied to any particular novel machine or apparatus, only to a general purpose computer.” *Ultramercial*, 772 F.3d at 716–17; *see also Smart Systems*, 873 F.3d at 1375.

Finally, we are not persuaded of Examiner error by the Appellants’ argument that the claim is not directed to an abstract idea and recites an inventive concept because it “do[es] not effectively preempt or foreclose all possible applications of the idea of administering a restricted-use financial account.” Appeal Br. 22; *see also id.* at 16. Although the Supreme Court has described “the concern that drives this exclusionary principle [i.e., the exclusion of abstract ideas from patent eligible subject matter] as one of pre-emption,” *see Alice*, 134 S. Ct. at 2354, characterizing pre-emption as a driving concern for patent eligibility is not the same as characterizing pre-emption as the sole test for patent eligibility. “The Supreme Court has made clear that the principle of preemption is the basis for the judicial exceptions to patentability” and “[f]or this reason, questions on preemption are inherent in and resolved by the § 101 analysis.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015) (citing *Alice*, 134 S. Ct. at 2354). Although “preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Id.* The aforementioned concept is not sufficiently limiting so as to fall clearly on the side of patent-eligibility.

Thus, we are not persuaded that the Examiner erred in rejecting claim 1 under 35 U.S.C. § 101, and we sustain the Examiner’s rejection of claim 1 and of claims 2–30, which fall with claim 1.

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Application 13/826,925

DECISION

The Examiner's rejection of claims 1–30 under 35 U.S.C. § 101 is
AFFIRMED.

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

AFFIRMED