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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
13/908,406	06/03/2013	Wei Xu	37537.0009U1-	1080
126944	7590	05/31/2018	EXAMINER	
MasterCard c/o Ballard Spahr LLP 999 Peachtree Street, Suite 1000 Atlanta, GA 30309			MADAMBA, CLIFFORD B	
			ART UNIT	PAPER NUMBER
			3692	
			NOTIFICATION DATE	DELIVERY MODE
			05/31/2018	ELECTRONIC

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte WEI XU and ELIZABETH PLATKO

Appeal 2016-006465¹
Application 13/908,406²
Technology Center 3600

Before ANTON W. FETTING, BRUCE T. WIEDER, and
TARA L. HUTCHINGS, *Administrative Patent Judges*.

HUTCHINGS, *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 1–26. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

¹ Our decision references Appellants’ Appeal Brief (“Br.,” filed Oct. 21, 2015), and the Examiner’s Answer (“Ans.,” mailed Apr. 11, 2016), Advisory Action (“Adv. Act.,” mailed Aug. 20, 2015), and Final Office Action (“Final Act.,” mailed Apr. 23, 2015).

² Appellants identify MasterCard International Incorporated as the real party in interest. Br. 2.

CLAIMED INVENTION

Claims 1, 18, and 21 are the independent claims. Claim 1, reproduced below, is illustrative of the claimed subject matter:

1. A computer-based method of allocating funds, the method comprising:

receiving, with a communications interface, funds data that specifies at least an amount of received funds and a payor;

determining, using a computer processor, based on the payor specified, whether any allocation rule among a plurality of allocation rules is applicable for allocation of the received funds; [and]

responsive to a determination that an allocation rule is applicable for allocation of the received funds, evaluating the allocation rule with the payor specified to identify at least one account category, wherein each account category is associated with at least one account of a payee, and allocating, with the computer processor, at least a portion of the received funds to at least one of the accounts associated with the at least one account category.

REJECTIONS³

Claims 1–26 are rejected under 35 U.S.C. § 101 as directed to non-statutory subject matter.

Claims 1–6, 9–11, and 14–26 are rejected under 35 U.S.C. § 102(a)(2) as anticipated by Bishop et al. (US 8,275,704 B2, iss. Sept. 25, 2012) (“Bishop”).

³ The Examiner has withdrawn the rejection of claims 1, 18, and 21 under 35 U.S.C. § 112, second paragraph as indefinite. Adv. Act. 2.

Claims 7, 8, 12, and 13 are rejected under 35 U.S.C. § 103(a) as unpatentable over Bishop and Smith et al. (US 8,260,699 B2, iss. Sept. 4, 2012) (“Smith”).

ANALYSIS

Non-Statutory Subject Matter

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: “[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).

The Supreme Court, in *Alice*, reiterated the two-step framework previously set forth in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (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.* If the claims are not directed to a patent-ineligible concept, e.g., an abstract idea, the inquiry ends. Otherwise, the inquiry proceeds to the second step where the elements of the claims are considered “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 566 U.S. at 79, 78).

The step-one analysis calls upon 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, for example, provides for a “computer-implemented method of allocating funds.” The method performs the following three steps: (1) receiving funds data that specifies at least an amount of received funds and a payor; (2) determining, based on the payor specified, whether any allocation rule among a plurality of allocation rules is applicable for allocation of the received funds; and (3) responsive to a determination that an allocation rule is applicable, (a) evaluating the allocation rule with the payor specified to identify at least one account category, and (b) allocating at least a portion of the received funds to at least one of the accounts associated with the at least one account category. The invention seeks to “reduce or eliminate the burden on a user of an electronic wallet regarding the processing of incoming (receivable) funds.” Spec. ¶ 14. The invention alleviates this burden on the user by using a set of rules to provide for automatic allocation of incoming funds, thereby “simplify[ing] the user’s experience for maintaining or administering her electronic financial accounts.” *Id.* Independent claims 18 and 21, while of differing scope, similarly focus on using rules to allocate funds (e.g., receiving funds data, determining whether any allocation rule is applicable, and, if so, evaluating the allocation rule and allocating at least a portion of the received funds). In this context, the character of Appellants’ claimed invention as a

whole focuses on an improvement to the process of allocating incoming funds by using rules.

It is well-established that § 101 covers neither “mental processes” — associated with or as part of a category of “abstract ideas” — nor processes that merely invoke a computer and its basic functionality for implementing such mental processes, without even specifying arguably new physical components or specifying processes defined other than by the mentally performable steps. *See, e.g., SmartGene, Inc. v. Advanced Biological Labs., SA*, 555 Fed. App’x 950, 954 (Fed. Cir. 2014), *cert. denied*, 135 S. Ct. 58 (2014). If a claim recites a mental process or abstract idea, it must recite “enough else—applying the idea in the realm of tangible physical objects (for product claims) or physical actions (for process claims)—that is beyond ‘well-understood, routine, conventional activity.’” *Id.* at 955 (citation and internal quotations omitted). In *SmartGene*, the Federal Circuit held that the claim at issue recited a patent-ineligible mental process involving the mental steps of comparing new and stored information, and using rules to identify medical options. *Id.* The Court determined that the claim “calls on a computer to do nothing that is even arguably an advance in physical implementations of routine mental information-comparison and rule application processes.” *Id.*

Here, in rejecting the claims under 35 U.S.C. § 101, the Examiner determines that Appellants’ “claims are directed to allocating funds based on determining whether an allocation rule is applicable for allocation of received funds.” Final Act. 10. The Examiner determines that the concept is similar to claims related to processing information, that have been held by the courts to be patent-ineligible. *See id.* (concluding that the claims are

“abstract (e.g., organizing data, storing and transmitting or processing information”). The Examiner further determines that the claims do not recite additional elements, taken alone or in combination, that amount to significantly more than the abstract idea. *Id.* at 11. In particular, the Examiner concludes that the elements perform generic functionalities, which are well-understood, routine, and conventional. *Id.*

Appellants argue that the Examiner mischaracterized and overgeneralized the claimed subject matter as being directed to allocating funds based on determining whether an allocation rule is applicable for allocation of received funds. Br. 4. Instead, Appellants contend that the “claimed invention manages and allocates data (funds) based on allocation rules.” *Id.* Yet, the concept of managing and allocating funds based on allocation rules is not meaningfully distinct from the Examiner’s characterization of the claimed subject matter. *See Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240–41 (Fed. Cir. 2016) (“An abstract idea can generally be described at different levels of abstraction. As the Board has done, the claimed abstract idea could be described as generating menus on a computer, or generating a second menu from a first menu and sending the second menu to another location. It could be described in other ways, including, as indicated in the [S]pecification, taking orders from restaurant customers on a computer.”).

Appellants assert that the claimed invention “reflects a technical solution to a technical problem” and “solve[s] a problem in the field of electronic payments, which is a branch of computer networking, a field of computer science.” Br. 4. Yet, Appellants do not identify, and we do not see, any technological problem in computer networking solved by the

claims. Instead, the Specification makes clear that Appellants' invention focuses on using a set of rules to "reduce or eliminate the burden on a user of an electronic wallet regarding the processing of incoming (receivable) funds." Spec. ¶ 14. Thus, the claims involve the steps of collecting information, analyzing the information, and using rules to determine how to proceed based on the results of the collecting and analysis, i.e., a mental process comprising steps that are individually abstract. *See, e.g., Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353–54 (Fed. Cir. 2016). As such, we agree with the Examiner's determination that the claims are directed to an abstract idea.

Appellants assert that the claims are analogous to those described in USPTO Example 2⁴, which is based on *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014), and to Example 21, claim 2⁵. *See* Br. 5–7; *see also* *Jan. 2015 Examples* 4–6 (describing Example 2 as being based on *DDR Holdings*); *July 2015 Examples* 4 (describing claim 2 of Example 21 as being "necessarily rooted in computer technology, similar to the additional elements in *DDR Holdings*"). Appellants contend that while the present claims "may be useful for 'determining whether an allocation rule is applicable for allocation of received funds,' they are not solely directed to such an objective" and instead recite "a technical, detailed way of

⁴ USPTO's Examples: Abstract Ideas (Jan. 27, 2015), available at <https://www.uspto.gov/sites/default/files/documents/ieg-july-2015-app1.pdf> (hereinafter "*Jan. 2015 Examples*").

⁵ USPTO's July 2015 Update Appendix 1: Examples (July 30, 2015), available at <https://www.uspto.gov/sites/default/files/documents/ieg-july-2015-app1.pdf> (hereinafter "*July 2015 Examples*").

the [sic] overcoming the limitations of the current art” and “require implementation by computing devices.” *Id.* at 6.

Yet, the claims at issue in *DDR Holdings* were not held patent-eligible because they required computing devices or because the claims themselves were detailed or involved the use of technology. To the contrary, the Federal Circuit cautioned that “not all claims purporting to address Internet-centric challenges are eligible for patent.” *DDR Holdings*, 773 F.3d at 1258. Instead, the court held that the claims distinguished over patent-ineligible claims that “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity),” because they “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.” *Id.* The claimed solution was “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” *Id.* at 1256. Here, we do not find, and Appellants do not identify, any analogous modification to the routine and conventional functioning of computer network technology. At best, the invention appears to use generic computer components (e.g., a communications interface and computer processor (claim 1)) to perform an abstract business practice (i.e., allocating received funds).

We are not persuaded by Appellants’ argument that the claims do not preempt the abstract idea. Br. 7–8. There is no dispute that the Supreme Court has described “the concern that drives [the exclusion of abstract ideas from patent eligible subject matter] as one of pre-emption.” *Alice Corp.*, 134 S. Ct. at 2354. But, 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). “[P]reemption may signal patent ineligible subject matter, [but] the absence of complete preemption does not demonstrate patent eligibility.” *Id.*

Appellants argue that the claims “are directed to providing a technical solution that is *inextricably* tied to (inseparable from) a computer-implemented environment in order to overcome a problem that has arisen in updating a computer model.” Br. 9. Appellants assert that “the recited elements *cannot* be separated from the computer-implemented environment (e.g., specific tangible parts programmed in specific ways to communicate very specific data) and ‘presents functional and palpable applications in the field of computer technology.’” *Id.* at 10 (citing *Research Corp. Techs., Inc. v. Microsoft Corp.*, 627 F.3d 859, 867–68 (Fed. Cir. 2010). Yet, limiting the use of an abstract idea to a particular technological environment is not enough for patent eligibility. *See Alice Corp.*, 134 S. Ct. at 2358; *see also Ultramercial*, 772 F.3d 709, 714 (Fed. Cir. 2014) (rejecting the argument that claims “directed to a specific method of advertising and content distribution that was previously unknown and never employed on the Internet before” were patent-eligible).

Appellants argue that the claims require a special purpose computer, not a generic computer, because “a generic computer is *not capable* of performing the functional features recited in the claims.” Br. 11. Citing *In*

re Alappat, 33 F.3d 1526, 1543 (Fed. Cir. 1994), Appellants argue that “[b]ecause the recitations of the present claims would require specific programming, the resulting computer would be a specific purpose computer. *Id.* The difficulty with that argument is that the Supreme Court made clear in *Alice* that implementing an algorithm on a computer is not enough for patent-eligibility. *Alice*, 134 S. Ct. at 2357; *see also Eon Corp. IP Holdings LLC v. AT&T Mobility LLC*, 785 F.3d 616, 623 (Fed. Cir. 2015) (“*Alappat* has been superseded by *Bilski* and *Alice*”) (internal citations omitted).

Appellants argue that the claims are analogous to those in *Diamond v. Diehr*, 450 U.S. 175 (1981), which involved the use of mathematical equations in operation of a rubber molding press to cure raw rubber into a product that retains its shape. *See* Br. 12. We disagree. In *Diamond*, the claimed invention improved the operation of a rubber molding press by taking measurements, and feeding those measurements into a digital computer that repeatedly recalculated the cure time based on the Arrhenius equation, thereby transforming raw rubber into a molded, rubber product. *Diamond*, 450 U.S. at 177–179, 184. Appellants contend that the present claims, like the claims in *Diamond*, “via each of their particularly programmed structural computer components[,] store, receive, model and additionally generate *very specific and sensitive information in a very specific manner in a hardware-based system* that has not been done before in the industry.” Br. 12.

However, the advance Appellants purport to make — i.e., storing, receiving, modeling, and generating information — is directed to an abstract idea, and not any particular assertedly inventive technology for performing those functions. *See Elec. Power Grp.*, 830 F.3d at 1354. Unlike the

situation in *Diamond*, Appellants' claims recite the desired result of the functional limitations without providing any requirements for how the desired result is achieved. *See id.* at 1355 (“[i]nquiry [at step two] therefore must turn to any requirements for *how* the desired result is achieved”). Moreover, applying Appellants claimed steps, unlike the situation in *Diamond*, does not result in any transformation of matter from one state (i.e., raw rubber) to another (i.e., a molded product).

In view of the foregoing, we are not persuaded that the Examiner erred in rejecting the claims under 35 U.S.C. § 101. Therefore, we sustain the Examiner's rejection.

Anticipation

We are persuaded by Appellants' argument that the Examiner erred in rejecting independent claims 1, 18, and 21 under 35 U.S.C. § 102(a)(2) because Bishop does not disclose “determining . . . whether any allocation rule among a plurality of allocation rules is applicable for allocation of the received funds” and, in response to a determination that an allocation rule is applicable, “allocating . . . at least a portion of the received funds,” as recited in claim 1, and similarly recited in claims 18 and 21. Br. 13–14. The Examiner cites Bishop at column 10, lines 44–54; column 11, lines 21–25, column 15, lines 41–57, column 17, lines 60–67, column 27, lines 1 and 15–27; column 31, lines 15–27, column 32, lines 41–59, column 33, lines 28–38, and column 35, lines 45–48, as disclosing the argued limitations. Final Act. 13. We have reviewed each of the portions of Bishop relied upon by the Examiner. However, we agree with Appellants that Bishop's allocation rules relate to the allocation of charges, not received funds. *See* Br. 13 (citing Bishop 33:16–19); *see also* Bishop 33:16–27, 34:5–12.

In the Answer, the Examiner responds to Appellants' argument by relying upon additional portions of Bishop for the argued limitations. Ans. 28 (quoting Bishop 11:54–63, 12:63–66, 28:3–11). Bishop at column 11, lines 54–63 describes another exemplary embodiment in which the transaction mechanism determines whether the purchaser has sufficient funds in the financial account to enable the funds transfer identified in the transaction information. If the purchaser has sufficient funds available in the financial account, then the transaction is deemed acceptable. Bishop 11:57–61, 13:5–10. Then, the funds are debited from the purchaser's financial account, and maintained in an escrow account. *Id.* at 11:61–64, 13:10–14. Upon occurrence of an escrow release event — such as receipt by the purchaser of the goods or services, or a lapse of a predetermined period of time — the funds are debited from the escrow account and credited to the seller's financial account. *Id.* at 11:64–12:13. Column 12, lines 63–66 describes that the financial account of a pre-registered seller may receive appropriate funds transferred from the purchaser's financial institution. Column 28, lines 3–11 describes different types of transactions. Yet, none of the cited portions teaches determining whether any allocation rule is applicable for allocation of the received funds, as recited in claim 1, and similarly recited in claims 18 and 21.

In view of the foregoing, we do not sustain the Examiner's rejection of independent claims 1, 18, and 21, and dependent claims 2–6, 9–11, 14–17, 19, 20, and 22–26 under 35 U.S.C. § 102(a)(2).

Obviousness

The Examiner's obviousness rejection of dependent claims 7, 8, 12, and 13 does not cure the deficiencies in the rejection of independent claim 1

Appeal 2016-006465
Application 13/908,406

under § 102(a)(2). Therefore, we do not sustain the Examiner's rejection of claims 7, 8, 12, and 13 under 35 U.S.C. § 103(a) for the same reasons described above with respect to the independent claim.

DECISION

The Examiner's rejection of claims 1–26 under 35 U.S.C. § 101 is affirmed.

The Examiner's rejection of claims 1–6, 9–11, and 14–26 under 35 U.S.C. § 102(a)(2) is reversed.

The Examiner's rejection of claims 7, 8, 12, and 13 under 35 U.S.C. § 103(a) is 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