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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte TREVOR FRED ROY CLARKE,
WARREN DE VILLIERS, ANDRE RYAN EDELBROCK,
STEVE FROOK, DARRYL GREEN,
and KEEGAN JOHNSON¹

Appeal 2016-008376
Application 14/043,736
Technology Center 3600

Before BRADLEY W. BAUMEISTER, JEREMY J. CURCURI, and
BETH Z. SHAW, *Administrative Patent Judges*.

BAUMEISTER, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellants appeal under 35 U.S.C. § 134(a) from the Examiner's
Final Rejection of claims 1–21. App. Br. 2.² We have jurisdiction under
35 U.S.C. § 6(b).

We affirm.

¹ Appellants list Ethoca Technologies, Inc. as the real party in interest.
Appeal Brief 2, filed December 29, 2015 (“App. Br.”).

² Rather than repeat the Examiner's positions and Appellants' arguments in
their entirety, we refer to the above-mentioned Appeal Brief, as well as the
following documents, for their respective details: the Final Action mailed
July 30, 2015 (“Final Act.”); the Examiner's Answer mailed July 12, 2016
 (“Ans.”); and the Reply Brief filed September 12, 2016 (“Reply Br.”).

STATEMENT OF THE CASE

Appellants describe the present invention as follows:

Provided herein are techniques for rescuing a commercial transaction identified as suspect, possibly based on suspicion of fraud or due to the risk associated with the commercial transaction. Various implementations include systems and methods that can rescue a purchase transaction involving a purchasing party (hereafter, a “purchaser”) and a selling party (hereafter, a [“]merchant”). The item or items being purchased in the purchase transaction can include goods, []services, or property interests (e.g., real, intellectual, or otherwise). Particular implementations can facilitate the rescuing of a purchase transaction that has been declined, canceled or suspended (e.g., pending further review) by an involved party (e.g., the selling party) based on that party’s concern (e.g., fraud or high risk) with respect to the purchase transaction.

Abstract.

Independent claim 1, reproduced below with added emphasis, illustrates the claimed invention:

1. A system comprising:

a purchase transaction information engine configured to receive first data regarding a purchase transaction between a purchaser and a merchant, the purchase transaction involving a pre-authorization for payment by the purchaser to the merchant using an electronic payment method, the purchase transaction identified as a suspect purchase transaction *by the merchant*;

an electronic payment processor information engine configured to provide an electronic payment processing system with second data regarding the purchase transaction, the electronic payment processing system being configured to assist in processing payments by the electronic payment method, the second data including a request for the electronic payment processing system to validate the payment of the purchase transaction;

a purchase transaction validation engine configured to receive from the electronic payment processing system third data regarding validity of the payment of the purchase transaction, the validity of the payment of the purchase transaction determined by the electronic payment processing system from a response to a validity request received from a purchaser-client system;

a merchant system data interface engine configured to provide fourth data to a merchant system regarding a possibility of rescuing the purchase transaction based on the third data, the merchant system processing the purchase transaction between the purchaser and the merchant.

Claims 1–21 stand rejected under 35 U.S.C. § 101 as being directed to patent ineligible subject matter. Final Act. 3.

Claims 1–21 stand rejected under 35 U.S.C. § 103(a) as obvious over Calabrese et al. (US 7,954,706 B2; issued June 7, 2011) and Larkin (US 2012/0047072 A1; published Feb. 23, 2012). Final Act. 4–12.

We review the appealed rejections for error based upon the issues identified by Appellants, and in light of the arguments and evidence produced thereon. *Ex parte Frye*, 94 USPQ2d 1072, 1075 (BPAI 2010) (precedential).

THE REJECTION UNDER § 101

Findings and Contentions

Claims 1–21 stand rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter. Final Act. 3. The Examiner originally set forth a relatively conclusory basis for this rejection. Final Act. 3. Appellants' initial arguments focused on the rejection's brevity. App. Br. 8–9 (asserting the Examiner failed to establish a prima facie case); *id.* at 9–10 (arguing the Examiner has not shown the claims are directed to an abstract idea); *id.* at

10–11 (arguing the Examiner has not shown the claims are not directed to significantly more than the concept of pre-authorizing a payment).

The Examiner expands upon this rejection in the Examiner’s Answer, revising the rejection, purportedly to be in line with updated guidance from the Office on making patent-ineligible-subject-matter rejections. Ans. 12–18. Appellants then present arguments that address the revised rejection of the Examiner’s Answer. Reply Br. 2–5. We understand the revised rejection generally moots the arguments of the Appeal Brief. We, therefore, focus on the rejection set forth in the Examiner’s Answer, as well as the arguments presented in the Reply Brief.

In the Examiner’s Answer’s revised rejection, the Examiner determines

the claims are essentially directed to the concept of pre-authorizing a payment and completing a transaction—an abstract idea [that] would fall within the universe of ineligible subject matter envisioned by courts as being an exception to patentability, e.g., a fundamental economic activity (abstract idea) simply being carried out via an electronic device, a general purpose computer and/or a computer system.

Ans. 14. The Examiner additionally determines that “[t]he claims[,] as a whole, do not amount to significantly more than the abstract idea.” *Id.* at 16.

Appellants present three general arguments in their Reply Brief: (1) recent Federal Circuit case law supports that the claims are directed to statutory subject matter (Reply Br. 2–3); (2) the claims are directed to significantly more than the alleged abstract idea (*id.* at 4–5); and (3) the claims are distinguished from the Alice case (*id.* at 5). We address these arguments *seriatim*.

Principles of Law

In determining whether the claims set forth patent eligible subject matter under 35 U.S.C. § 101, we first must determine whether the claims at issue are directed to laws of nature, natural phenomena, or abstract ideas. *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 714 (Fed. Cir. 2014). In considering whether a claim is directed to an abstract idea, we acknowledge, as did the Supreme Court, that “all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.” *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 71 (2012). 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).

If the claims are directed to an abstract idea, we then must consider whether the claim contains an element or a combination of elements that is sufficient to transform the nature of the claim into a patent-eligible application. *Ultramercial*, 772 F.3d at 714; *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2355 (2014).

In applying step two of the *Alice* analysis, we must “determine whether the claims do significantly more than simply describe [the] abstract method” and thus transform the abstract idea into patentable subject matter. We look to see whether there are any “additional features” in the claims that constitute an “inventive concept,” thereby rendering the claims eligible for patenting even if they are directed to an abstract idea. Those “additional features” must be more than “well-understood, routine, conventional activity.”

Intellectual Ventures I LLC v. Erie Indem. Co., 850 F.3d 1315, 1328 (Fed. Cir. 2017) (citations omitted).

“[C]laims [that] merely require generic computer implementation[] fail to transform [an] abstract idea into a patent-eligible invention.” *Id.* (first and fourth alterations in original) (quoting *Alice*, 134 S. Ct. at 2357).

Analysis

Appellants argue that the Examiner applied an improper rationale for determining the current claims are directed to an abstract idea. Reply Br. 3. To this end, Appellants note that *Enfish* held that claims directed to software are not inherently abstract. *Id.* at 2. Appellants then contend that the Examiner erred in rejecting the claims as being directed to patent ineligible subject matter “merely relying on the proposition that the claims are directed to a solution in computer technology of generic computer functions, as opposed to a particular machine.” *Id.* at 3.

This argument is unpersuasive because the Examiner did not merely rely on such a proposition in determining the claims were directed to an abstract idea. The Examiner instead determined the claims were directed to an abstract idea because the claims were directed to a fundamental economic activity that was “simply being carried out via an electronic device, a general purpose computer and/or a computer system.” Ans. 14.

Appellants next argue that the claims are directed to patentable subject matter for the following reason:

The subject matter of the currently pending claims relates to rescuing transactions as part of fraud damage mitigation. Within fraud damage mitigation, technology has advanced to allow automated agents of parties involved in fraudulent transactions to communicate nearly instantaneously. However, the ability to communicate nearly instantaneously in mitigating fraudulent

transaction damage has introduced the problem of canceling transactions that are actually not fraudulent without taking any steps to actually rescue the transactions. The subject matter of the current claims relates to using automated agents to rescue the transactions without automatically canceling them. Therefore, the claims are directed to improvements in computer capabilities in mitigating fraud damage.

Reply Br. 3.

The argument is unpersuasive. The additionally claimed protocol of rescuing suspect transactions—a capability in mitigating fraud damage—is not a capability unique to computers. Protocols for rescuing suspect transactions were known previously in the pre-Internet world, as well. For example, it was a common practice for an employee (e.g., a person employed to process checks) not to be authorized to perform some high-risk transactions (e.g., process personal checks for large sums) and to be required, instead, to obtain a manager’s authorization to perform the high-risk transaction. As such, the type of automation claimed merely makes the known fundamental economic activity more efficient by using conventional automated agents. *See id.* (acknowledging that automated agents of parties were conventional).

Appellants next argue that the Examiner “has characterized the claims as being directed to the overly broad abstract idea of “pre-authorizing a payment and completing a transaction,” and as such, “[t]he Examiner fails to take into consideration numerous elements . . . that amount to significantly more than the alleged abstract idea.” *Id.* at 4. More specifically, Appellants argue

the Examiner ignores the elements of the claims of a purchase transaction information engine configured to receive first data regarding a purchase transaction between a purchaser and a

merchant, the purchase transaction involving a pre-authorization for payment by the purchaser to the merchant using an electronic payment method, the purchase transaction identified as a suspect purchase transaction by the merchant, and a merchant system data interface engine configured to provide fourth data to a merchant system regarding a possibility of rescuing the purchase transaction based on the third data, the merchant system processing the purchase transaction between the purchaser and the merchant.

Id. at 5.

This argument is unpersuasive for the reasons explained in relation to the previous argument. That is, the additional element of a purchase transaction information engine performing the recited rescue function has a pre-Internet world analog of an employee seeking authorization from another. Restated, the additional claim elements may make the fundamental economic activity a more complex abstract idea, but the additional claim elements do not make the fundamental economic activity any less abstract.

Appellants finally argue that “the subject matter of [the present claims] are distinguished from the subject matter of the *Alice* case, and therefore recite patentable subject matter.” *Id.* This argument is unpersuasive. *Alice* does not establish an exhaustive or exclusive list of the types of fundamental economic activities that the courts have found to constitute patent-ineligible abstract ideas.

THE REJECTION UNDER § 103

I.

The Examiner finds Calabrese discloses all of the limitations of claim 1 with the exception of the language “the purchase transaction identified as a suspect purchase transaction by the merchant.” Final

Act. 4–5. The Examiner finds that Larkin teaches this limitation. *Id.* at 5 (citing Larkin ¶¶ 54–60, 62, 67, 68). The Examiner clarifies that Larkin’s abstract “has the merchant using a service [that] identifies a transaction as fraudulent *for* the merchant.” Ans. 17. The Examiner concludes that this teaching sufficiently corresponds to the claim requirement of the purchase transaction being identified as suspect “*by* the merchant” because “a merchant is a legal entity that may hire people of companies to perform services on its behalf for which it still takes legal credit.” *Id.*

Appellants assert, *inter alia*,

In Larkin, while the Merchant Alert system may help register a potential fraudulent transaction, the Merchant Alert system does not handle purchase transactions that are identified as a suspect purchase by a merchant. . . . [Larkin’s] fraud detection systems are separate from the merchants and communicate with the merchants through the merchant alert system. . . . As the fraud detection systems are separate from the merchants, the Examiner has not identified in Larkin the language of claims 1, 11, and 21 regarding a purchase transaction identified as suspect *by the merchant*.

Reply Br. 7–8 (citing Larkin, Figure. 1) (emphasis added).

Appellants summarize, “[i]f the merchant did actually identify transactions as fraudulent, they would not need to hire the service.” *Id.* at 8.

We generally agree with Appellants that a difference exists between a merchant, herself, identifying a purchase transaction as suspect, on the one hand, and, on the other, a third party agent identifying a suspect transaction *for* a merchant. However, we question whether this distinction is dispositive in determining whether Appellants have established that the obviousness rejection contains reversible error.

Independent method claim 11 does not recite an affirmative method step of a merchant identifying a suspect purchase transaction. Similarly, independent system claims 1 and 21 merely require that a merchant identify a purchase transaction as suspect and that the purchase transaction information engine be configured to receive, or include means for receiving, first data indicating the purchase transaction is suspect. But claim 1, for example, does *not* affirmatively recite that the purchase transaction information engine includes functionality for receiving a notification of the suspect purchase transaction *specifically or directly from a merchant*. Moreover, Appellants' Specification does not indicate that a message identifying a suspect purchase transaction necessarily would be different, in any manner, if the identification is made by or received from a merchant versus being made by or received from a payment processor or any other entity. *See Spec.*

Because claim 1 does not affirmatively recite the merchant, claim 1's language "the purchase transaction identified as a suspect purchase transaction *by the merchant*" (emphasis added) appears to be a recitation of an intangible property of the first data that cannot be determined by observation. That is, the source or origin of "receive[d] first data regarding a purchase transaction between a purchaser and a merchant" would not be able to be determined merely by looking at the content of the first data, as received at the purchase transaction information engine. We question, then, whether the recitation of the data being identified as suspect *by the merchant* patentably distinguishes claim 1 over prior art in which the first data received at the information engine was generated as result of the identification being made by an entity other than the merchant.

We, therefore, question whether Appellants' argument—that Larkin does not teach the merchant identifying the purchase transaction as suspect—is commensurate in scope with the limitations of the independent claims. We need not resolve this question, though, because Appellants' next argument demonstrates reversible error in the obviousness rejection.

II.

Appellants additionally argue that the combination of Calabrese and Larkin fails to teach or suggest “a ‘merchant system data interface engine configured to provide fourth data to a merchant system regarding a possibility of rescuing the purchase transaction based on the third data, the merchant system processing the purchase transaction between the purchaser and the merchant, as recited in [the independent claims].’” App. Br. 17.

We understand the Examiner to be mapping this limitation to Calabrese, as follows: “If [a] request is preauthorized[,], it is the third piece of data to validate [the] transaction[.]. If not[,], [a financial processing facility] contacts [the] user for the fourth piece of data[,], the] user approval rescuing the transaction.” Final Act. 5.

The Examiner's mapping does not correspond to the mapped claim limitation. Claim 1 requires the fourth data to be provided to a merchant system *based on* the third data. The Examiner maps Calabrese's protocol as including only one of either third data *or* fourth data.

For the foregoing reasons, Appellants have persuaded us of error in the Examiner's obviousness rejection of independent claim 1. Accordingly, we do not sustain the Examiner's rejection of that claim, of independent claims 11 and 21, which possess similar limitation, or of claims 2–10 and 12–20, which depend from independent claims 1 and 11.

CONCLUSIONS

We sustain the rejection of claims 1–21 under 35 U.S.C. § 101.

We do not sustain the rejection of claims 1–21 under 35 U.S.C. § 103.

DECISION

The Examiner’s decision rejecting claims 1–21 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)(1). *See* 37 C.F.R. § 1.136(a)(1)(iv).

AFFIRMED