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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
14/193,296	02/28/2014	Lance Weber	79900-899126(043900USNP)	6828

66945 7590 01/29/2019
KILPATRICK TOWNSEND & STOCKTON LLP/VISA
Mailstop: IP Docketing - 22
1100 Peachtree Street
Suite 2800
Atlanta, GA 30309

EXAMINER

TINKLER, MURIEL S

ART UNIT	PAPER NUMBER
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3692

NOTIFICATION DATE	DELIVERY MODE
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01/29/2019

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte LANCE WEBER

Appeal 2017-003515
Application 14/193,296¹
Technology Center 3600

Before JOSEPH A. FISCHETTI, MEREDITH C. PETRAVICK, and
PHILIP J. HOFFMANN, *Administrative Patent Judges*.

FISCHETTI, *Administrative Patent Judge*.

DECISION ON APPEAL
STATEMENT OF THE CASE

Appellant seeks our review under 35 U.S.C. § 134 from the
Examiner's final rejection of claims 1, 2, 4, 7, 8, 10–12, 15–19, and 21–24.
We have jurisdiction under 35 U.S.C. § 6(b).

SUMMARY OF DECISION

We AFFIRM.

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

THE INVENTION

Appellant states, a “server computer can provide a merchant or other entity with a payment card (or other payment device) detection service that can determine a level of fraud based on the account type being presented (e.g., credit, debit, prepaid, etc.) at the time of purchase.” Abstract.

Claim 1 reproduced below, is representative of the subject matter on appeal.

1. A method for processing an authorization request for a transaction between a client computer of a consumer and a merchant computer, the method comprising:

receiving, at a server computer from the merchant computer via a communications network, transaction information and the authorization request for the transaction, the transaction information including an account number of an account of the consumer, wherein the account number was received by the merchant computer from the client computer;

parsing, by the server computer, the account number to determine an identifier that includes an account type identifier;

sending, by the server computer, a query to an account database, the query including the account type identifier;

receiving, by the server computer, an account type corresponding to the account number from the account database;

sending the transaction information and the account type to a fraud detection engine of the server computer;

determining, by the fraud detection engine, a level of fraud for the transaction using the account type and the transaction information;

determining, by the server computer, an authorization result for the transaction based on the fraud level, wherein the authorization result includes a change in the transaction;

transmitting, by the server computer, information about the change to the merchant computer via the communications

network, as well as instructions to the merchant computer to communicate with the client computer to determine whether the change is accepted by the client computer;

receiving, by the server computer, a confirmation response from the merchant computer via the communications network indicating that the client computer accepted the change; and

proceeding, by the server computer, to process the changed transaction.

THE REJECTION

The Examiner relies upon the following as evidence of unpatentability:

Elston et al. (“Elston”)	US 2003/0191709 A1	Oct. 9, 2003
Bhinder	US 2011/0302083 A1	Dec. 8, 2011

The following rejections² are before us for review:

Claims 1, 2, 4, 7, 8, 10–12, 15–19, and 21–24 are rejected under 35 U.S.C. § 101 as being directed to nonstatutory subject matter. Final Act. 7–9.

Claims 1, 2, 4, 7, 8, 10–12, 16³–19, and 21–24 are rejected under

² Claim 21 is objected to and is not rejected. We generally have no jurisdiction over an objection; therefore, we do not address the objection that relates to a petitionable matter and not to an appealable matter. *See In re Schneider*, 481 F.2d 1350, 1356–57 (CCPA 1973); *In re Mindick*, 371 F.2d 892, 894 (CCPA 1967); *see also* MPEP § 1002.02(c), item 3(a), § 1201.

The relief sought by the Appellant would have been properly presented by a petition to the Commissioner under 37 C.F.R. § 1.181 instead of by appeal to this Board. Accordingly, we will not further consider this issue.

³ Although the Final Action on page 10 groups claim 15 as part of the 35 U.S.C. § 102(a)(1) anticipation rejection, it is not addressed there, but the claim is separately rejected on page 14 of the Final Action under 35 U.S.C.

35 U.S.C. § 102(a)(1) as being anticipated by Elston. *Id.* at 9–13.

Claim 15 is rejected under 35 U.S.C. § 103 as being unpatentable over Elston and in further view of Bhinder. *Id.* at 13–14.

ANALYSIS

35 U.S.C. § 101 REJECTION

We will affirm the rejection of claims 1, 2, 4, 7, 8, 10–12, 15–19, and 21–24 under 35 U.S.C. § 101.

The Appellant argued claims 1, 2, 4, 7, 8, 10–12, 15–19, and 21–24 as a group. (Appeal Br. 7). We select claim 1 as the representative claim for this group, and the remaining claims standing or falling with claim 1. *See* 37 C.F.R. § 41.37(c)(1)(iv) (2015).

Under 35 U.S.C. § 101, an invention is patent-eligible if it claims a “new and useful process, machine, manufacture, or composition of matter.” The Supreme Court, however, has long interpreted § 101 to include an implicit exception: “[l]aws 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).

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 (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 Corp.*, 134 S. Ct.

§103(a). Thus, we treat the listing of claim 15 under the former rejection as a typographical mistake.

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.* If the claims are not directed to a patent-ineligible concept, e.g., 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 there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 566 U.S. at 79, 78).

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. Therefore, the Federal Circuit has instructed that claims are to be considered in their entirety to determine “whether their character as a whole is directed to excluded subject matter.” *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1312 (Fed. Cir. 2016) (quoting *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015)).

To perform this test, we must first determine whether the claims at issue are directed to a patent-ineligible concept. The Federal Circuit has explained that “the ‘directed to’ inquiry applies a stage-one filter to claims, considered in light of the specification, based on whether ‘their character as a whole is directed to excluded subject matter.’” *See Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016) (quoting *Internet Patents Corp.*, 790 F.3d at 1346). It asks whether the focus of the claims is on a specific improvement in relevant technology or on a process that itself qualifies as an “abstract idea” for which computers are invoked merely as a tool. *See id.* at 1335–36.

In so doing we apply a “directed to” two prong test: 1) evaluate whether the claim recites a judicial exception, and 2) if the claim “appl[ies], rel[ies] on, or use[s] the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception.” *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50, USPTO 50–57 (2019) (<https://www.govinfo.gov/content/pkg/FR-2019-01-07/pdf/2018-28282.pdf>) (“2019 Guidance”).

In rejecting the pending claims under 35 U.S.C. § 101, the Examiner determined that the claims are directed to “receiving, parsing, sending, determining, transmitting and proceeding/processing.” Answer 10. We agree because these are mental processes that are concepts performed by the human mind. That is, we find that the steps:

- receiving transaction information and the authorization request for the transaction, the transaction information including an account number of an account of the consumer;
- parsing to determine an identifier that includes an account type identifier;
- sending a query to an account database, the query including the account type identifier;
- receiving an account type corresponding to the account number from the account database;
- determining a level of fraud for the transaction using the account type and the transaction information;
- determining an authorization result for the transaction based on the fraud level the transaction;

- transmitting information about the change to determine whether the change is accepted;
- receiving a confirmation response indicating that the change is accepted; and
- processing the changed transaction,

constitute data collection, analysis, and display, which are directed to an abstract idea. *See Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016) (holding that “collecting information, analyzing it, and displaying certain results of the collection and analysis” are “a familiar class of claims ‘directed to’ a patent-ineligible concept”); *see also In re TLI Commc’ns LLC Patent Litig.*, 823 F.3d 607, 611 (Fed. Cir. 2016); *FairWarning IP, LLC v. Iatric Sys., Inc.*, 839 F.3d 1089, 1093–94 (Fed. Cir. 2016).

The Examiner also found, “the claims are directed to processing an authorization request for a transaction which is considered to be an abstract idea inasmuch as such activity is considered: fundamental economic practice.” Answer 10. We agree with the Examiner that the claims are also directed to a “fundamental economic practice” as they also focus on fraud prevention. The Specification states:

For many merchants, effective fraud rules are an important way to prevent fraudulent transactions from occurring. However, certain types of risk can be difficult to detect, particularly when a transaction relates to a recurring bill. For example, a consumer may have every intention of paying a phone bill at the time of entering a contract, only later to renege on the contract within a few months.

Spec. ¶ 3. Claim 1 recites, “an authorization result for the transaction based on the fraud level, wherein the authorization result includes a change in the

transaction.” Thus, we agree with the Examiner that the claims also recite a fundamental economic practice because all this evidence shows that claim 1 is directed to a transaction authorization based on a fraud level, which authorization result includes a change in the transaction. The patent-ineligible end of the spectrum includes fundamental economic practices. *Alice*, 134 S. Ct. at 2357.

Turning to the second prong of the “directed to” test, claim 1 merely requires a “server computer” (claim 1) or a “merchant computer” (claim 19), which implements a series of steps to carry out the abstraction. The server computer is only generically described as being “coupled to a database and may include any hardware, software, other logic, or combination of the preceding for servicing the requests from one or more client computers.” Spec. ¶ 20. Likewise, the merchant computer is only generically described as “may include any suitable computational apparatus operated by a merchant.” *Id.* ¶ 38. We fail to see how the single recitation of the words “server computer” (claim 1), or a “merchant computer” (claim 19), “imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception.” *2019 Guidance* at 53.

Therefore, we find that the claimed transaction authorization based on a fraud level, which authorization result includes a change in the transaction, is directed to a judicial exception and, thus, is an “abstract idea” beyond the scope of § 101.

Concerning the *Alice* step two analysis, the Examiner found “[t]he elements of the instant process, when taken in combination, together do not

offer substantially more than the sum of the functions of the elements when each is taken alone.” Answer 12.

We turn now to the arguments presented by Appellant.

“Appellant respectfully submits that the Examiner has not met her burden with respect to establishing non-statutory subject matter under 35 U.S.C. § 101.” (Appeal Br. 7).

We disagree with Appellant. To the extent Appellant argues that the Examiner erred in adequately supporting this determination by not providing evidence, we are unpersuaded. In this regard, there is no requirement that Examiners must provide evidentiary support in every case before a conclusion can be made that a claim is directed to an abstract idea. *See, e.g., July 2015 Update: Subject Matter Eligibility 1*, 1–11 (2014) <https://www.uspto.gov/sites/default/files/documents/ieg-july-2015-update.pdf> to *2014 Interim Guidance on Subject Matter Eligibility*, 79 Fed. Reg. 241, 74618 (2014).⁴

All that is required of the USPTO to meet its *prima facie* burden of production is that the Examiner set forth the statutory basis of the rejection and the reference or references relied upon in a sufficiently articulate and informative manner as to meet the notice requirement of 35 U.S.C. § 132. As the statute itself instructs, the Examiner must “notify the applicant,” “stating the reasons for such rejection,” “together with such information and

⁴ *See also* MPEP § 2106.07(a)(III) (2018) (“The courts consider the determination of whether a claim is eligible (which involves identifying whether an exception such as an abstract idea is being claimed) to be a question of law. Thus, the court does not require ‘evidence’ that a claimed concept is a judicial exception, and generally decides the legal conclusion of eligibility without resolving any factual issues.” (Citations omitted.)).

references as may be useful in judging of the propriety of continuing the prosecution of his application.” 35 U.S.C. § 132; *see also In re Jung*, 637 F.3d 1356, 1363 (Fed. Cir. 2011) (declining “to impose a heightened burden on examiners beyond the notice requirement of § 132”). Here, as we found above, the Examiner has made these findings as required by the statute. *See Answer 8–12.*

Specifically, in rejecting the pending claims under § 101, the Examiner analyzed the claims using the *Mayo/Alice* two-step framework, consistent with the guidance set forth in the USPTO’s *2014 Interim Guidance on Patent Subject Matter Eligibility* and the *July 2015 Update: Subject Matter Eligibility*. *See id.* Specifically, the Examiner notified Appellant that the claims are broadly directed to

receiving, parsing, sending, determining, transmitting and proceeding/processing . . . [and] to processing an authorization request for a transaction which is considered to be an abstract idea inasmuch as such activity is considered: fundamental economic practice.

Answer 10. Turning to step two, Examiner found “[t]he elements of the instant process, when taken in combination, together do not offer substantially more than the sum of the functions of the elements when each is taken alone.” *Id.* at 12. Therefore, we find that the Examiner met the notice requirement of § 132.

Appellant next cites to various excerpts from claim 1 that use the terms, “computer” and “engine,” and argues, “Appellant[] disagree[s], and submit[s] that a number of claim limitations do not correspond to the alleged abstract idea, and therefore should qualify as additional limitations.”

Appeal Br. 10.

We disagree with Appellant because the recitation of generically named devices to implement functions that we identify above as being abstract, nevertheless causes the functions in of themselves still to remain abstractions, e.g. “determining . . . a level of fraud for the transaction using the account type and the transaction information.” “When claims like the Asserted Claims are directed to an abstract idea and merely requir[e] generic computer implementation, they do[] not move into section 101 eligibility territory.” *Smart Sys. Innovations, LLC v. Chicago Transit Authority*, 873 F.3d 1364, 1374 (Fed. Cir. 2017) (citations and internal quotations omitted).

Appellant argues “two completely different abstract ideas are alleged consecutively, and multiple categories of abstract idea are put forth as well. Thus, it remains unclear what exactly is the alleged abstract idea and category, and therefore a prima facie case of ineligibility has not been established.” Reply Br. 3 (emphasis omitted).

We disagree with Appellant. That the Examiner made two findings as to the abstract idea does not constitute error. *See Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240–41 (Fed. Cir. 2016) (“An abstract idea can generally be described at different levels of abstraction.

Concerning Appellant’s contention that “Examiners are no longer supposed to rely on non-precedential decisions such as *SmartGene* and *Cyberfone*” (Reply Br. 4), we note that the November 2, 2016 Memorandum does not expressly prohibit reliance on non-precedential decisions, but on page 4 only states, “examiners should avoid” “relying upon or citing” them. *See Robert W. Bahr, Recent Subject Matter Eligibility Decisions*, USPTO 1–4 (2016), <https://www.uspto.gov/sites/default/files/documents/McRo-Bascom-Memo.pdf>. Moreover our Decision above (page 7, *supra*) cites to

the precedential decision of *Elec. Power Grp.* in support of data collection, analysis, and display are directed to an abstract idea.

We further disagree with Appellant's contention that the Examiner's findings of the ordered combination being ineligible are based on "additional limitations in isolation." Reply Br. 5. This is because the Examiner has made specific findings based on the description of each of the device terms as described by the Specification, i.e.:

both the client computer and merchant computers may be any suitable computational apparatus (paragraph 21 of [S]pecification); communications network may be any suitable wired or wireless network (see paragraph 21 of [S]pecification); and server computer is a computer (i.e. mainframe, see paragraph 20 of [S]pecification).

Finally, some components can be implemented as a system, which may be a single computer (see paragraph 22 of [S]pecification).

Answer 11. Here, the Examiner found that the Specification only evidences the routine nature of the system components and correspondingly the claims reflect the same. Accordingly, we find no error with the Examiner's findings here.

Appellant further argues, "just because a claim can be performed by a generic computer, it does not automatically follow that the claim cannot include significantly more." Appeal Br. 14. "Appellant points to *Enfish*, which stated 'we are not persuaded that the invention's ability to run on a general-purpose computer dooms the claims.'" *Id.* at 15.

Considered as an ordered combination, the computer components of Appellant's claims add nothing that is not already present when the steps are considered separately. The sequence of data reception-analysis-access—transmitting is equally generic and conventional or otherwise held to be

abstract. *See Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 715 (Fed. Cir. 2014) (sequence of receiving, selecting, offering for exchange, display, allowing access, and receiving payment recited an abstraction); *Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372, 1378 (Fed. Cir. 2017) (sequence of data retrieval, analysis, modification, generation, display, and transmission); *Two-Way Media Ltd. v. Comcast Cable Commc'ns, LLC*, 874 F.3d 1329, 1339 (Fed. Cir. 2017) (sequence of processing, routing, controlling, and monitoring). Therefore, we agree with the Examiner that the ordering of the steps is ordinary and conventional.

We further disagree with Appellant that the claims on appeal are like those found to eligible in *Bascom Global Internet Servs. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016). Reply Br. 5–6. This is because in *Bascom*:

The inventive concept described and claimed in the '606 patent is the installation of a filtering tool at a specific location, remote from the end-users, with customizable filtering features specific to each end user. This design gives the filtering tool both the benefits of a filter on a local computer and the benefits of a filter on the ISP server.

Bascom, 827 F.3d 1350. This inventive concept inures to the improvement in the technical field of internet technology. In contrast, there is no technical field improvement addressed by the inventive concept here, rather only the deterrence of fraud which is an abstraction.

35 U.S.C. § 102(a)(1) REJECTION

Each of independent claims 1, 18, and 19 recites in one form or another,

[t]ransmitting, by the server computer, information about the change to the merchant computer via the communications network, as well as instructions to the merchant computer to

communicate with the client computer to determine whether the change is accepted by the client computer.

The Examiner found concerning this limitation that Elston discloses it at paragraph 272. Final Act. 11; Answer 4.

Appellant argues,

that providing identification during a purchase is not a “*change in the transaction*,” as nothing in the transaction changes during identity verification. Secondly, Elston does not even describe this type of identity verification. Instead, as described in Elston paragraphs [0273]–[0277], the security rules are for purchase limits, removing stored account information for deactivated accounts, etc.

Appeal Br. 22.

We agree with Appellant, because our review of Elston at paragraph 272 reveals that at best, Elston generally discloses dynamically updating security rules stating:

To enforce limits on accounts the security manager sets and dynamically updates security rules used by the transaction manager (10), the customer access gateway (42), the terminal communications system (44) and the merchant terminal equipment (50).

Elston at paragraph 277 discloses:

Profiles accounts and deactivates or “puts on watch” bad or questionable accounts. On watch accounts are not cached to terminal and removed from terminal cache and may only be processed on line.

It is not apparent, and the Examiner has not explained how such updating of rules and/or watch listing or deactivating an account equates to transmitting, by the server computer, information about the change to the merchant computer via the communications network, as well as instructions to the merchant computer to communicate with the client computer to

determine whether the change is accepted by the client computer. “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., Inc. v. Union Oil Co. of California*, 814 F.2d 628, 631 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 827 (1987). Therefore, we will not sustain the anticipation rejection of independent claims 1, 18, and 19. Since claims 2, 4, 7, 8, 10–12, 16, 17, and 22–24 depend from claim 1, and claim 21 depends from claim 18, since we cannot sustain the rejection of claims 1 and 19, the rejection of these dependent claims, likewise, cannot be sustained.

We, likewise, do not sustain the obvious rejection of claim 15 as the rejection based on Elston and Bhinder does not remedy the deficiency set forth above.

CONCLUSIONS OF LAW

We conclude the Examiner did not err in rejecting claims 1, 2, 4, 7, 8, 10–12, 15–19, and 21–24 under 35 U.S.C. § 101.

We conclude the Examiner erred in rejecting claims 1, 2, 4, 7, 8, 10–12, 16–19, and 21–24 under 35 U.S.C. § 102(a)(1).

We conclude the Examiner erred in rejecting claim 15 under 35 U.S.C. § 103.

DECISION

The decision of the Examiner to reject claims 1, 2, 4, 7, 8, 10–12, 15–19, and 22–24 is affirmed.

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Application 14/193,296

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. § 1.136(a)(1)(iv).

AFFIRMED