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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte KATHERINE K. DECKER, SAM EVANS, and MARK BRUNN

Appeal 2016-007323
Application 11/681,541
Technology Center 3600

Before PHILIP J. HOFFMANN, AMEE A. SHAH, and
MATTHEW S. MEYERS, *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 1–7, 11–19, and 27–29.³ We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

¹ Throughout this Decision, we refer to the Appellants’ Appeal Brief (“Appeal Br.,” filed Nov. 16, 2015), Reply Brief (“Reply Br.,” filed July 19, 2016), and Specification (“Spec.,” filed Mar. 2, 2007), and to the Examiner’s Answer (“Ans.,” mailed May 19, 2016) and Final Office Action (“Final Act.,” mailed May 13, 2015).

² According to the Appellants, the real party in interest is Manheim Investments, Inc. Appeal Br. 1.

³ Claims 20–22 and 24–26 have been cancelled by the Appellants. Appeal Br. 2, 20 (Claims App.)

STATEMENT OF THE CASE

The Appellants' invention generally "relates to data processing, and more particularly to automated computer systems for processing transactions and mitigating risk," and specifically to "providing independent and other dealers with sources of retail financing using a clearinghouse to reduce or mitigate risk to lenders in real time or substantially real time." Spec. ¶ 2.

Claims 1, 15, and 29 are the independent claims on appeal. Claim 1 (Appeal Br. 17 (Claims App.)) is illustrative of the subject matter on appeal, and is reproduced below (lettered bracketing added for reference):

1. A non-transitory computer readable medium storing a program comprising instructions which, when executed, causes a processor to:

[(a)] at least in part through an established inventory supply with an automobile dealer and through use of an automated computerized inventory database, collect and evaluate information concerning at least automobile inventory of said automobile dealer;

[(b)] based at least in part on said collecting and evaluating, automatically determine a stored indicator indicative of amount of risk associated with conducting future transactions with said automobile dealer by automatically continually monitoring at least said automobile inventory of said automobile dealer;

[(c)] automatically conditioning computer-based access by said automobile dealer to a plurality of lenders in response to said stored indicator including automatically by computer restricting and/or preventing the automobile dealer from accessing financing offered by said plurality of lenders if the indicator indicates that the particular dealer has fallen out of trust, thereby using inventory supply as a way to monitor the condition of said dealer and denying access by untrustworthy automobile dealers to the plurality of lenders; and

[(d)] using a computer-based titling system to guarantee title to any lenders said automobile dealer is granted access to and which provides financing to said automobile dealer based on said automatically conditioned access.

REJECTIONS

Claims 1–7, 11–19, and 27–29 stand rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter. Final Act. 4.

Claims 1–7, 11–14, and 29 stand rejected under 35 U.S.C. 103(a) as being unpatentable over Pulliam (US 6,609,108 B1, iss. Aug. 19, 2003) and Freeland (US 2002/0169640 A1, pub. Nov. 14, 2002). *Id.* at 7.

Claims 15–19, 27, and 28 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Pulliam, Freeland, and Andersen (US 5,774,883, iss. June 30, 1998). *Id.* at 14.

ANALYSIS

35 U.S.C. § 101 — Non-Statutory Subject Matter

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 Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2355 (2014). 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 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. *See Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016).

Under the first step of the *Mayo/Alice* framework, the Examiner determines that the claims are directed to “an example of comparing new and stored information and using rules to identify options, processing information through a clearinghouse and using the result in a fundamental economic practice.” Final Act. 5. Conversely, the Appellants contend that “[a] more appropriate definition of the ‘abstract idea’ might be ‘providing . . . dealers with sources of retail financing using a clearinghouse to reduce or mitigate risk to lenders in real time or substantially in real time.’” Appeal Br. 7 (quoting Spec. ¶ 2).

The step-one analysis requires us to consider the claims “in light of the specification, based on whether ‘their character as a whole is directed to

excluded subject matter.” *Enfish*, 822 F.3d at 1335 (quoting *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015) and quoting *Genetic Techs. Ltd. v. Merial L.L.C.*, 818 F.3d 1369, 1375 (Fed. Cir. 2016) (“inquiring into ‘the focus of the claimed advance over the prior art’”). 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).

Here, the Specification is titled “DATA PROCESSING METHOD AND APPARATUS FOR MITIGATING RISK IN FINANCING PURCHASES OF GOODS INCLUDING BUT NOT LIMITED TO AUTOMOBILES.” The Specification further describes the invention as “providing independent and other dealers with sources of retail financing using a clearinghouse to reduce or mitigate risk to lenders in real time or substantially real time.” Spec. ¶ 2; Appeal Br. 7. Independent claim 1 provides for a computer readable medium with instructions that cause a processor to collect and evaluate inventory data through use of an automated computerized database, determine data indicating risk by monitoring inventory data based on the collecting and evaluating, condition computer-based access to lenders in response to risk data, and use a computer-based system to guarantee title. *See* Appeal Br. 17 (Claims App.). Claims 3–14, that depend from claim 1, further narrow the step of conditioning access and add the steps of supplying inventory data, providing financing, processing loan payoffs, verifying trade-in data, serving as loan escrow agent, communicating with a system to collect inventory data, and transmitting

payment electronically. *See id.* at 17–19. Independent claim 15 provides for a data transaction system comprising a data collector to collect inventory data and communicate with a dealer computer, a facilitator computer coupled to the data collector, connected to a storage device, i.e., database, and including a dealer evaluator that determines condition of a dealer based on received and monitored inventory data, and a transaction computer coupled to the evaluator that conditions access to participants based on the determined condition. *See id.* at 19–20. Claims 16–19 and 27, which depend from claim 15, add limitations regarding the evaluator setting a flag, defining the privileges revoked, and adding an auction computer to manage auction inventory and provide information, means for communicating with a dealer computer, and means for transmitting payments electronically. *See id.* at 20–21. Independent claim 29 provides for a method of initiating transfer of title while facilitating transactions comprising the steps of using a computerized system to monitor and track inventory data, evaluating inventory to infer risk, adjusting a stored data indicative of the risk through the use of the computer and based on the inferred risk, conditioning computer-based access to lenders in response to risk data, and guaranteeing title. *See Appeal Br. 21.* The computerized system may consist of a clearinghouse computer, which can be a mainframe or mini computer, that communicates with a credit facilitator engine “of conventional design” (Spec. ¶ 20), with dealer computers via a network (*see id.* ¶ 24), with an auction computer using a network such as the Internet (*see id.* ¶ 25), with a title handling system (*id.* ¶ 27), and with a conventional electronic communications engine (*id.* ¶ 28), and that can directly or indirectly access a

database (*id.* ¶ 26). The clearinghouse computer and engine can be different computers or one computer, i.e., a generic computer. *Id.* ¶ 35.

In that context, considering the claims in light of the Specification and on their “character as a whole” (*Enfish*, 822 F.3d at 1335), the claims are directed to collecting, evaluating, determining, monitoring, and controlling access to data to guarantee title and reduce financial risk.⁴ In this manner, the claims are similar to those deemed to be abstract ideas by our reviewing courts in *Bilski v. Kappos*, 561 U.S. 593, 609–11 (2010) (hedging risk as applied to energy markets), *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) (guaranteeing transactions), *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), and *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1354 (Fed. Cir. 2016) (process of gathering and analyzing information of a specified content and displaying the result). Here, the claims involve nothing more than collecting, evaluating, determining, monitoring, and controlling access to data, without any particular inventive technology — an abstract idea. *See Elec. Power*, 830 F.3d at 1354. That the steps are automatic, i.e., performed by computers, (*see* Appeal Br. 7) does not preclude the claims from being directed to an abstract idea at least because the Court has instructed that the significance of these elements is determined in step two of the *Mayo/Alice*

⁴ We note that “[a]n 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.

framework. The claims in *Alice*, for example, were not devoid of technical elements, but were determined to be directed to an abstract idea. *Cf. In re TLI Commc'ns LLC Patent Litig.*, 823 F.3d 607, 611 (Fed. Cir. 2016) (“[N]ot every claim that recites concrete, tangible components escapes the reach of the abstract-idea inquiry”).

We find unpersuasive the Appellants’ arguments that the claims are not abstract because they are analogous to those of *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) in that the claims “solve[] a long-felt problem in a non-obvious way through use of computer technology in a particular way that . . . would not exist but for modern online transactions over computer networks.” Reply Br. 8; *see also* Appeal Br. 9.

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 the Appellants do not specify what problem specifically arising in the realm of computer networks the claims address. In the section titled “BACKGROUND AND SUMMARY,” the Specification discusses that many consumers benefit from using financing options to pay for car purchases. *See* Spec. ¶ 5. Large dealers generally are able to provide many financing options (*id.*), but “[s]maller and/or independent car dealers face a different set of challenges when seeking financing relationships with lenders” (*id.* ¶ 6). These challenges pertain to smaller dealers’ lack of relationships with wary nationwide lenders who, to reduce risk, prefer to engage only with larger dealer franchises. *Id.* To address these problems, the invention attempts to “provide efficient mechanisms for giving consumers a wider range of lender choices and options while minimizing lender risks and maximizing transactions efficiently” (*id.* ¶ 7) by “provid[ing] risk mitigated solutions, systems methods and environments that use modern computers and associated networks in ways that are highly efficient, cost-effective, timely, robust and reliable for coordinating and clearing lender transactions including but not limited to automobile purchases” (*id.* ¶ 8). As discussed above, the computers and networks used are conventional computers. *See id.* ¶¶ 20, 24–29, 35,

Unlike *DDR Holdings*, here the problem of reducing risk to lenders to provide financing options to smaller businesses existed prior to the Internet. *See Alice*, 134 S. Ct. at 2356–57 (hedging risk and intermediated settlement are fundamental economic practices); *buySAFE*, 765 F.3d at 1355 (“creating a contractual relationship—a ‘transaction performance guaranty’ —. . . is beyond question of ancient lineage”). Further, the purported solution is not necessarily rooted in computer technology as it requires the use of generic

components operating in their routine and conventional way. The Appellants do not direct attention to, and we do not see, where the Specification provides for an improvement in the technology or technical functioning of these components. The claims recite an invention that is merely the routine or conventional use of the Internet to perform an abstract business practice. *DDR Holdings*, 773 F.3d at 1258–59.

We also find unpersuasive the Appellants’ argument that the claims are not directed to an abstract idea because “the self-referential tables the Federal Circuit found to be patentable in *Enfish*, . . . also were directed to ‘concepts relating to economy and commerce’ – namely keeping track of employees of a company.”⁵ Reply Br. 7. The claims at issue in *Enfish* were directed to a specific type of data structure, i.e., a self-referential table for a computer database, designed to improve the way a computer carries out its basic functions of storing and retrieving data. *Enfish*, 822 F.3d. at 1335–36. There, in rejecting a § 101 challenge, the court held that “the plain focus of the claims is on an improvement to computer functionality itself, not on economic or other tasks for which a computer is used in its ordinary capacity.” *Id.* at 1336. The Appellants have not adequately explained here how the court’s holding in *Enfish* impacts the present analysis under the *Mayo/Alice* framework. For example, the Appellants do not point to anything in the claims that resembles the inventive self-referential data structure at issue in *Enfish*. And the Appellants do not direct our attention to anything in the Specification that indicates that the invention provides an improvement in computer functionality.

⁵ The Appellants may present this new argument based on the recent relevant decision of the Federal Circuit issued after the Appeal Brief.

Under the second step of 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. 5; Ans. 23. We are unpersuaded by the Appellants’ arguments that the claim limitations recite significantly more than the abstract idea. *See* Appeal Br. 7–12; Reply Br. 8–9.

We disagree that the limitations of “a ‘clearinghouse facilitator computer’ . . . structured to automatically monitor the condition of the dealer based on an inventory database, and a ‘transaction origination computer’ [that] automatically conditions access by the dealer to potential transaction participants” add “something more” than the abstract idea. Appeal Br. 7. The terms “clearinghouse facilitator computer” and “transaction origination computer” are not used in the Specification. The Specification does describe a “clearinghouse 100” that may be “a main frame or mini computer” (Spec. ¶ 20), i.e., a generic computer. The Specification also describes a “loan origination system” (*id.* ¶¶ 14, 21), but not specific structure for that system, or that the origination system conditions access to data. Rather, the Specification describes clearinghouse 100 as having “the effect of closing access” (*id.* ¶ 21).

We agree with the Examiner’s finding that collecting and evaluating information, determining a stored data indicative of risk, monitoring data, conditioning computer-based access are well-understood, routine, and conventional functions of a generic computer. *See* Final Act. 2–3; Ans. 15. The Specification supports this in providing for a generic clearinghouse computer to perform these functions. *See* Spec. ¶¶ 14, 20, 21, Fig. 1. *See also Elec. Power*, 830 F.3d at 1354–55 (gathering, sending, monitoring, and

presenting information); *Two-Way Media Ltd. v. Comcast Cable Commc'ns, LLC*, 874 F.3d 1329, 1339 (Fed. Cir. 2017) (processing, routing, and controlling data, and monitoring its reception). There is no further specification of particular technology for performing the steps. *See Affinity Labs of Texas, LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1263 (Fed. Cir. 2016); *see also Enfish*, 822 F.3d. at 1336 (focusing on whether the claim is “an improvement to [the] computer functionality itself, not on economic or other tasks for which a computer is used in its ordinary capacity”). We note that the Specification does not describe how the computer guarantees title; the term is only discussed in the Specification at paragraph 15 as one of the items dealers are screened for, and in original claim 9.

We further find unpersuasive the Appellants’ argument that the claims recite an inventive concept because the imitations “require interconnections of the type shown in Fig[ure] 1A that did not exist before . . . [Appellants] invented their preferred embodiment.” Appeal Br. 8. The Appellants do not provide reasoning or support to show that a generic computer, i.e., the clearinghouse, communicating with a database and other systems did not exist prior to the invention.

In response to the Appellants’ argument that the claims “require significant structure that avoids preempting any abstract idea” (Appeal Br. 8), we note that 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 preemption” (*see Alice*, 134 S. Ct. at 2354), characterizing preemption as a driving concern for patent eligibility is not the same as characterizing preemption 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 and structure claimed are not sufficiently limiting so as to fall clearly on the side of patent-eligibility.

With regards to the dependent claims, the Appellants recite the limitations and state that they provide “specific technological detail[s]” that prevent the claims from preempting abstract idea. Appeal Br. 9–12. As discussed above, the absence of complete preemption does not demonstrate patent-eligibility. And, the Appellants do not provide further support or reasoning as to why or how the limitations are not well-understood, routine, and conventional functions of a generic computer.

Thus, we are not persuaded that the Examiner erred in rejecting claims 1–7, 11–19, and 27–29 under 35 U.S.C. § 101, and we sustain the Examiner’s rejection.

35 U.S.C. § 103(a) — Obviousness

We agree with the Appellants’ contention that the Examiner does not adequately show that the prior art teaches limitations (b) and (c) of claim 1, and similarly recited in claims 15 and 29, of conditioning access by a dealer to a plurality of lenders in response to the determined indicator of risk/dealer condition. *See* Appeal Br. 13; Reply Br. 2–3.

The Examiner finds, in relevant part, that Pulliam teaches determining a stored indicator indicative of risk and the condition of the dealer, and conditioning computer-based access in response to the indicator and condition. *See* Final Act. 7–8, 15–16 (citing Pulliam, col. 2, l. 63–col. 3, l. 3, col. 14, ll. 40–45, Fig. 9); Ans. 24 (citing Pulliam, col. 30, l. 65–col. 31, l. 5, Figs. 37A–37C). Specifically, the Examiner finds that Pulliam shows applying rules “*to allow or deny access to specific functions and data sets*” (Final Act. 8) and “show[s] access using multiple indicators” (Ans. 24). The Examiner further finds that Freeland teaches conditioning access to a plurality of lenders. Final Act. 8, 16 (citing Freeland ¶ 10).

Pulliam discloses a system and method for communicating online vehicle orders. Pulliam, Abstract. The portions of Pulliam relied on by the Examiner disclose a method and system that reduces product delivery time to a consumer by locating and tagging a desired product at various stages of the pipeline. *Id.* at col. 2, l. 63–col. 3, l. 5. Figure 9 shows a locate server message flow whereby requests from vehicles are sent and, based on the requester’s identity and pre-assigned business rules, a user’s access to specific functions and data sets is denied or allowed. *Id.* at col. 4, ll. 34–45. Figures 37A–37C show a user session message format for transmitting user session data to the report process that includes various identifiers. *Id.* at col. 30, l. 65–col. 31, l. 5. Freeland discloses a system for facilitating the transfer of titled property. Freeland, Abstract. Paragraph 10, relied on by the Examiner, provides that the processing center electronically handles the majority of the title and registration process, thereby allowing “proper security” to the lenders and protecting all parties by utilizing the “security of the escrow service.”

However, the Examiner has not adequately explained how or where Pulliam teaches that its tagging and/or user request is used to determine an indicator of risk or condition of the dealer or how or where Pulliam teaches that its business rules to control access to data are based on the indicator of risk or determined condition of the dealer. The Examiner has also not adequately explained how one of ordinary skill in the art would understand Freeman's processing center to control access based on Pulliam's tagging and/or user request. Thus, the Examiner has not adequately shown how Pulliam and/or the combination of Pulliam and Freeman teaches the claimed limitations of determining an indicator of risk/condition of the dealer and conditioning access by a dealer to a plurality of lenders in response to the determined indicator of risk/condition.

Based on the foregoing, we do not sustain the Examiner's rejections under 35 U.S.C. § 103(a) of independent claims 1, 15, and 29, and their dependent claims.

DECISION

The Examiner's rejection of claims 1-7, 11-19, and 27-29 under 35 U.S.C. § 101 is AFFIRMED.

The Examiner's rejections of claims 1-7, 11-19, and 27-29 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