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Table with 5 columns: APPLICATION NO., FILING DATE, FIRST NAMED INVENTOR, ATTORNEY DOCKET NO., CONFIRMATION NO.
Row 1: 13/286,938, 11/01/2011, Gaurav Rekhi, P2395.10309US01, 1242
Row 2: 132897, 7590, 07/03/2018, Maschoff Brennan/ PayPal, 1389 Center Drive, Ste 300, Park City, UT 84098
Row 3: EXAMINER, CAMPEN, KELLY SCAGGS
Row 4: ART UNIT, PAPER NUMBER, 3691
Row 5: NOTIFICATION DATE, DELIVERY MODE, 07/03/2018, ELECTRONIC

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte GAURAV REKHI, DONALD JAMES PERCIFUL, and
SCOTT ROBERT SHIPMAN

Appeal 2016-006331¹
Application 13/286,938²
Technology Center 3600

Before KALYAN K. DESHPANDE, IRVIN E. BRANCH, and
ALYSSA A. FINAMORE, *Administrative Patent Judges*.

FINAMORE, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Pursuant to 35 U.S.C. § 134(a), Appellants appeal from the Examiner's decision to reject claims 1, 3–11, 13, 15, 16, and 18–22. We have jurisdiction under § 6(b). We AFFIRM.

¹ Our Decision references Appellants' Specification ("Spec.," filed Nov. 1, 2011), Appeal Brief ("Appeal Br.," filed Nov. 16, 2015), and Reply Brief ("Reply Br.," filed June 8, 2016), as well as the Examiner's Final Office Action ("Final Act.," mailed July 13, 2015) and Answer ("Ans.," mailed Apr. 8, 2016).

² Appellants identify PayPal, Inc. as the real party in interest. Appeal Br. 2.

SUBJECT MATTER ON APPEAL

The invention is directed to utilizing student accounts. Spec., Title. Claims 1 and 18 are the independent claims on appeal. Independent claim 1, reproduced below, is illustrative of the claimed subject matter:

1. A method comprising:

receiving instructions to establish a student account for a minor from a verified adult that is verified as an adult based on financial information provided to establish and maintain an adult payment account that is linked to an adult account of the verified adult;

verifying, by at least one processor, a legal relationship between the verified adult and the minor for which the student account is being established;

based on the verifying of the legal relationship, creating the student account for the minor that is linked to the adult account of the verified adult;

transmitting instructions to present a user interface, to the verified adult, that presents list of one or more websites that have an agreement with a networked system for the networked system to provide consent for the minor, the user interface further including constraint selections for each of the one or more websites;

receiving, via the user interface, an indication of a selected website from the list and at least one constraint selection indicating a customized constraint for transactions engaged at the selected website; and

creating a consent setting that grants the consent to the minor to create an account at the selected website in order to engage in a transaction at the selected website subject to the customized constraint for the selected website, the receiving of the indication occurring prior to the minor attempting to create the account at the selected website, the creating the consent setting comprising updating a storage device maintaining account information for the minor;

receiving a request from a server of the selected website on behalf of the minor to create the account at the selected website;

determining, from the account information maintained in the storage device, that minor has the consent setting to create the account at the selected website; and

transmitting a response verifying consent to create the account to the selected website, the response causing the server of the selected website to create the account for the minor.

REJECTION

The Examiner rejects claims 1, 3–11, 13, 15, 16, and 18–22 under 35 U.S.C. § 101 as non-statutory subject matter.

ANALYSIS

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 implicit exceptions: “[l]aws 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) (quoting *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013)). To “distinguish[] patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts,” the Supreme Court, in *Alice*, reiterated the two-step framework previously set forth in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), which, in the first step, considers whether a claim is directed to a patent-ineligible concept, e.g., an abstract idea, and, if so, considers, in the second step, whether the claim recites an inventive concept—an element or combination of elements sufficient to ensure the claim amounts to significantly more than the abstract idea and transform the nature of the

claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (citing *Mayo*, 132 S. Ct. at 1294, 1296–98).

Appellants argue the Examiner has not made a prima facie case that the claims are patent ineligible. Appeal Br. 13–19. More specifically, Appellants contend the Examiner has not made a prima facie case because: the Examiner’s rejection lacks sufficient evidence (*id.* at 13–15); the Examiner fails to consider all of the claim limitations (*id.* at 15–16); the Examiner has not shown the alleged abstract idea is similar to at least one concept a court has held to be an abstract idea (*id.* at 17); and the Examiner has failed to consider the dependent claims (*id.* at 17–19). We disagree with Appellants.

The Federal Circuit has held that an examiner establishes a prima facie case by satisfying the notice requirement set forth in 35 U.S.C. § 132. According to the court,

the PTO carries its procedural burden of establishing a prima facie case when its rejection satisfies 35 U.S.C. § 132, in “notify[ing] the applicant ... [by] stating the reasons for [its] rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of [the] application.”

In re Jung, 637 F.3d 1356, 1362 (Fed. Cir. 2011) (alterations in original) (quoting § 132). All that is required of the Office is to set forth the statutory basis of the rejection in a sufficiently articulate and informative manner. *Id.* at 1363; *see also Chester v. Miller*, 906 F.2d 1574, 1578 (Fed. Cir. 1990) (“Section 132 is violated when a rejection is so uninformative that it prevents the applicant from recognizing and seeking to counter the grounds for rejection.”).

Here, in determining that the claims are patent ineligible under 35 U.S.C. § 101, the Examiner analyzes the claims using the *Alice* two-step framework. Final Act. 3–6; Ans. 2–7. Pursuant to the first step, the Examiner determines the claims are directed to the abstract idea of “creating an authorized financial contract.” Ans. 2. According to the Examiner, the concept of “creating an authorized financial contract” is similar to fundamental economic practices the courts have held to be abstract ideas, such as “hedging” in *Bilski*³ and “mitigating settlement risk” in *Alice*. *Id.* at 4–5. The Examiner further determines the concept of “creating an authorized financial contract” is similar to certain methods of organizing human activity that are abstract ideas, such as “creating a contractual relationship” in *buySAFE*⁴ and “using advertising as an exchange or currency” in *Ultramercial*.⁵ *Id.* at 5.

Under the second step, the Examiner determines that the claims do not recite significantly more than the abstract idea because the additional elements, considered alone and in combination, amount to no more than instructions to implement the abstract idea on a computer. *Id.* at 2. The Examiner further determines the additional elements are a generic recitation of a computer and a computer network performing generic computer functions. *Id.* at 5–6 (citing Spec. ¶¶ 22, 23).

In analyzing the claims, the Examiner refers to the limitations of independent claim 1 as exemplary. *Id.* at 4. The Examiner, however,

³ *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008), *aff'd sub nom. Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

⁴ *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014).

⁵ *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014).

determines that independent claim 18 and the dependent claims are patent ineligible for the same reasons as independent claim 1. *Id.* at 6–7.

As such, the Examiner sufficiently informs Appellants that the claims are ineligible. Furthermore, there is no indication that Appellants do not recognize or understand the Examiner’s rejection, as Appellants’ understanding is manifested in their arguments traversing it. The Examiner’s rejection satisfies the notice requirement of 35 U.S.C. § 132 and sets forth a prima facie case of patent-ineligible subject matter. We, therefore, consider Appellants’ remaining arguments to determine whether the Examiner erred in rejecting the claims as patent ineligible. *See Ex Parte Frye*, 94 USPQ2d 1072, 1075 (BPAI 2010) (precedential) (explaining that the Board reviews a rejection for error “based upon the issues identified by appellant, and in light of the arguments and evidence produced thereon”).

Pursuant to the first step of the *Alice* analysis, Appellants argue the Examiner has not considered the actual language of the claims.

Appeal Br. 20. According to Appellants, the claims are not directed to an abstract idea, but rather to

a specific set of operations for determining, from the account information maintained in the storage device, whether the minor has pre-established consent to create an account at an external website that requires adult consent, and providing a response verifying consent to create the account to the external website, whereby the response causes the server of the external website to create the account for the minor.

Id. at 19. Appellants’ argument does not apprise us of error.

In determining whether a claim is directed to excluded subject matter, e.g., an abstract idea, under the first step of the *Alice* analysis, the Federal Circuit has explained that “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.’” *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016) (quoting *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015)). For computer-implemented inventions in particular, such as the present invention, “the first step in the *Alice* inquiry . . . asks whether the focus of the claims is on the 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.” *Id.* at 1335–36.

Here, as Appellants point out, the claims recite steps for determining whether the minor has consent to create an account that requires adult consent and, when the minor tries to create an account, sending a response verifying consent and causing the creation of an account for the minor. Appeal Br. 19. As such, the claimed steps result in an authorized financial account for the minor. Said differently, the claims recite a way to create an authorized account for the minor.

Similarly, the Specification explains that the invention relates to utilizing student accounts. Spec. ¶ 1. According to the Specification, it is difficult for minors to perform transactions, i.e., buying or selling items, accessing information, and posting information, in a networked environment because legal regulations require parental consent to create accounts. *Id.* ¶ 2. The Specification further explains that “[t]he student accounts provide a consent-based solution where minors can have their own accounts on a networking environment, but their parents or legal guardians (collectively referred to as “adult” or “adults”) are held accountable for the minor’s actions.” *Id.* ¶ 16.

The claims further recite a networked environment. For example, independent claim 1 recites a processor, a user interface, a storage device, and a server of a selected website. The Specification, however, does not describe any improvement to the computer components or to the networked environment. Rather, the Specification describes a network architecture that enables the use of student accounts (Spec. ¶¶ 21, 88, 89), which, as set forth above, provide a consent-based solution to a minor transacting business.

In light of the above, the claimed invention uses the recited computer infrastructure to perform the steps that create an authorized account for a minor. The focus of the claimed invention is not on an improvement in computer capabilities, but rather on enabling a minor to have an account with the requisite consent. Appellants, therefore, do not apprise us of error in the Examiner's determination that the character of independent claim 1, as a whole, is directed to the abstract idea of "creating an authorized financial contract."

Appellants also assert that the Examiner has not shown how the claim limitations are similar to other concepts the courts have held to be abstract ideas. Appeal Br. 20; Reply Br. 2–5. Appellants' argument is not persuasive of error.

As set forth above, Appellants do not apprise us of error in the Examiner's determination that the claims are directed to "creating an authorized financial contract," and we do not see any meaningful distinction between this concept and similar concepts the courts have held to be abstract ideas. For example, we agree with the Examiner that the concept of "creating an authorized financial contract," is similar to the abstract idea of "intermediated settlement" in *Alice* because, like using an intermediary for

settlement, seeking authorization to create a financial contract mitigates risk and is a fundamental economic practice long prevalent in our system of commerce.

Seeing no error in the Examiner's determination that the claims are directed to the abstract idea of "creating an authorized financial contract," we turn to Appellants' arguments under the second step of the analysis. Appellants contend that determining whether a claim recites an inventive concept requires consideration of many factors, and that these factors weigh in favor the eligibility of the claims. Appeal Br. 22. We have considered each asserted factor, and, for the following reasons, we agree with the Examiner that the claims do not amount to significantly more than the abstract idea.

Appellants argue that the operations recited in the claims are specified at a low level of generality, rather than a high-level articulation of an abstract idea. Appeal Br. 23–24. Appellants' argument does not apprise us of error. As set forth above, the second step of the *Alice* analysis considers whether a claim recites an element or combination of elements that transforms the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355. Specifying an abstract idea at different levels of abstraction, i.e. low-level versus high-level of generality, does not transform the nature of a claim into a patent-eligible application.

Appellants also argue that, like the claims in *Diamond v. Diehr*, 101 S. Ct. 1048 (1981), the present claims solve a technological problem in conventional industry practice. Appeal Br. 24–25; Reply Br. 5–6. According to Appellants, the claimed invention alleviates the difficulties associated with a minor transacting business in a networked environment.

Appeal Br. 24 (citing Spec. ¶ 2). The alleged difficulties, however, are not unique to networked environments. For example, a minor would need consent to open an account at financial institution whether the institution is a brick and mortar store or online. Given that the claimed invention does not solve a problem with networked environments but instead solves a business problem associated with a minor's ability to make transactions, the claimed invention does not solve a technological problem.

Appellants further assert the functions of each step of the claims are not purely conventional because, like the claims in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014), the actual effect of the claim limitations is a solution to a problem that exists only in the realm of computer technology. Appeal Br. 25–29; Reply Br. 6–7. According to Appellants, “the claims at issue solve a technological problem in conventional industry practice of creating accounts for minors that require adult consent in a networked environment (e.g., online or mobile).”

Appeal Br. 28. Appellants also assert that

[t]he concept of determining consent based on stored consent settings maintained in a networked storage device, and transmitting a response to the requesting server that provides verification of that consent in an automatic manner is one that simply did not exist prior to the rise in prominence of the Internet and the proliferation of computer technology.

Id. at 28–29. Appellants' arguments are not persuasive of error.

The claimed invention being implemented in a networked environment does not, in and of itself, mean the claimed invention is necessarily rooted in computer technology. Rather, as set forth above, the problem of creating accounts for minors that require adult consent is not an issue unique to networked environments and is not a technological problem.

For example, an employee of a financial institution could obtain and store consent settings from a verified adult and provide verification when a minor attempts to open an account. As such, the claimed invention is not rooted technology, but instead the generic computer implementation of a business practice for creating an authorized financial account, which is insufficient for patent eligibility. *See DDR Holdings*, 773 F.3d at 1256 (“[T]hese claims [of prior cases] in substance were directed to nothing more than the performance of an abstract business practice on the Internet or using a conventional computer. Such claims are not patent-eligible.”).

In addition, Appellants argue the claims include detailed limitations, and, therefore, do not seek to tie up any judicial exception so that others cannot practice it. Appeal Br. 29–31. Appellants’ argument does not apprise us of error. Even if the claims do not preempt all uses of the abstract idea of “creating an authorized financial account,” preemption is not the test for determining whether a claim is patent ineligible. Said differently, although preemption may be the basis for excluding abstract ideas from eligible subject matter, preemption is not the test. *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015) (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exceptions to patentability. For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.” (citation omitted)).

Appellants also contend the Final Office Action includes an apparent contradiction between the Examiner’s determination that the claims do not amount to something more than the abstract idea and the determination that the claims are patentable over the prior art. Appeal Br. 31–32. We, however, see no such contradiction.

Although the second step of the patent-eligibility analysis is termed a search for an “inventive concept,” the analysis is not an evaluation of novelty or nonobviousness, but rather, a consideration of “the elements of each claim both individually and ‘as an ordered combination’ to determine whether the additional elements ‘transform the nature of the claim’ into a patent-eligible application.” *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1298, 1297). As such, the question in the second step is not whether the claimed invention is novel, but rather whether the implementation of the abstract idea involves “more than performance of ‘well-understood, routine, [and] conventional activities previously known to the industry.’” *Content Extraction & Transmission LLC v. Wells Fargo Bank, N.A.*, 776 F.3d 1343, 1347–48 (Fed. Cir. 2014) (quoting *Alice*, 134 S. Ct. at 2359).

Here, the Examiner determines, and Appellants do not refute, that the claimed steps can be implemented by computer hardware performing computer functions that are well-understood, routine, and conventional, such as receiving, transmitting, and analyzing data. Ans. 5–8 (citing Spec. ¶¶ 22, 23, 85, 86). Consequently, even if the claimed invention is novel and nonobvious, we nevertheless fail to see how the computer implementation of the claimed steps requires something other than computer functions that are well-understood, routine, and conventional, which is insufficient to transform the claim into a patent-eligible application.

Appellants additionally argue that the dependent claims add significantly more to the abstract idea. Appeal Br. 18. According to Appellants, claims 4, 5, 11, 13, 15, 16, and 19–21 recite customized constraint settings for the selected website and various details of these

constraints. *Id.* Appellants further assert that claims 7–9 deal with notifications sent to verified adults based on activities of the minor, and that claim 10 recites unlinking and converting accounts. *Id.* Appellants do not apprise us of error. Defining the customized constraint settings, sending notifications to the verified adults, and unlinking and converting accounts further describe the abstract idea and, therefore, do not transform the nature of the claims to a patent-eligible application.

In view of the foregoing, Appellants do not apprise us of error in the Examiner’s determination that the claims are patent ineligible. Accordingly, we sustain the rejection of claims 1, 3–11, 13, 15, 16, and 18–22 under 35 U.S.C. § 101 as non-statutory subject matter.

DECISION

The Examiner’s decision to reject claims 1, 3–11, 13, 15, 16, and 18–22 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). 37 C.F.R. § 1.136(a)(1)(iv).

AFFIRMED