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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte DON HOLM, DUC LAM, and
XUAN (SUNNY) MCRAE

Appeal 2017-000606
Application 13/893,769
Technology Center 3600

Before HUBERT C. LORIN, ANTON W. FETTING, and
MATTHEW S. MEYERS, *Administrative Patent Judges*

MEYERS, *Administrative Patent Judge*.

DECISION ON APPEAL¹

Appellants appeal under 35 U.S.C. § 134(a) from the Examiner’s final decision rejecting claims 1–8, which are all of the pending claims.² 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 March 4, 2016), Reply Brief (“Reply Br.,” filed October 11, 2016), and to the Examiner’s Answer (“Ans.,” mailed August 11, 2016) and Final Office Action (“Final Act.,” mailed November 6, 2015).

² According to Appellants, the real party in interest is “JPMorgan Chase Bank, N.A.” Appeal Br. 1.

STATEMENT OF THE CASE

Appellants' claims relate generally to "improved systems to facilitate transactions between buyers and sellers" (Spec. 4, ll. 8–9), and more particularly, to a system for "making payment[s] involving a buyer, seller and a third party" (Spec. 6, ll. 21–22).

Claim 1 is the only independent claim on appeal. Claim 1 is illustrative of the subject matter on appeal, and is reproduced below (bracketing added for reference):

1. A system for providing supply chain financing, comprising:

[a] a communications network;

[b] one or more computers, each comprising at least a computer processor, communicatively coupled to the communications network, configured to:

[c] negotiate one or more payment terms between a buyer, a seller, and a financial institution, such that the negotiated payment terms comprise a discount proposal option to present to the seller and the buyer from the financial institution, the discount proposal option comprising a discount payment amount in exchange for payment in response to a trigger event;

[d] receive at least one invoice from the seller;

[e] validate the at least one invoice based on predetermined rules provided by the buyer;

[f] digitally sign the validated invoice using a digital signature of the seller;

[g] encrypt the validated invoice;

[h] forward the encrypted invoice to the buyer;

[i] receive a buyer's payment in the amount of the negotiated discount payment according to the payment terms, wherein the buyer's payment is received by the financial institution; and

[j] arrange a seller's payment in the amount of the negotiated discount payment according to the payment terms based on the trigger event, wherein the seller's payment is made by the financial institution and the trigger event comprises at least one of: an automatic update regarding the order status, wherein the automatic update indicates that a good has been shipped by the seller or that a service has commenced by the seller; an invoice approval, wherein the invoice approval indicates that the invoice has been approved by the buyer; and release of a scheduled payment, wherein the release indicates that the buyer has released the scheduled payment before an original due date.

REJECTION

Claims 1–8 stand rejected 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.*, 569 U.S. 576, 589 (2013)).

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, 75–77 (2012), “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct.

at 2355. The first step in that analysis is to “determine whether the claims at issue are *directed to* one of those patent-ineligible concepts.” *Id.* (emphasis added) (citing *Mayo*, 566 U.S. at 76–79). 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 78–79).

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 “a system for providing financing” and “is similar to the concepts of creating a contractual relationship, comparing new and stored information and using rules to identify options and a mathematical relationship that the courts have previously found to be abstract” (Final Act. 2). The Examiner further determines that claim 1 is, for example, “simply the organization and manipulation of data which can be

performed mentally and is an idea of itself, a fundamental economic practice of negotiating contract terms[,] and a mathematical relationship that uses an algorithm for encryption” (*id.* at 3).

In response, Appellants argue that the Examiner’s rejection is improper because “the Examiner has failed to specifically identify an alleged abstract idea to which the claims are directed” (Appeal Br. 5; *see also* Reply Br. 2–4). We cannot agree.

By way of background, the Examiner determines the claims “are directed to a system for providing financing” (Final Act. 2). The Examiner further determines that independent claim 1 “is directed to a system that includes a communications network and one or more computers” (*id.* 3), and “recites the steps of negotiating payment terms, receiving and validating invoices, signing and encrypting invoices and receiving and arranging payments” (Ans. 3). And, after considering what the claims are directed to, the Examiner takes the position that independent claim 1

is simply the organization and manipulation of data which can be performed mentally and is an idea of itself, a fundamental economic practice of negotiating contract terms[,] and a mathematical relationship that uses an algorithm for encryption. It is similar to other concepts that have been identified as abstract by the courts, such as creating a contractual relationship in buySAFE, comparing new and stored information and using rules to identify options in SmartGene or a mathematical relationship in Benson.

(*Id.*). Thus, we determine initially the Examiner has adequately articulated what abstract idea the claims are directed to.

To the extent Appellants’ argue that the Examiner’s determination that claim 1 is directed “[to] a system for providing financing” “is a gross oversimplification of claim 1” (Reply Br. 3–4), Appellants’ argument is

unpersuasive. Here, as noted above, the Examiner determines the claims “are directed to a system for providing financing” (Final Act. 2). Broadly, we agree that the Examiner is correct in articulating that the claims are directed to an abstract idea.

According to the Specification, the present “invention relates to the field of software and computer network systems,” and more particularly, “to electronic systems associated with financial transactions” (Spec. 3, ll. 9–10). In this regard, the Specification discloses that “[p]rior systems require considerable amounts of effort to update and maintain, and may lack compatibility with the systems used by parties with whom an organization wishes to engage in transactions” (*id.* at 4, ll. 5–7). Thus, the Specification identifies “a need for improved systems to facilitate transactions between buyers and sellers” (*id.* at 4, ll. 8–9). And, taking independent claim 1 as representative, we agree with the Examiner that claim 1 is directed to a system configured to perform “the steps of negotiating payment terms, receiving and validating invoices, signing and encrypting invoices and receiving and arranging payments” (Ans. 3). Thus, we agree with the Examiner that independent claim 1 is directed broadly to “negotiating payment terms, receiving and validating invoices, signing and encrypting invoices and receiving and arranging payments” (Ans. 3), and at a higher level directed to “a system for providing financing” (Final Act. 2).

Appellants further argue that “to the extent that ‘negotiating payment terms, receiving and validating invoices, signing and encrypting invoices and receiving and arranging payments’ is alleged to be abstract, which it is not, there is no abstract idea within the meaning of *Alice*” (Appeal Br. 5). However, in contrast to Appellants’ suggestion, the Supreme Court in *Alice*

did not rigidly define or otherwise restrict the universe of abstract ideas to one or more of: a building block of human ingenuity, a fundamental economic practice, and an algorithm. *See Alice*, 134 S. Ct. at 2357 (“we need not labor to delimit the precise contours of the ‘abstract ideas’ category”).

In this regard, we agree with the Examiner that the claims are directed broadly to “a system for providing financing” (*see* Final Act. 2), and are similar to certain fundamental economic and conventional business practices that our reviewing courts have found patent ineligible, such as using advertisement as currency (*see Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–14 (Fed. Cir. 2014)), intermediated settlement (*see Alice*, 134 S. Ct. at 2356–57), tailoring information presented to a user based on particular information (*see Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1370 (Fed. Cir. 2015); *see also Bascom Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1348 (Fed. Cir. 2016)), and determining a price (*see Versata Development Group, Inc. v. SAP America Inc.*, 793 F.3d 1306, 1333 (Fed. Cir. 2015)).

Turning to the second step of the framework, we find unpersuasive Appellants’ arguments that the claims include “significantly more” than an abstract idea to which the claims are allegedly directed (*see* Appeal Br. 6–9; *see also* Reply Br. 5–8).

Appellants first argue “[e]ven assuming *arguendo* that the individual claim elements may recite ‘[g]eneric computers performing generic computer functions,’ the ordered combination of these elements recites significantly more than an abstract idea” (Appeal Br. 7; *see also* Reply Br. 5). More particularly, Appellants argue that “claim 1 includes elements that

amount to significantly more than any abstract idea of simply negotiating payment terms and receiving and validating invoices as alleged in the Office Action. Indeed, this requirement is met by the process of digitally signing and encrypting the invoice alone” (Appeal Br. 8).

However, the Specification merely discloses that “[t]he signing of the invoice, according to one embodiment of the invention, is performed using a digital signature of the seller so that the recipient can verify that the invoice has been sent by the seller” (Spec. 18, ll. 18–21), using “a public key / private key scheme” (*id.* at 18, ll. 21–23) to encrypt and decrypt. Thus, we agree with the Examiner that the steps recited by independent claim 1 amount to nothing more than mere instructions to implement the abstract idea on a computer (*see* Ans. 4–5)—none of which add inventiveness because they merely require the application of conventional, well-known analytical steps. *See Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014) (“[T]he claimed sequence of steps comprises only ‘conventional steps, specified at a high level of generality,’ which is insufficient to supply an ‘inventive concept.’”) (citing *Alice*, 134 S. Ct. at 2357).

Appellants argue next that the claims “require[] that the validated invoice be digitally signed using a digital signature of the seller and that the validated invoice be encrypted,” and as such, “the process ***could not occur absent a computer***” (Appeal Br. 8 (citing *DDR Holdings, LLC v. Hotels.Com, L.P.*, No. 2013-1501, slip op. at 20 (Fed. Cir. Dec. 5, 2014); *see also* Reply Br. 5–7). However, in *DDR Holdings, LLC v. Hotels.Com, L.P.*, the Federal Circuit found that the invention was directed to an improvement in computer technology and directed to a problem rooted in computer

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

Here, as the Examiner points out, “[t]he focus of the claims is not on such an improvement in computers as tools, but on certain independently abstract ideas that use computers as tools” (Ans. 5). We also note that neither the claims nor the Specification (*see, e.g.*, Spec. 14, ll. 3–14; 16, ll. 15–20) discloses anything more than generic computer structures. *See, e.g., Bancorp Services, LLC v. Sun Life Assurance Co. of Canada (US.)*, 687 F.3d 1266, 1278 (Fed. Cir. 2012) (“[s]imply adding a ‘computer aided’ limitation to a claim covering an abstract concept, without more, is insufficient to render the claim patent eligible.”).

We also note that there is a fundamental difference between computer functionality improvements, on the one hand, and uses of existing computers as tools to perform a particular task, on the other. Here, Appellants assert that “the claims here recite improvements to conventional electronic transaction systems and facilitates transactions between buyers and sellers by providing triggering, validating, and encryption of electronic transactions” (Reply Br. 5). However, the alleged improvements that Appellants refer to do not concern an improvement to computer capabilities, but instead relates to improvements in marketing, i.e., providing negotiated discounts, and customer service, i.e., “facilitat[ing] transactions between buyers and sellers” (Spec. 4, ll. 8–9), in an effort to provide financing that simply instructs the practitioner to implement the abstract idea on a generic computer.

There is no inventive concept or technological advance here that would support patent eligibility. The claims are not focused on an

improvement to the claimed “communications network” or “one or more computers.” *Cf. In re TLI Communications LLC Patent Litigation*, 823 F.3d 607, 613 (Fed. Cir. 2016) (The claims’ focus “was not on an improved telephone unit or an improved server.”). And merely limiting the scope of the claims to a particular technological environment or application, without more, does not change the outcome. *Alice*, 134 S. Ct. at 2358.

Appellants last argue that “these claims are ‘more than [an] [] effort designed to monopolize the [abstract idea]’” (Appeal Br. 9 (citing *Alice*, slip op. at 11; *Diamond v. Diehr*, 450 U.S. 175, 187 (1981))). However, a showing of pre-emption is not required for a determination that an idea is directed to non-patentable subject matter. *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1378 (Fed. Cir. 2015) (“Where a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.”). (*Id.* at 1379.)

In view of the foregoing, we sustain the Examiner’s rejection under 35 U.S.C. § 101 of independent claim 1. We have reviewed the additional limitations of dependent claims 2–8, e.g., modifying, proposing, discounting, providing, encrypting, and decrypting, and determine that, taken individually or as a whole, they do not add significantly more to remove the claimed invention from the realm of the abstract. Accordingly, we also sustain the Examiner’s rejection under § 101 of claims 2–8.

DECISION

The Examiner’s rejection of claims 1–8 under 35 U.S.C. § 101 is
AFFIRMED.

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Application 13/893,769

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