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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte BENEDICTO HERNANDEZ DOMINGUEZ

Appeal 2016-008588
Application 12/903,916¹
Technology Center 3600

Before JOHN A. JEFFERY, THU A. DANG, and SCOTT B. HOWARD,
Administrative Patent Judges.

HOWARD, *Administrative Patent Judge.*

DECISION ON APPEAL

Appellant appeals under 35 U.S.C. § 134(a) from the Final Rejection of claims 1, 3, 4, 6, 8–10, 12, 13, 15, 16, 18, 19, and 21–28, which constitute all of the claims pending in this application. Claims 2, 6, 7, 11, 14, 17, and 20 have been cancelled. *See* App. Br. 24–28 (Claims App.). We have jurisdiction under 35 U.S.C. § 6(b).

We affirm.

¹ Appellant identifies Visa International Service Association as the real party in interest. App. Br. 3.

THE INVENTION

The disclosed and claimed invention is directed to “[a] system, apparatus, and method for reducing fraud in payment or other transactions by providing issuers with a warning that a transaction being processed for authorization is potentially fraudulent.” Abstract.

Claim 1, reproduced below, is illustrative of the claimed subject matter:

1. An apparatus, comprising:
 - a processor programmed to execute a set of instructions;
 - a memory coupled to the processor for storing the set of instructions; and
 - the set of instructions stored in the memory, wherein when executed by the programmed processor implements a method comprising
 - obtaining authentication history data from an authentication history server, the authentication history server comprising an archive of authentication operations performed or attempted using an authentication protocol that requires a user to provide an authentication credential prior to authorization processing;
 - identifying authentication process characteristics common to confirmed fraudulent transactions in the authentication history data;
 - generating rules based upon the authentication process characteristics;
 - receiving a request to perform a fraud assessment for a payment account that is being used to conduct a payment transaction prior to initiation of the authorization processing for the payment transaction;
 - requesting data from the authentication history server regarding a history of authentication operations performed involving the payment account;
 - performing a fraud assessment process using the rules and the data requested from the authentication history server;

determining as a result of the fraud assessment process that the risk of the payment transaction exceeds a specified threshold and is suspected of being fraudulent; and

generating and sending an early warning message to a directory server or an access control server at an issuer of the payment account prior to generation of an authorization request message for the payment transaction to prevent generation of the authorization request message for the payment transaction.

REFERENCES

The prior art relied upon by the Examiner as evidence in rejecting the claims on appeal is:

Lee	US 2002/0099649 A1	July 25, 2002
Kang	US 2012/0271768 A1	Oct. 25, 2012

REJECTIONS

Claims 1, 3, 4, 6, 8–10, 12, 13, 15, 16, 18, 19, and 21–28 stand rejected under 35 U.S.C. § 101 as directed to patent-ineligible subject matter. Final Act. 10–11.

Claims 1, 3, 4, 8–10, 13, 15, 16, 19, and 21–28 stand rejected under 35 U.S.C. § 102(b) as being anticipated by Kang. Final Act. 11–17.

Claims 6, 12, and 18 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Kang in view of Lee. Final Act. 17–18.

ANALYSIS

We have reviewed the Examiner's rejection in light of Appellant's arguments that the Examiner erred. In reaching this decision, we have

considered all evidence presented and all arguments made by Appellant.² We are not persuaded by Appellant’s arguments regarding the rejection of the claims as directed to patent-ineligible subject matter. However, Appellant has persuaded us that the Examiner erred in rejecting the pending claims as anticipated or obvious.

Section 101 Rejection

Law Governing Patent-Eligible Subject Matter

Patent-eligible subject matter is defined in § 101 of the Patent Act, which recites: “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”

There are, however, three judicially created exceptions to the broad categories of patent-eligible subject matter in § 101: laws of nature, natural phenomena, and abstract ideas. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 70–71 (2012). Although an abstract idea, itself, is patent-ineligible, an application of the abstract idea may be patent-eligible. *Alice*, 134 S. Ct. at 2355. Thus, we must consider “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

² Rather than reiterate the entirety of the arguments of Appellants and the positions of the Examiner, we refer to the Appeal Brief (filed Nov. 3, 2015); the Reply Brief (filed July 5, 2016); the Final Office Action (mailed May 4, 2015); and the Examiner’s Answer (mailed May 5, 2016) for the respective details.

application.” *Id.* (citing *Mayo*, 566 U.S. 79). The claim must contain elements or a combination of elements that are “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [abstract idea] itself.” *Id.* (citing *Mayo*, 566 U.S. 79).

The Supreme Court set forth a two-part “framework for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Id.* at 2355.

First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts. [*Mayo*,] 132 S. Ct., at 1296–1297. If so, we then ask, “[w]hat else is there in the claims before us?” *Id.*, at —, 132 S. Ct., at 1297. To answer that question, we consider 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. *Id.*, at —, 132 S. Ct., at 1298, 1297. We have described step two of this analysis as a 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.*, at —, 132 S. Ct., at 1294.

Id.

“The ‘abstract idea’ step of the inquiry calls upon us to look at the ‘focus of the claimed advance over the prior art’ to determine if the claim’s ‘character as a whole’ is directed to excluded subject matter.” *Affinity Labs of Tex. v. DirectTV, LLC*, 838 F.3d 1253, 1257 (Fed. Cir. 2016) (quoting *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016)); *see also Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016). There is no definitive rule to determine what constitutes an “abstract idea.” Rather, the Federal Circuit has explained that “both [it] and

the Supreme Court have found it sufficient to compare claims at issue to those claims already found to be directed to an abstract idea in previous cases.” *Enfish*, 822 F.3d at 1334; *see also Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288, 1294 (Fed. Cir. 2016) (explaining that, in determining whether claims are patent eligible under § 101, “the decisional mechanism courts now apply is to examine earlier cases in which a similar or parallel descriptive nature can be seen—what prior cases were about, and which way they were decided”).

Under the second step of the *Alice/Mayo* framework, we examine the claim limitations “more microscopically,” *Elec. Power*, 830 F.3d at 1354, to determine whether they contain “additional features” sufficient to “transform the nature of the claim’ into a patent-eligible application.” *Alice*, 134 S. Ct. at 2355, 2357 (quoting *Mayo*, 566 U.S. at 78). “Mere recitation of concrete, tangible components is insufficient to confer patent eligibility to an otherwise abstract idea. Rather, the components must involve more than performance of well-understood, routine, conventional activit[ies] previously known to the industry.” *In re TLI Commc’ns LLC Patent Litig.*, 823 F.3d 607, 613 (Fed. Cir. 2016) (citing *Alice*, 134 S. Ct. at 2359).

Abstract Idea

The Examiner concludes the claims are directed to the abstract idea of “reducing fraud transactions.” Final Act. 11. The Examiner further determines the claims are similar to those found to be abstract in *Classen Immunotherapies, Inc. v. Biogen Idec*, 659 F.3d 1057 (Fed. Cir. 2011) and *SmartGene Inc. v. Advanced Biological Laboratories SA*, 555 Fed. Appx. 950 (Fed. Cir. 2014). Ans. 2.

Appellant argues the Examiner's determination is based on an "oversimplification of the claims." App. Br. 8. With regards to *Classen* and *SmartGene*, Appellant asserts the claims do not merely recite rules but, instead, recite generating an early warning message. Reply Br. 2–4. Appellant further states that the claims recite "specific steps that cannot 'be performed in the human mind, or by a human using a pen and paper,' as specific computer systems generate and send messages prior to generating or analyzing a different type of message (authorization request message) for a transaction." *Id.* at 4.

We are not persuaded by Appellant's argument that the Examiner erred. A proper section 101 analysis may compare the claims at issue to those that have been previously analyzed by the Supreme Court or the Federal Circuit. The Examiner properly engaged in that process, *see* Final Act 11; Ans. 2, and determined the claims are directed to fraud detection, which has been previously determined to be an abstract idea, *see CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011) (determining a claim directed to determining the validity of credit card transactions to be patent-ineligible).

Further, we are not persuaded by Appellant's argument that the Examiner erred in determining that the rules-based approach recited in the claims is similar to the abstract idea recited in *Classen* and *SmartGene*. Contrary to Appellant's argument, claim 1 recites "performing a fraud assessment processing using the rules." App. Br. 24 (Claims App'x).

We are similarly unpersuaded by Appellant's arguments regarding pen and paper. First, the Examiner did not use that rationale in rejecting the claims. Such strawman arguments do not persuade us that the Examiner's

determinations were in error. Second, Appellant appears to misunderstand the Federal Circuit’s analogy to pen and paper. The question is not whether a human using paper and pen can send items electronically as recited in the claims, but whether the claims are merely invoking computer functionality to do what a human might do mentally or with pen and paper:

The district court correctly held that the claim 1 method falls outside the eligibility standards of section 101 as that provision has been construed. This conclusion follows from *CyberSource Corp. v. Retail Decisions, Inc.*, where, based on earlier precedents, this court held that section 101 did not embrace a process defined simply as using a computer to perform a series of mental steps that people, aware of each step, can and regularly do perform in their heads. 654 F.3d 1366, 1373 (Fed.Cir.2011); *see also In re Grams*, 888 F.2d 835, 840–41 (Fed. Cir. 1989); *In re Meyer*, 688 F.2d 789, 794–95 (CCPA 1982). As *CyberSource* explains, those precedents rest on Supreme Court decisions indicating that section 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 specifying even arguably new physical components or specifying processes defined other than by the mentally performable steps. *See Gottschalk v. Benson*, 409 U.S. 63, 67–68 (1972); *Parker v. Flook*, 437 U.S. 584, 589 (1978).

SmartGene, 555 F. App’x at 954; *see also CyberSource*, 654 F.3d at 1373 (“Thus, claim 3’s steps can all be performed in the human mind. Such a method that can be performed by human thought alone is merely an abstract idea and is not patent-eligible under § 101. Methods which can be performed entirely in the human mind are unpatentable not because there is anything wrong with claiming mental method steps as part of a process containing non-mental steps, but rather because computational methods which can be performed entirely in the human mind are the types of methods

that embody the ‘basic tools of scientific and technological work’ that are free to all men and reserved exclusively to none.”) (quoting *Gottschalk*, 409 U.S. at 67) (footnote omitted)). For example, although a person using paper and pen cannot use an electronic database or electronically transmit a data message, a human can access a paper record (authentication history data) and write down information on that database using pen and paper to send to another person (generating and sending an early warning message to a directory server). Therefore, contrary to Appellant’s assertion, claim 1 falls clearly within the pen and paper analogy for abstract ideas.

Appellant further argues the Examiner erred in not citing evidence to support the Examiner’s determination that the claims are directed to an abstract idea. App. Br. 9–10. More specifically, Appellant asserts the Examiner is required to follow the non-precedential decision of *PNC Bank v. Secure Access, LLC*, CBM 2014-00100, Paper 10, slip op. at 21 (PTAB Sept. 9, 2014), which, according to Appellant, “not[ed] that in Alice there were various references cited on the record that related to the concept of intermediated settlement.” App. Br. 9; *see also* Reply Br. 7. Notably, Appellant asserted, without citing any authority, that “PTAB decisions are precedential during Examination of pending claims and that the holding of the decision (evidence supporting the Examiner’s allegation that the alleged ‘abstract idea’ is in fact abstract should have been cited by the Examiner) applies in the pending case.” Reply Br. 7.

We are not persuaded by Appellant’s arguments. First, as the Examiner correctly notes, *PNC* is a non-precedential decision of the Board and is not binding on the USPTO, including both the Board and examiners. Ans. 4 (“[A] PTAB decision does not represent Office policy. Moreover, a

PTAB decision is fact specific to the case being decided.”). As PTAB Standard Operating Procedure 2 clearly sets forth, “[e]very Board opinion is, by default, a routine opinion until it is designated as precedential or informative” and that such “routine opinion[s] [are] not binding authority.” PTAB Standard Operating Procedure 2, Rev. 9, § VI(A).^{3, 4} Accordingly, *PNC Bank* is a not binding on the Examiner or this panel.

Moreover, there are significant differences between the attorney arguments that are presented in a post-grant AIA-CBM proceeding compared to findings and conclusions of an Examiner. *See Icon Health & Fitness, Inc. v. Strava, Inc.*, 849 F.3d 1034, 1042–44 (Fed. Cir. 2017) (discussing differences between attorney arguments and the Examiner’s findings). And, the Panel in *PNC Bank* relied on more than the lack of persuasive evidentiary support in determining that the claims were not directed to an abstract idea. *See PNC Bank*, Paper 13, slip op. at 4 (PTAB Sept. 30, 2014) (recognizing that the lack of evidence was only “one factor in our analysis” in denying request for rehearing). Furthermore, we are not persuaded that the Court’s citation to references in *Alice* added a requirement that evidence must always be support the determination that a claim is directed to an abstract idea. To the contrary, in *Alice*, the Court

³ <https://www.uspto.gov/sites/default/files/documents/sop2-revision-9-dated-9-22-2014.pdf> (last accessed Mar. 26, 2018).

⁴ The only exception is that routine decisions are law of the case for subsequent examination. *See Ex parte Pong*, Appeal 2016-002217, 2017 WL 5714381 (PTAB Nov. 6, 2017); *see also* MPEP § 706.07(h)(XI)(A) (noting that the Board’s decision in an application becomes the “law of the case” in that it is controlling on that application and any later related application).

focused on the similarities between the claims at issue with those found to be directed to an abstract idea in *Bilski*:

On their face, the claims before us are drawn to the concept of intermediated settlement, i.e., the use of a third party to mitigate settlement risk. **Like the risk hedging in *Bilski***, the concept of intermediated settlement is “ ‘a fundamental economic practice long prevalent in our system of commerce.’ ” *Ibid.*; see, e.g., Emery, Speculation on the Stock and Produce Exchanges of the United States, in 7 Studies in History, Economics and Public Law 283, 346–356 (1896) (discussing the use of a “clearing-house” as an intermediary to reduce settlement risk). The use of a third-party intermediary (or “clearing house”) is also a building block of the modern economy. See, e.g., Yadav, The Problematic Case of Clearinghouses in Complex Markets, 101 Geo. L.J. 387, 406–412 (2013); J. Hull, Risk Management and Financial Institutions 103–104 (3d ed. 2012). Thus, intermediated settlement, like hedging, is an “abstract idea” beyond the scope of § 101.

Alice, 134 S. Ct. at 2356 (emphasis added).

Appellant further argues that the Examiner erred by focusing on a high level of abstraction of the claims and ignoring that the claims are directed to a specific improvement on computer technology:

The court in *Enfish* emphasized that the “directed to” *Alice* analysis “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.” *Id.*, p. 10. The court noted that there is an important distinction between being “directed to” an abstract idea and merely “involving” an abstract idea. The court held that the claims in question in *Enfish* were “not directed to an abstract idea within the meaning of *Alice*,” and were instead “directed to a specific improvement to the way computers operate, embodied in the self-referential table.” *Id.*, p. 10. Similarly, Appellant submits that the pending claims are not merely directed to the alleged abstract ideas of

“reducing fraud in transaction, and more specifically, to the detection of potential fraud in payment and other transactions by processing data derived from previous transactions in which a consumer used a credential or password to authenticate themselves,” and “an idea of itself,” but are instead directed to a specific improvement to the way computers can utilize data obtained from a consumer authentication process to determine characteristics or indicia of fraud, from previous transactions, to generate a set of fraud detection rules to generate an early warning that is provided prior to the standard transaction authorization.

Reply Br. 5.

In *Enfish*, the Federal Circuit relied on the distinction made in *Alice* between computer functionality improvements and uses of existing computers as tools in aid of processes focused on “abstract ideas.” See *Enfish*, 822 F.3d at 1335–36; see also *Alice*, 134 S. Ct. at 2358–59. The present case is different from *Enfish* because the focus of the claims here is not on an improvement in computers as tools or upon an innovative way to use computers or other devices, but is focused on an independently abstract idea that uses generic and routinely used equipment as tools; that abstract idea being collecting and processing/analyzing various information/data. That is, here, the arguably innovative technique of the appealed claims is inextricably a part of the abstract idea of manipulating data itself. Moreover, nothing in the claims, understood in light of the Specification, requires anything other than an off-the-shelf, conventional computer used for collecting and processing/analyzing various information/data.⁵

⁵ This analysis similarly applies to Appellant’s argument that the claims recite significantly more. See Reply Br. 11–12.

For example, paragraph 47 of the Specification discusses how the rules are generated. According to the Specification, “such rules or indicia may be developed using any suitable analysis or data processing methods, functions, or operations. Such analysis or data processing methods, functions, or operations include, but are not limited to pattern matching, neural network analysis, statistical analysis, linear regression models, mathematical modeling, etc.” Spec. ¶ 47. No further details are given as to how those data processing methods are used. Accordingly, the claims are not directed to improving computer functionality but merely using known and well understood computer functionality to implement an abstract idea. Accordingly, we are not persuaded by Appellant’s arguments that the Examiner erred in determining the claims are directed to an abstract idea.

Streamlined Analysis

Appellant further argues the Examiner erred in not applying the so-called “Streamlined Eligibility Analysis.” *See* App. Br. 10–12. Contrary to Appellant’s argument, the Examiner is not required to use the streamlined patent-eligibility analysis; instead, it is at the Examiner’s discretion. As the slides provided by Appellant states, “a streamlined analysis *can* be used,” App. Br. 10 (emphasis added), it does state any circumstances when the streamlined analysis *must* be used. Therefore, Examiner’s decision to perform a full section 101 analysis using the *Alice/Mayo* framework is not erroneous.

Moreover, even if the Examiner failed to follow the Director’s guidance—which the Examiner did not do—such a failure would be appealable only to the extent that the Examiner has failed to follow the

statutes or case law. That is, to the extent the Director’s guidance goes beyond the case law and is more restrictive on the Examiner than the case law, any alleged failure of the Examiner to follow those added restrictions is a matter for petition to the Director as “petitionable matters should be addressed before an appeal reaches the Board.” *Ex Parte Frye*, 94 USPQ2d 1072, 1078 (BPAI 2010). “Filing a Board appeal does not, unto itself, entitle an appellant to de novo review of all aspects of a rejection.” *Id.* at 1075–76.

We review Appellant’s particular arguments against the case law and find no requirement in the law that the Examiner perform the so-called streamlined analysis as opposed to utilizing the *Alice/Mayo* framework set forth by the Supreme Court and the Federal Circuit. Accordingly, any alleged failure to follow the Guidance is petitionable, not appealable. *See, e.g., Ex Parte Hwang*, Appeal 2017-007960, 2018 WL 1494738, *5 (PTAB Mar. 20, 2018); *Ex Parte Lindelsee*, Appeal 2016-008327, 2018 WL 1419771, *5 n.2 (PTAB Mar. 14, 2018).

Significantly More

The Examiner concludes that the claims, as a whole, “do not amount to significantly more than the abstract idea itself.” Final Act. 11; *see also* Ans. 2–5 (determining the Specification describes “general purpose computers that perform routine and conventional activities” and that the steps recited in the claims “are similar to examples of well understood, routine and conventional functions that are listed on this page (receiving, processing and storing data, electronic recordkeeping, etc.)”). The Examiner further determines that “the claims do not effect an improvement to another

technology or technical field; the claims do not amount to an improvement to the functioning of a computer itself; and the claims do not move beyond a general link of the use of an abstract idea to a particular technological environment.” Final Act 11.

Appellant states that the claim limitations add specific limitations that are not well understood, routine, or conventional. App. Br. 12–14. More specifically, Appellant repeats the instruction limitations of the claims and state they are not conventional because the claim is not anticipated. *Id.*

We are not persuaded by Appellant’s arguments that the Examiner erred. Although the second step in the *Alice/Mayo* framework is termed a search for an “inventive concept,” the analysis is not an evaluation of novelty or non-obviousness, but rather, a search for “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.’” *Alice*, 134 S. Ct. at 2355. A novel and nonobvious claim directed to a purely abstract idea is, nonetheless, patent-ineligible. *See Mayo*, 132 S. Ct. at 1304. Although, for the reasons set forth below, we agree with Appellants that the specific sections of a single prior art reference do not disclose the generating step recited in the claims, that does not mean the limitation is not conventional or obvious; it merely means that it is not in the section of the reference cited by the Examiner.

Appellant further argues that the claims are similar to those found patent-eligible in *DDR*.⁶ App. Br. 14–16. However, we are not persuaded by Appellant’s arguments. First, as our reviewing court held in *DDR*, “not

⁶ *DDR Holdings, LLC v. Hotel.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014).

all claims purporting to address Internet-centric challenges are eligible for patent.” 775 F.3d at 1258. As the Federal Circuit recognized:

For example, in our recently-decided *Ultramercial*⁷ opinion, the patentee argued that its claims were “directed to a specific method of advertising and content distribution that was previously unknown and never employed on the Internet before.” 772 F.3d at 714. But this alone could not render its claims patent-eligible. In particular, we found the claims to merely recite the abstract idea of “offering media content in exchange for viewing an advertisement,” along with “routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet.” *Id.* at 715–16.

Id. Because Appellant has merely identified routine additional steps, they are insufficient to render the claims patent-eligible.

Moreover, we disagree with Appellant that the claims in this case are directed to a computer-centric problem similar to that in *DDR*. In *DDR*, the Court found that the claims “do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet. Instead, the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” *Id.* at 1257. Unlike the claims in *DDR*, the claims are directed to detecting fraudulent credit card purchases, which were a problem long before the internet.

Instead of *DDR*, this case is similar to *Electric Power*, in which our reviewing court found the claims patent-ineligible because “[t]he claims at issue do not require any nonconventional computer, network, or display components, or even a ‘non-conventional and non-generic arrangement of

⁷ *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014).

known, conventional pieces,’ but merely call for performance of the claimed information collection, analysis, and display functions ‘on a set of generic computer components’ and display devices.” *Elec. Power* 830 F.3d at 1355 (citing *BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1349–52 (Fed. Cir. 2016)). Similarly, the claims in this case merely recite the use of generic computer components and conventional computer networks. Such an arrangement is not patent eligible. *Id.*

Moreover, although Appellant states several times that the pending claims do not use routine or conventional steps, *see e.g.*, Reply Br. 11, Appellant relies solely on attorney arguments, not evidence. It is well settled that mere attorney arguments and conclusory statements, which are unsupported by factual evidence, are entitled to little probative value. *In re Geisler*, 116 F.3d 1465, 1470 (Fed. Cir. 1997); *see also In re Pearson*, 494 F.2d 1399, 1405 (CCPA 1974) (attorney argument is not evidence).

Accordingly, we sustain the Examiner’s rejection of claim 1, 3–4, 6, 8–10, 12, 13, 15, 16, 18, 19, and 21–28 as directed to patent-ineligible subject-matter.

Prior Art Rejections

Appellant argues the Examiner erred in finding Kang discloses “generating rules based upon the authentication process characteristics,” as recited in claim 1. App. Br. 18–19. According to Appellant, “Kang merely describes sending a copy of an authentication response to an authentication history server which does not inherently or expressly disclose generating rules based upon authentication process characteristics let alone generating any kind of rules.” *Id.* at 18.

The Examiner finds Kang “discloses card not present transactions attempted; authentication request is made; authentication history is obtained; determines if transaction exceeds a specific threshold; detects and prevents the completion of fraudulent transactions.” Final Act. 12 (citing Kang ¶¶ 2, 4, 9, 53). The Examiner further finds paragraphs 9 and 54 disclose the disputed limitation:

Kang discloses, “transactions involving purchases above a specified threshold, transactions in excess of a certain number or total value during a predetermined period, transactions having a specified risk profile, etc.), or as an approval process for transactions in situations in which there is some reason to suspect potential fraud (such as those transactions in which a ‘challenge’ message might normally be generated)” (para.9). Kang discloses, “The cardholder system 405 in turn forwards the authentication response 468 to the merchant system 410. If the authentication information 464 provided by the cardholder matches the authentication information previously associated with the electronic commerce card, the authentication response includes a message indicating that the authentication was successful . . . If the authentication was successful, the merchant system 410 can continue with the transaction by initiating a charge to the electronic commerce card provided by the card holder” (para.54).

Ans. 7–8.

“A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference.” *Verdegaal Bros. v. Union Oil Co. of California*, 814 F.2d 628, 631 (Fed. Cir. 1987). Moreover, the reference must also “disclos[] within the four corners of the document not only all of the limitations claimed but also all of the limitations arranged or combined in the same way as recited in the claim.” *Net MoneyIN, Inc. v. Verisign, Inc.*, 545 F.3d 1359,

1371 (Fed. Cir. 2008). However, “the reference need not satisfy an *ipsissimis verbis* test.” *In re Gleave*, 560 F.3d 1331, 1334 (Fed. Cir. 2009).

We are persuaded by Appellant’s arguments as the Examiner has not identified sufficient evidence or provided sufficient explanation as to how Kang discloses “generating rules based upon the authentication process characteristics,” as recited in claim 1. Although the cited sections disclose using rules to determine whether or not to authorize a transaction, there is nothing in those sections that discloses having a processor with a set of instructions using authentication process characteristics to generate the rules. Instead, the cited sections are silent as to how the rules were developed.

Accordingly, we agree with Appellant that the Examiner’s finding that the cited sections of Kang discloses the disputed limitation is in error because it is not supported by a preponderance of the evidence. *See In re Caveney*, 761 F.2d 671, 674 (Fed. Cir. 1985) (Examiner’s burden of proving non-patentability is by a preponderance of the evidence); *see also In re Warner*, 379 F.2d 1011, 1017 (CCPA 1967) (“The Patent Office has the initial duty of supplying the factual basis for its rejection. It may not, because it may doubt that the invention is patentable, resort to speculation, unfounded assumptions or hindsight reconstruction to supply deficiencies in its factual basis.”).

Accordingly, we are constrained on this record to reverse the Examiner’s anticipation rejection of claim 1, along with the rejections of claims 8 and 13, which recite limitations commensurate in scope to the disputed limitations discussed above, and dependent claims 3, 4, 9, 10, 15, 16, 19, and 21–28.

Moreover, because the Examiner has not shown that Lee cures the foregoing deficiencies regarding the rejection of the independent claims, we will not sustain the obviousness rejection of dependent claims 6, 12, and 18 for similar reasons.

DECISION

For the above reasons, we affirm the Examiner's decisions rejecting claims 1, 3, 4, 6, 8–10, 12, 13, 15, 16, 18, 19, and 21–28 as directed to patent-ineligible subject matter.

For the above reasons, we reverse the Examiner's decisions rejecting claims 1, 3, 4, 8–10, 13, 15, 16, 19, and 21–28 as anticipated by Kang.

For the above reasons, we reverse the Examiner's decisions rejecting claims 6, 12, and 18 as unpatentable over Kang and Lee.

Because we affirm at least one ground of rejection with respect to each claim on appeal, we affirm the Examiner's decision to reject all of the pending claims.

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). *See* 37 C.F.R. § 41.50(f).

AFFIRMED