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KILPATRICK TOWNSEND & STOCKTON LLP
Mailstop: IP Docketing - 22
1100 Peachtree Street
Suite 2800
Atlanta, GA 30309

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DEGA, MURALI K	

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte GEORGE NAUMAN, JUDY TUREK,
DOUG SWARTZ, and VICKI ABEL

Appeal 2017-000069
Application 13/300,265
Technology Center 3600

Before CARLA M. KRIVAK, HUNG H. BUI, and
JON M. JURGOVAN, *Administrative Patent Judges*.

KRIVAK, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellants appeal under 35 U.S.C. § 134(a) from a final rejection of claims 2, 4–12, 14–17, and 19–21. We have jurisdiction under 35 U.S.C. § 6(b).

We affirm.

STATEMENT OF THE CASE

Appellants' invention is directed to "computing systems programmed to process value transactions through one or more processing networks in a selectable manner" using "rules that define transaction processing between combinations of a plurality of origination entities and a plurality of destination entities" (Spec. ¶ 2; Abstract).

Independent claim 2, reproduced below, is exemplary of the subject matter on appeal.

> 2. A method for processing a transaction, the method comprising:
>
> storing, by a computer system, a plurality of rules that define transaction processing between a plurality of origination entities and a plurality of destination entities, wherein:
>
> the plurality of rules permit transaction settlement outside of a card association network,
>
> each rule of the plurality of rules is based on mutual agreement of a corresponding origination entity and corresponding destination entity,
>
> the card association network is used to settle financial transactions,
>
> the origination entity is selected from the group consisting of: a merchant, and an acquiring bank, and
>
> the destination entity is a bank;
>
> receiving, by the computer system, transaction information corresponding to the transaction, wherein:
>
> the computer system is in communication with a plurality of point-of-sale (POS) devices accessible via one or more networks;
>
> the computer system is in communication with a plurality of banking networks;
>
> the transaction information is received from a POS device of the plurality of POS devices accessible via the one or more network and corresponds to a transaction instrument issued pursuant to a license from the card association network;

the transaction is between an origination entity of the plurality of origination entities and a destination entity of the plurality of destination entities;

the transaction comprises a financial transaction involving a financial account linked with an account identifier; and

the transaction information comprises the account identifier, which is associated with the destination entity;

using, by the computer system, the transaction information to identify the destination entity;

selecting, by the computer system, a rule from the plurality of rules based on an identity of the origination entity and an identity of the destination entity, wherein the identity of the origination entity and the identity of the destination entity are determined based on the received transaction information;

accessing, by the computer system, the rule from the plurality of rules that defines transaction processing between the origination entity and the destination entity; and

processing, by the computer system, the transaction using the rule via a banking network of the plurality of banking networks, such that the card association network is not used for settlement of the transaction, wherein

the transaction being processed according to the rule results in a transaction fee being decreased.

REFERENCES and REJECTIONS

The Examiner rejected claims 2, 4–12, 14–17, and 19–21 under 35 U.S.C. § 101 as directed to non-statutory subject matter.

ANALYSIS

Under 35 U.S.C. § 101, a patent may be obtained for "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." The Supreme Court has "long held that this provision contains an important implicit exception: Laws of nature,

natural phenomena, and abstract ideas are not patentable" (*Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014) (quoting *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013)). 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, 82–84 (2012), "for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these 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," such as an abstract idea (*id.*). 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 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 not directed to 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 the additional elements 'transform the nature of the claim' into a patent-eligible application" (*Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 566 U.S. at 79, 78)).

Alice/Mayo—Step 1

Turning to the first part of the *Alice/Mayo* analysis, the Examiner concludes claim 2 is directed to a "centralized transaction authorization

process where banking networks are used instead of [a] card association network" for "processing a transaction between entities based on rules agreed upon," (Ans. 2–3; Final Act. 3), which is an abstract idea analogous or similar to the abstract ideas of guaranteeing performance of financial transactions discussed in *buySAFE*, mitigating risk discussed in *Bilski*, and organizing, storing, and transmitting information discussed in *Cyberfone* (*see buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1355 (Fed. Cir. 2014); *Bilski v. Kappos*, 561 U.S. 593, 599 (2010); and *Cyberfone Sys., LLC v. CNN Interactive Grp., Inc.*, 558 F. App'x 988, 992 (Fed. Cir. 2014)).

Appellants argue independent claims 2, 12, and 17 together (App. Br. 13–14).[1] We select claim 2 as representative. Claims 12 and 17 stand or fall with claim 2. *See* 37 C.F.R. § 41.37(c)(1)(iv).

Appellants contend the Examiner erred in rejecting the claims under 35 U.S.C. § 101 as directed to non-statutory subject matter because the claims amount to more than an abstract idea (App. Br. 13) and the Examiner overgeneralized the claims (Reply Br. 2). However, the Examiner concludes, and we agree, the claims are abstract because they are directed to a "financial transaction authorization process" based on stipulated rules between transacting entities—an abstract idea similar to the transactional practices identified in *Alice*, *Bilski*, *buySAFE*, *Intellectual Ventures*, and *CyberSource* (Ans. 3) (*see Alice*, 134 S. Ct. at 2356–57 (intermediated settlement to mitigate risk); *Bilski*, 561 U.S. at 599 (risk hedging); *buySAFE*, 765 F.3d at 1355 (guaranteeing a party's performance of its online transaction); *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792

[1] Appeal brief citations are to the Appeal Brief filed on October 19, 2015.

F.3d 1363, 1367 (Fed. Cir. 2015) (budgeting by "tracking financial transactions to determine whether they exceed a pre-set spending limit"); and *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1370 (Fed. Cir. 2011) (verifying the validity of a credit card transaction over the Internet)).

Appellants argue the claims are not directed to an abstract idea because the claims are directed to "a technical improvement over conventional financial transaction routing systems" by the claimed "bypassing [of] card association networks to enable point-of-sale devices and banks to communicate with each other directly through the internet" (Reply Br. 3–4). Appellants argue the claims' technical improvement provides "a technical advantage over conventional transaction routing systems because it 'permits authorization and settlement to **proceed as rapidly** as possible, and also may **reduce** transaction **costs**'" (Reply Br. 3 (citing Spec. ¶ 30)).

We disagree. Claims 2, 12, and 17 do not recite a specific improvement to the way computers operate, and Appellants do not present evidence to establish these claims recite a specific improvement to the computers. *See Enfish*, 822 F.3d at 1336, 1339. Appellants also have not demonstrated their claims "improve the way a computer stores and retrieves data in memory," as the claims in *Enfish* did via a "self-referential table for a computer database" (*see Enfish*, 822 F.3d at 1336, 1339). For example, claim 2 merely requires a generically-claimed computer system and point-of-sale devices to communicate over "one or more networks" to identify entities from a transaction's information, and select a stored rule to process the transaction using the rule. This does not demonstrate an actual

improvement in computer memory operations or in the technical functioning of the network.

Additionally, the "advantage over conventional transaction routing systems" advocated by Appellants (*see* Reply Br. 3) *is due to stipulated rules between transacting entities* relaxing transactional requirements and reducing transaction fees, in order to (i) increase usage of an entity's issued cards, (ii) increase a merchant's/entity's popularity and customer base, and/or (iii) provide streamlined service to low-risk/premier cardholders or cardholders verified by more stringent fraud detection methods (*see* Spec. ¶¶ 27, 29–33, 52). Such advantages are not caused by a technical improvement to routing technology or point-of-sale devices, as Appellants advocate (Reply Br. 3–4).

Appellants also argue their claims, like the claims of *DDR*, address "a challenge particular to the internet (i.e., routing transactions)" and "problems associated with card associations networks and transactions with point-of-sale device" that "did not even exist in the pre-internet world" (Reply Br. 4 (citing *DDR Holdings, LLC, v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014))). We remain unpersuaded, as Appellants have not demonstrated their claimed generic computer system and point-of-sale devices are able in combination to perform *functions that are not merely generic*, as were the claims in *DDR* (*see DDR*, 773 F.3d at 1256–57). Additionally, the claims focus on the *problem* of reducing the number of intermediaries in financial transactions—a problem that is not a technical problem or one rooted in computer technology or particular only to the Internet (*see* Spec. ¶¶ 10–12, 30). As Appellants' Specification explains, solving this problem provides an improvement to the business practice for processing value transactions with

fewer parties in the transactional chain, thereby enabling faster authorization and settlement and reduced transaction costs (*see* Spec. ¶¶ 2, 30).

In fact, none of the steps and elements recited in Appellants' claims provide, and nowhere in Appellants' Specification can we find, any description or explanation as to how the claimed transactional steps are intended to provide: (1) a "solution . . . necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks," as explained by the Federal Circuit in *DDR*, 773 F.3d at 1257; (2) "a specific improvement to the way computers operate," as explained in *Enfish*, 822 F.3d at 1336; or (3) an "unconventional technological solution . . . to a technological problem" that "improve[s] the performance of the system itself," as explained in *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288, 1300, 1302 (Fed. Cir. 2016).

We also find Appellants' reliance on *McRO* unavailing (Reply Br. 4–5 (citing *McRO, Inc. v. Bandai Namco Games America Inc.*, 837 F.3d 1299 (Fed. Cir. 2016))). Particularly, Appellants argue their claims, like the claims of *McRO*, "use predetermined rules between an origination entity and a destination entity in order to bypass card association networks" and "therefore do not preempt any conventional transaction processing methods" (Reply Br. 4–5). However, the court determined that *McRO*'s claim was not directed to an abstract idea because it "uses the limited rules in a process specifically designed to achieve an improved technological result" over "existing, manual 3-D animation techniques"; in contrast, Appellants' claimed rules address a business problem of bypassing a transactional check by a financial entity (a card association network) (*see McRO*, 837 F.3d at 1316). Additionally, the claims in *McRO* were drawn to improvements in

the operation of a computer at a task, rather than applying a computer system to perform known routing controlled by routing rules, as in Appellants' claim 2 (*see McRO*, 837 F.3d at 1314). Further, with respect to Appellants' preemption argument, we note the *McRO* court also explicitly "recognized that 'the absence of complete preemption does not demonstrate patent eligibility'" (*see McRO*, 837 F.3d at 1315 (quoting *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015))).

Accordingly, we agree with the Examiner claims 2, 12, and 17 are directed to an abstract idea.

Alice/Mayo—Step 2

Appellants also allege claims 2, 12, and 17 "include *significantly more* than the alleged abstract idea" because the claims require "particular machines (i.e., non-generic machines/computers)" such as "a server . . . able to communicate digital data with many different financial networks and their associated protocols" (App. Br. 13 (citing Spec. ¶¶ 39–40); Reply Br. 6). Appellants argue the claimed particular machines cannot be "[o]ff-the-shelf generic computers[, which] are not capable of performing such functions, much less during a period of heavy transactions that occur in this industry" (App. Br. 13 (citing Spec. ¶¶ 7–8)). Appellants' argument is not persuasive. As the Examiner correctly shows, the claims merely recite generic computer systems performing "well-understood routines and conventional activities previously known to the industry" (Ans. 3–4; Final Act. 4). The Specification, too, discloses using generic computer systems and point-of-sale payment terminals known in the electronic payment and card-processing industry (*see* Spec. ¶¶ 35–36, 38–40). The evidence on record therefore supports the view that the broadest reasonable interpretation of such claim

terms as "computer system" and "point-of sale (POS) devices" (*see* e.g., claim 2) should be construed to cover generic devices.

Appellants also argue claims 2, 12, and 17 amount to "*significantly more*" than an abstract idea because the claims "are technically different" and "provide a technical advantage" over conventional routing systems. Particularly, the claims reduce total transaction time and cost and avoid "delays [that] can compound and decrease a merchant's ability to service clients as well as cost the merchant in various ways (e.g., lost time for checkout clerks)" (App. Br. 14). However, the claims do not recite or require reducing "total transaction time," "permit[ting] authorization and settlement . . . *as rapidly* as possible" "during a period of heavy transactions," or reducing merchants' transactional "lost time," as Appellants advocate (App. Br. 13–14).

Additionally, as discussed *supra*, we are not persuaded Appellants' stated advantages are caused by a technical improvement to routing technology, computer operation, or point-of-sale devices. "[T]he use of generic computer elements like a microprocessor" to perform conventional computer functions "do not alone transform an otherwise abstract idea into patent-eligible subject matter." (*FairWarning IP, LLC v. Iatric Sys., Inc.*, 839 F.3d 1089, 1096 (Fed. Cir. 2016) (citing *DDR Holdings*, 773 F.3d at 1256)).

Appellants further argue the claims amount to "*significantly more*" because "claims 2, 12, and 17 are novel and non-obvious over any prior art of record" and they "include limitations other than what is well understood, routine, and conventional in the field, or else the claims would not be novel and non-obvious" (App. Br. 13–14; Reply Br. 6). This improperly conflates

the test for § 101 with the separate tests for §§ 102 and 103, *see, e.g.*, *Genetic Techs. Ltd. v. Merial L.L.C.*, 818 F.3d 1369, 1376 (Fed. Cir. 2016) ("under the *Mayo/Alice* framework, a claim directed to a newly discovered law of nature (or natural phenomenon or abstract idea) cannot rely on the novelty of that discovery for the inventive concept necessary for patent eligibility"); *Diamond v. Diehr*, 450 U.S. 175, 188–89 (1981) ("The 'novelty' of any element or steps in a process, or even of the process itself, is of no relevance in determining whether the subject matter of a claim falls within the § 101 categories of possibly patentable subject matter.").

Because we agree with the Examiner's analysis and find Appellants' arguments insufficient to show error, we sustain the rejection of claims 2, 4–12, 14–17, and 19–21 under 35 U.S.C. § 101.

DECISION

The Examiner's decision rejecting claims 2, 4–12, 14–17, and 19–21 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)(iv).

AFFIRMED