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

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte OLEG MAKHOTIN, TOM PURVES,
and CHRIS GARDNER

Appeal 2017-003399
Application 12/962,224¹
Technology Center 3600

Before MICHAEL J. STRAUSS, AARON W. MOORE, and
MICHAEL J. ENGLE, *Administrative Patent Judges*.

ENGLE, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellants appeal under 35 U.S.C. § 134(a) from a final rejection of claims 1, 2, 8–10, 21, 22, 25, and 27–37, which are all of the claims pending in the application. We have jurisdiction under 35 U.S.C. § 6(b).

We REVERSE and enter a NEW GROUND OF REJECTION UNDER 37 C.F.R. § 41.50(b).

Technology

The application relates to “a transaction between a cardholder [e.g., of a credit card] and a merchant” that uses a “proxy dynamic value (token)”

¹ According to Appellants, the real party in interest is Visa International Service Association. App. Br. 3.

rather than “providing traditional payment detail to the merchant (e.g., card number, expiration date, billing address etc.).” Spec. ¶¶ 4, 2.

Illustrative Claim

Claim 1 is illustrative and reproduced below:

1. A method for conducting a payment transaction between a cardholder and a merchant comprising:

in response to initiation of the payment transaction by the cardholder, receiving, at a computer system, a request to obtain a proxy dynamic value from a merchant computer associated with a merchant, the computer system being distinct from an issuing bank and distinct from an acquiring bank;

in response to receiving the request to obtain the proxy dynamic value from the merchant computer, presenting, by the computer system to a cardholder communication device, the cardholder with a list of portable payment devices the cardholder has enrolled with the computer system;

receiving, a selection of a portable payment device from the list of portable payment devices, from the cardholder communication device;

generating and associating, by the computer system, a proxy dynamic value which is distinct from and corresponds to a primary account number (PAN) of the portable payment device; and

providing, by the computer system, the proxy dynamic value to the merchant computer;

receiving, by the computer system, the proxy dynamic value after the merchant computer receives the proxy dynamic value; and

returning, by the computer system, the primary account number,

wherein the primary account number is used to complete the transaction.

Rejection

Claims 1, 2, 8–10, 21, 22, 25, and 27–37 stand rejected under 35 U.S.C. § 101 as directed to ineligible subject matter. Final Act. 2–3.

ISSUE

Did the Examiner err in determining that claim 1 is directed to ineligible subject matter under § 101?

ANALYSIS

To determine patentable subject matter under 35 U.S.C. § 101, the Supreme Court has set forth a two part test. “First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts” of “laws of nature, natural phenomena, and abstract ideas.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2355 (2014). A court must be cognizant, however, 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). Thus, “describing the claims at . . . a high level of abstraction and untethered from the language of the claims all but ensures that the exceptions to § 101 swallow the rule.” *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1337 (Fed. Cir. 2016). Instead, “the claims are considered in their entirety to ascertain whether their character as a whole is directed to excluded subject matter.” *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015).

In the second step, 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.” *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 566 U.S. at 79, 78). The Supreme Court has “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.* (quotation omitted).

Here, the Examiner determines “the claims are directed towards the abstract idea of conducting a payment transaction between a cardholder and a merchant.” Final Act. 2; *see also* Ans. 2. We agree with Appellants, however, that this high level of abstraction oversimplifies the claims and fails to consider the actual claim limitations, including the selection and use of the claimed “proxy dynamic value.” Reply Br. 4; App. Br. 8.

With respect to the second step in the *Alice / Mayo* framework, we also agree with Appellants that the Examiner has not sufficiently addressed “the type of information” being utilized, “the different entities to which the information is sent and received,” and the order in which the different steps are executed. Reply Br. 5; *see also* App. Br. 11–14. For example, we agree with Appellants that the Examiner fails to sufficiently explain why the limitation “generating and associating . . . a proxy dynamic value which is distinct from and corresponds to a primary account number (PAN) of the portable payment device” is not significantly more than the broad abstract idea set forth by the Examiner (“conducting a payment transaction between a cardholder and a merchant”). App. Br. 11–12. Even if we were to narrow the formulation of the abstract idea, there are insufficient findings of fact in the record before us to determine whether limitations such as “in response to initiation of the payment transaction by the cardholder, receiving, at a computer system, a request to obtain a proxy dynamic value from a

merchant computer . . .” would have been well-understood, conventional, and routine. *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1369 (Fed. Cir. 2018) (“Whether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination.”).

Accordingly, we reverse the Examiner’s rejection of claims 1, 2, 8–10, 21, 22, 25, and 27–37.

REJECTION UNDER 37 C.F.R. § 41.50(b)

In a new ground of rejection using our authority under 37 C.F.R. § 41.50(b), claim 10 is rejected under 35 U.S.C. § 112, fourth paragraph.

Appellants identify claim 10 as a *dependent* claim. App. Br. 14; *see also* Fee Worksheet (Dec. 14, 2015) (counting only two independent claims, presumably claims 1 and 32). Claim 1 is a method, whereas claim 10 recites, “A computer system configured to perform steps recited in claim 1.” Although claim 10 requires *capability* to perform steps in claim 1, it does not require actual performance of the method and therefore fails to specify a further limitation of the subject matter of claim 1, as required for dependent claims under § 112, fourth paragraph. *Pfizer, Inc. v. Ranbaxy Labs., Ltd.*, 457 F.3d 1284, 1291–92 (Fed. Cir. 2006); *see also* MPEP § 608.01(n)(II).

We note Appellants are not precluded from declaring claim 10 to be an independent claim and paying the appropriate fees. As an independent claim, claim 10 no longer would be required to specify a further limitation of the subject matter claimed in method claim 1.

DECISION

For the reasons above, we reverse the Examiner’s decision rejecting claims 1, 2, 8–10, 21, 22, 25, and 27–37.

In a new ground of rejection, we reject claim 10 under 35 U.S.C. § 112, fourth paragraph.

TIME TO RESPOND

This decision contains a new ground of rejection pursuant to 37 C.F.R. § 41.50(b). Section 41.50(b) provides that “[a] new ground of rejection pursuant to this paragraph shall not be considered final for judicial review.” Section 41.50(b) also provides:

When the Board enters such a non-final decision, the appellant, within two months from the date of the decision, must exercise one of the following two options with respect to the new ground of rejection to avoid termination of the appeal as to the rejected claims:

(1) *Reopen prosecution.* Submit an appropriate amendment of the claims so rejected or new Evidence relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the prosecution will be remanded to the examiner. The new ground of rejection is binding upon the examiner unless an amendment or new Evidence not previously of Record is made which, in the opinion of the examiner, overcomes the new ground of rejection designated in the decision. Should the examiner reject the claims, appellant may again appeal to the Board pursuant to this subpart.

(2) *Request rehearing.* Request that the proceeding be reheard under § 41.52 by the Board upon the same Record. The request for rehearing must address any new ground of rejection and state with particularity the points believed to have been misapprehended or overlooked in entering the new ground of rejection and also state all other grounds upon which rehearing is sought.

Further guidance on responding to a new ground of rejection can be found in the Manual of Patent Examining Procedure § 1214.01.

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No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R. § 41.50(f).

REVERSED;
37 C.F.R. § 41.50(b)