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EXAMINER

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte MICHAEL A. KERESMAN III, RAVISHANKAR
BHAGAVATULA, CHANDRA BALASUBRAMANIAN, and FRANCIS
M. SHERWIN¹

Appeal 2017-004265
Application 13/432,748
Technology Center 3600

Before ROBERT E. NAPPI, ERIC S. FRAHM, and JOHN A. EVANS,
Administrative Patent Judges.

FRAHM, *Administrative Patent Judge.*

DECISION ON APPEAL

Appellants appeal under 35 U.S.C. § 134(a) from the Examiner's final rejection of claims 15, 20, 21, 23, and 24, which constitute all of the claims pending in the application.² The Examiner rejected claims 15, 20, 21, 23, and 24 under 35 U.S.C. § 101 based on a determination that the claimed invention is directed to a patent-ineligible judicial exception. We have jurisdiction under 35 U.S.C. § 6(b). Because we conclude independent claim 15 is drawn to an abstract idea (i.e., a fundamental economic practice

¹ Appellants identify Cardinal Commerce Corporation as the real party in interest. Br. 1.

² Claims 1–14, 16–19, 22, 25, and 26 have been canceled.

and/or the organization of human activity) without significantly more, we affirm.

STATEMENT OF THE CASE

Introduction

Appellants state that the described invention relates a “Secure and Efficient Payment Processing System” (Title) for Internet commerce, and particularly for “Internet credit and/or debit transactions” (Spec. ¶ 2). Appellants recognize a problem in the industry that “[a]s each intermediary charges a bulk, per-transaction, percentage, or other like fee for its role in handling the transaction, the total transaction cost grows with each additional intermediary employed. Consequently, streamlining transaction processing and elimination of intermediaries beneficially holds transaction costs down” (Spec. ¶ 4). As a result, Appellants’ invention “contemplates a new and improved transaction processing system and technique for carrying out credit and/or debit transactions” (Spec. ¶ 9). Appellants’ disclosed and claimed invention is directed to a method for authenticating commercial transactions using generic computer and network components (*see* Fig. 2 (e.g., network 50, database 14, computer server 12); Spec. ¶¶ 27–31; *see also* Br. 3–4, Summary of Claimed Subject Matter) to establish a transaction processing system (*see generally* Fig. 2 (elements 10, 20, 30, 40); *see also* Br. 3, Summary of Claimed Subject Matter).

Claim 15, which is the sole independent claim, is reproduced below, with emphases added:

15. A method for authorizing a commercial transactions, said method comprising the steps of:

(a) establishing *a transaction processing system on an electronic communications network*;

(b) establishing an account within the transaction processing system for a corresponding account holder by creating an account record for the account, said account record being locally stored on *a data storage device*;

(c) associating an account of a funding source with the established account by storing data identifying the funding source account in the account record;

(d) obtaining from the account holder over the electronic communications network one or more descriptions of acceptable future commercial transactions related to the account;

(e) administering commercial transactions related to the account using the transaction processing system, the administering including:

determining whether a commercial transaction related to the account, and being administered using the transaction processing system, meets one or more of the obtained descriptions;

locally establishing payment information from the account record, the payment information including the data identifying the funding source account;

in response to determining the commercial transaction meets one or more of the obtained descriptions, requesting authorization of the commercial transaction for the purchase amount by submitting at least the established payment information to the funding source of the account holder over the communications network;

receiving an authorization code and an authorization results from the funding source over the electronic communications network, the authorization result indicating whether the commercial transaction is authorized; and

in response to the received authorization result indicating the commercial transaction is authorized, settling the commercial transaction using the received authorization code;

wherein the steps are each performed by *a computer server* and the method is performed by a third party, the third party

different than the funding source, the merchant and the account holder.

Rejection on Appeal

Claims 15, 20, 21, 23, and 24 stand rejected under 35 U.S.C. § 101 because the claimed invention is directed to a patent-ineligible judicial exception. Final Act. 2–12; Ans. 2–12.

Issue on Appeal

Did the Examiner err in rejecting claims 15, 20, 21, 23, and 24 under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter?

ANALYSIS

We have reviewed the Examiner’s rejection in light of Appellants’ arguments in the Appeal Brief.³ For the reasons discussed *infra*, as well as the reasons provided by the Examiner in the Final Rejection (Final Act. 2–12), and the Examiner’s Answer (Ans. 2–12), we are not persuaded by Appellants’ arguments (Br. 5–15) that the Examiner erred in rejecting claims 15, 20, 21, 23, and 24 under 35 U.S.C. § 101.

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)).

³ No Reply Brief has been filed.

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 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, such as an *abstract idea*. Abstract ideas may include, but are not limited to, fundamental economic practices, methods of organizing human activities, an idea of itself, and mathematical formulas or relationships. *Id.* at 2355–57.

If the claims are *not directed* to a patent-ineligible concept, *the inquiry ends*. See *Visual Memory LLC v. NVIDIA Corp.*, 867 F.3d 1253, 1262 (Fed. Cir. 2017).

Otherwise, the inquiry proceeds to the second step in which 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). We consider the question of whether the claims are directed to a *specific improvement* in the capabilities of the computing devices, or, instead, “a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool.” *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016).

We, therefore, decide under step two whether the claims: (a) set forth an *inventive concept* that provides a specific means or method that *improves* the relevant technology, or (b) are directed to a result or effect that itself is

the abstract idea, in which the claims merely invoke generic processes and machinery. *See Enfish*, 822 F.3d at 1336.

The Supreme Court additionally guides that contractual relations constitute “a fundamental economic practice long prevalent in our system of commerce.” *Bilski v. Kappos*, 561 U.S. 593, 611 (2010); *see also Alice*, 134 S. Ct. at 2356, 2357, as cited in *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1354 (Fed. Cir. 2014).

Applying this guidance here, we observe independent claim 15 is directed to “authorizing a commercial transaction[][sic]” by obtaining “descriptions of acceptable future commercial transactions.” We find a commercial transaction is *a contractual relationship* between the seller (i.e., recited merchant) and the buyer (i.e., recited account holder) which is “a fundamental economic practice long prevalent in our system of commerce.” *Bilski*, 561 U.S. at 611.

In rejecting the claims under 35 U.S.C. § 101, the Examiner concludes that claims 15, 20, 21, 23, and 24 are directed to authorizing commercial transactions, which is a fundamental economic practice in the field of finance, an abstract idea. Final Act. 4; Ans. 2–6. The Examiner also finds the claims do not include limitations that are “significantly more” than the abstract idea because the claims do not include an improvement to another technology or technical field, an improvement to the functioning of the computer itself, or meaningful limitations beyond generally linking the use of an abstract idea to a particular technological environment (e.g., a mobile computing device). Final Act. 6; Ans. 6–11. We agree with the Examiner.

Appellants argue (Br. 5–15) the Examiner erred in concluding the subject matter of claims 15, 20, 21, 23, and 24 is directed to an abstract idea

which is patent-ineligible. We do not find Appellants' arguments persuasive. Instead, we find the Examiner sets forth a prima facie case for the rejection at pages 2 through 6 of the Final Rejection, and as further support at pages 6 through 12 of the Final Rejection and pages 2 through 12 of the Examiner's Answer. In addition, the Examiner has provided a comprehensive response to Appellants' arguments supported by a preponderance of evidence. Ans. 2–12. As such, we adopt all of the Examiner's legal conclusions, findings, and explanations provided therein (Final Act. 2–12; Ans. 2–12).

Specifically, as discussed *supra*, independent claim 15 is primarily directed to the function of processing a commercial transaction using generic computing and network components (*see* Fig. 2; Spec. ¶¶ 27–31; *see also* Br. 3–4), which can be implemented with a general purpose computer and Internet network. Appellants' disclosed and claimed invention does no more than run an application on known computing devices and networks employing a generic components to perform known functions which constitute a well-known fundamental economic practice in the field of finance.

In addition, as to dependent claims 20, 21, 23, and 24, we agree with the Examiner (Final Act. 6) that these claims are also directed to processing commercial transactions, which is a fundamental economic or commercial practice. Notably, claims 20, 21, 23, and 24 merely further describe the commercial transactions and related descriptions of acceptable future transactions recited in independent claim 15, and do not recite a technological improvement or significantly more than the abstract idea of claim 15 (authorizing commercial transactions).

Thus, we conclude claims 15, 20, 21, 23, and 24 are drawn to little more than automating the abstract idea of processing and authorizing commercial transactions, which we conclude is a fundamental economic practice and, therefore, constitutes patent-ineligible subject matter. *See Alice*, 134 S. Ct. at 2357; *Bilski v. Kappos*, 561 U.S. at 611; *Enfish*, 822 F.3d at 1335 (“fundamental economic and conventional business practices are often found to be abstract ideas, even if performed on a computer”).

Furthermore, we agree with the Examiner because the numerous claim limitations in sole independent claim 15 recite the use of a general purpose computer to perform a method of authorizing commercial transactions. Specifically, the claimed invention is described in the Specification and shown in Figure 2 as using generic computer and network components (*see* Fig. 2 (e.g., network 50, database 14, computer server 12); Spec. ¶¶ 27–31; *see also* Br. 3–4, Summary of Claimed Subject Matter) to establish a transaction processing system (*see generally* Fig. 2 (elements 10, 20, 30, 40; *see also* Br. 3, Summary of Claimed Subject Matter)). Thus, we find the claims are not directed to an improvement to computer functionality, but are directed to an abstract idea, namely the authorization of commercial transactions, which is a fundamental economic activity.

Appellants’ arguments (Br. 5–6, 12) that the Examiner has not provided any basis or evidence that the claims are directed to an abstract idea, are not persuasive for at least the following reasons.

The Examiner has indeed provided evidence by citing cases with claims containing similar subject matter that were found to be patent-ineligible (*see* Ans. 4–6). Appellants have not rebutted the Examiner’s

evidence and accompanying reasoning with any specific argument or evidence (*see e.g.*, Br. 6, 12–13), and no Reply Brief has been filed.

In addition, at least the following decisions from our reviewing court have found many types of fundamental commercial practices patent ineligible: *OIP Technologies, Inc. v. Amazon.com, Inc.*, 788 F.3d 1359 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 701 (mem) (2015) (offer-based price optimization); *buySafe, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014) (transaction guaranty); *Personalized Media Communications, L.L.C. v. Amazon.com, Inc.*, 671 Fed. App'x 777 (mem) (Fed. Cir. 2016) (receiving instructions for ordering); *Macropoint, LLC v. Fourkites, Inc.*, 671 Fed. App'x 780 (mem) (Fed. Cir. 2016) (tracking freight); *Wireless Media Innovations, LLC v. Maher Terminals, LLC*, 636 Fed. Appx. 1014 (mem) (Fed. Cir. 2016) (monitoring shipping containers); *America's Collectibles Network, Inc. v. Jewelry Channel, Inc. USA*, 672 Fed. App'x 997 (mem) (Fed. Cir. 2017) (conducting reverse auction by adjusting price and inventory); and *EasyWeb Innovations, LLC v. Twitter, Inc.*, 689 Fed. App'x 969 (Fed. Cir. 2017) (receiving, authenticating, and publishing data). In this light, the exchange of value/currency recited in the claims on appeal (such as identifying a vendor, generating an interface to display information regarding stored value, identifying a portion of value to be exchanged for other value, and receiving stored value in exchange for other value) are commercial practices that are economic and fundamental in nature. Furthermore, merely combining several abstract ideas (such as a fundamental economic activity and a method of organizing human activity) does not render the combination any less abstract. *RecogniCorp, LLC v. Nintendo Co., Ltd.*, 855 F.3d 1322, 1327 (Fed. Cir. 2017) (“Adding one

abstract idea . . . to another abstract idea . . . does not render the claim non-abstract.”); *see also FairWarning IP, LLC v. Iatric Sys., Inc.*, 839 F.3d 1089, 1094 (Fed. Cir. 2016) (determining the pending claims were directed to a combination of abstract ideas).

Appellants’ arguments that (i) the pending claims “present an inventive concept sufficient to pass muster under § 101” “since they otherwise appear to be allowable under § 102 and § 103 (i.e., no rejections of the claims are presently made under relevant sections)” (Br 8); and (ii) “[t]he lack of any prior art rejection in connection with this current application, is further evidence that the Examiner has already found novel subject matter in the combination of steps and elements in the claims, clearly providing a beneficial and useful result in a data processing environment” (Br. 8) is unpersuasive. The Supreme Court guides: “[t]he ‘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.” *Diamond v. Diehr*, 450 U.S. 175, 188–89 (1981) (emphasis added). Our reviewing court further emphasizes that “[e]ligibility and novelty are separate inquiries.” *Two-Way Media Ltd. v. Comcast Cable Commc’ns, LLC*, 874 F.3d 1329, 1340 (Fed. Cir. 2017); *see also Affinity Labs of Tex., LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1263 (Fed. Cir. 2016) (holding that “even assuming” that a particular claimed feature was novel does not “avoid the problem of abstractness”). Therefore, we find Appellants’ novelty and non-obviousness arguments (Br. 8–9) are not persuasive.

Appellants further urge the pending claims are not of a scope to preempt an abstract idea. Br. 9–11. However, our reviewing court provides

applicable guidance: “[w]hile preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015); *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335, 1346 (Fed. Cir. 2013) (“[T]he Supreme Court has stated that, even if a claim does not wholly pre-empt an abstract idea, it still will not be limited meaningfully if it contains only insignificant or token pre- or post-solution activity—such as identifying a relevant audience, a category of use, field of use, or technological environment.”) (Citations omitted), vacated and remanded, *WildTangent, Inc. v. Ultramercial LLC*, 134 S. Ct. 2870 (2014) (remanding for consideration in light of *Alice*, 134 S. Ct. 2347). Therefore, we are not persuaded by Appellants’ argument regarding the absence of complete preemption. Br. 9–11.

In view of the foregoing, we sustain the Examiner’s rejection under 35 U.S.C. § 101 of independent claim 15, as well as dependent claims 20, 21, 23, and 24 not argued separately, except based on their dependence on independent claim 15.

DECISION

We affirm the Examiner’s decision rejecting claims 15, 20, 21, 23, and 24 under 35 U.S.C. § 101.

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