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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte GARY GREENWALD and DICKSON CHU

Appeal 2017-005560¹
Application 13/208,927²
Technology Center 3600

Before NINA L. MEDLOCK, TARA L. HUTCHINGS, and
ROBERT J. SILVERMAN, *Administrative Patent Judges*.

HUTCHINGS, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellants appeal under 35 U.S.C. § 134(a) from the Examiner’s final rejection of claims 1, 2, 5–8, 10–20, and 23. We have jurisdiction under 35 U.S.C. § 6(b).

We REVERSE.

¹ Our decision references Appellants’ Appeal Brief (“Br.,” filed Apr. 29, 2016), and the Examiner’s Answer (“Ans.,” mailed Dec. 13, 2016) and Final Office Action (“Final Act.,” mailed Oct. 27, 2015).

² Appellants identify Citibank, N.A. as the real party in interest. Br. 3.

CLAIMED INVENTION

Appellants' claimed invention "relates generally to the field of electronic commerce, and more particularly to methods and systems for activating an electronic payments infrastructure using an electronic communication device, such as a mobile phone." Spec. ¶ 1.

Claims 1, 19, 20, and 23 are the independent claims on appeal. Claims 1 and 23, reproduced below, are illustrative of the claimed subject matter:

1. A method for activating an electronic payments infrastructure, comprising:

providing, for a customer's electronic communication device, a unique identifier comprising latent computer code stored in memory of a secure element of the customer's electronic communication device at manufacture time assigned to an inactive header account, the unique identifier being processable via a transaction processing network;

receiving, using an interface processor, a request to verify that activation of the header account for the customer is compliant with predefined customer identification rules consisting at least in part of anti-money-laundering regulations defined by regulatory authorities, the request consisting at least in part of customer information;

determining, using a customer identification processor, that activation of the header account for the customer is compliant with predefined customer identification rules consisting at least in part of anti-money-laundering regulations defined by regulatory authorities and sending, using the interface processor, an activation message to the customer's device when said determination is made;

linking, using the interface processor, the header account to a digital wallet on a database; and

receiving, using the interface processor, the customer's designation of a source account for the digital wallet on the database.

REJECTIONS

Claims 1, 2, 5–8, 10–20, and 23 are rejected under 35 U.S.C. § 101 as directed to non-statutory subject matter.

Claims 1, 2, 5–8, 10–20, and 23 are rejected under 35 U.S.C. § 112, second paragraph, as indefinite for failing to particularly point out and distinctly claim the subject matter that Appellants regard as the invention.

Claims 1, 2, 5–8, 10–20, and 23 are rejected under 35 U.S.C. § 103(a) as unpatentable over Hruska (US 2012/0028609 A1, pub. Feb. 2, 2012) and Olson (US 2010/0123003 A1, pub. May 20, 2010).

ANALYSIS

Patent-Ineligible Subject Matter

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.” 35 U.S.C. § 101. 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. v. CLS Bank Int’l*, 573 U.S. 208, 216 (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.*, 573 U.S. at 217. 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).

In rejecting the claims under 35 U.S.C. § 101, the Examiner determines that the claims are directed to the abstract idea of “activating a customer payment account conforming to anti-money laundering rules.” Final Act. 2; *see also* Ans. 2. The Examiner considers this concept to be an abstract idea because it is a fundamental economic practice and a mental process (“steps [that] could be performed by a human”). Final Act. 2; *see also* Ans. 2–3 (citing cases that include similar concepts that have been held by the courts to be directed to abstract ideas).

Here, Appellants’ Specification describes in the Background section that a mobile customer can purchase a connected mobile device, such as a pre-paid device, with payment functionality that is very limited, e.g., payments totaling approximately \$30 or less per month to purchase digital goods, such as ring tones, music, apps, and video, the payments being funded through the monthly telephone statement. Spec. ¶¶ 2, 25. The Specification describes a need to extend the current telephone company billing model and enable full customer payment capability to pay for all goods across all distribution channels. *Id.* ¶¶ 2, 26, 31. The invention uses a token having an inactive unique header account identifier on a customer’s communication device. *Id.* ¶¶ 3, 27, 35, 37. The unique identifier is embedded on a secure element, such as a microchip, of the communication

device. *Id.* ¶¶ 29, 44. A financial institution provides one or more manufacturers of smart elements for mobile phones a seed number and an algorithm with which to generate a range of latent unique codes in their production. *Id.* ¶ 35. In this way, each device has a unique identifier even though the devices may be made by different manufacturers. *Id.* ¶ 36. Activation involves first determining that the person who is acquiring the customer device is permitted to engage with the banking system, and sending verification to the vendor or mobile device. *Id.* ¶ 43. Once the customer passes the customer identification process, the header account is activated for the customer. *Id.* ¶ 45. Header account activation involves activating dormant code on the customer's device and translating dormant code in the secure element into the unique identifier. *Id.* ¶¶ 44–45. The activated header account is linked to a digital wallet funded with a customer-designated source account to fund purchases and payments. *Id.* ¶ 46.

Claim 1, which we consider representative of the claims, recites a method for activating an electronic payments infrastructure that includes providing a unique identifier; receiving a request to verify that activation of the header account for the customer is compliant with customer identification rules including anti-money-laundering regulations; determining that activation is compliant with the predefined customer identification rules; linking the header account to a digital wallet; and receiving the customer's designation of a source account for the digital wallet. Put simply, claim 1 involves determining whether a customer is compliant with customer rules in a process for activating an electronic payments infrastructure. But ensuring a customer complies with certain customer identification rules before engaging in a business transaction (e.g.,

activating a payments infrastructure) is a longstanding, fundamental economic practice, i.e., an abstract idea. Therefore, we are not persuaded that the Examiner erred in determining that the claims are directed to an abstract idea.

Turning to step two of the *Alice/Mayo* framework, the Examiner determines that

[t]he additional elements or combination of elements in the claims other than the abstract idea are no more than: (i) mere instructions to implement the idea on a computer, and/or (ii) [the] recitation of generic computer structure that serves to perform generic computer functions that are well-understood routine, and conventional activities previous known to the pertinent industry.

Final Act. 2–3; *see also* Ans. 3–7. Pointing to numerous additional elements recited in claim 1 (*see* Br. 13–14), Appellants argue that the claims improve the function of digital payment systems that are device independent, enable a global digital payment network, and are rooted in computer technology to overcome a technological problem (*id.* at 14). The Examiner replies that the claims use generic cell phone and network components without any improvement to the components themselves to improve methods of payment. Ans. 6–7.

We agree with Appellants that the Examiner’s analysis does not adequately explain why the additional limitations of the claims do not integrate the abstract idea into a practical application. *See* USPTO’s “2019 Revised Patent Subject Matter Eligibility Guidance,” 84 Fed. Reg. 50, 55 (January 7, 2019). For example, claim 1 additionally recites that “a unique identifier comprising latent computer code stored in memory of a secure element of the customer’s electronic communication device at manufacture.”

Appellants' Specification attributes the claimed identifier, in part, with improving digital payment systems by enabling use of communications devices made by several different manufactures. *See, e.g.*, Spec. ¶¶ 35–36; *see also id.* at ¶¶ 23–24, 26–27 (describing other technological advantages of the claimed invention).

Further, the Examiner acknowledges that the claims “recite[] certain extra elements possibly associated with computer technology,” such as the customer’s electronic communication device, latent computer code, and a secure element of the customer’s electronic communication device. Ans. 4. The Examiner concludes that these elements do not recite significantly more than the abstract idea because the Examiner determines that the additional elements are no more than “well-understood[,] technological components being used in a conventional way to implement the abstract idea.” *Id.* Yet, the Examiner does not identify, and we do not find, any evidentiary support demonstrating that providing a unique identifier comprising latent computer code stored in memory of a secure element of the customer’s communication device at manufacture, as recited in claim 1, is merely the use of well-understood technological components in a conventional way. *See USPTO* April 19, 2018 Memorandum to the Examining Corps entitled, “Changes in Examination Procedure Pertaining to Subject Matter Eligibility, Recent Subject Matter Eligibility Decision (*Berkheimer v. HP, Inc.*),” available at <https://www.uspto.gov/sites/default/files/documents/memo-berkheimer-20180419.pdf> 3 (directing an Examiner on how to establish an additional element or combination of elements as being well-understood, routine or conventional).

Therefore, based on the present record, we are constrained to reverse the Examiner's rejection of claims 1, 2, 5–8, 10–20, and 23 under 35 U.S.C. § 101.

Indefiniteness

In rejecting claims 1, 2, 5–8, 10–20, and 23 under 35 U.S.C. § 112, second paragraph, the Examiner finds that the terms “latent” and “secure element” are unclear. Final Act. 4–5 (“it is not clear how the term ‘latent’ modifies ‘computer code’ as compared to if ‘latent’ was not used at all,” or how the term “‘secure element’ is intended to limit the feature, given that a ‘customer’s electronic communication device at manufacture time’ would be considered itself to be a secure element”).

Appellants maintain, and we agree, that a person of ordinary skill in the art would understand what is claimed when the claims are read in light of the Specification. Br. 17–18 (citing Spec. ¶¶ 35, 45). In particular, we agree with Appellants that one of ordinary skill in the art would understand the term “latent” to have a meaning consistent its ordinary meaning, such as dormant. *See* Spec. ¶¶ 34–35, 44–45. We also agree with Appellants that one of ordinary skill in the art would not understand the term “secure element” to be a communication device itself, but rather some tamper-resistant chip of the device. *See* Spec. ¶ 23 (describing the unique identifiers as a “chip embedded number”).

Therefore, we do not sustain the Examiner's rejection of claims 1, 2, 5–8, 10–20, and 23 under 35 U.S.C. § 112, second paragraph.

See Orthokinetics, Inc. v. Safety Travel Chairs, Inc., 806 F.2d 1565, 1576 (Fed. Cir. 1986) (The test for definiteness under 35 U.S.C. § 112, second

paragraph, is whether “those skilled in the art would understand what is claimed when the claim is read in light of the [S]pecification.”).

Obviousness

Independent Claims 1 and 14 and Dependent Claims 2–10, 13, 15–23, and 26

We are persuaded by Appellants’ argument that the Examiner erred in rejecting independent claims 1, 19, 20, and 23 under 35 U.S.C. § 103(a) because Hruska does not disclose or suggest “providing, for a customer’s electronic communication device, a unique identifier comprising latent computer code stored in memory of a secure element of the customer’s electronic communication device at manufacture time assigned to an inactive header account,” as recited in claim 1, and similarly recited in claims 19, 20, and 23. Br. 18–20. The Examiner cites paragraphs 1, 14, and 19 of Hruska as disclosing this limitation. Final Act. 6; *see also* Ans. 8–9. In particular, the Examiner construes Hruska’s hand-held device machine equipment number identifier (“MEID” or “MEIN”) as the claimed unique identifier. Ans. 8; *see also* Hruska ¶ 16. The Examiner reasons that “storage on a phone possessing typical security features constitutes the recited ‘secure element,’” and the code comprising the MEIN/Device number is considered to be ‘latent.’” *Id.* at 8–9. However, we agree with Appellants that Hruska’s “mobile phone MEID is neither stored on a secure element of the mobile phone nor assigned to a header account at manufacture time,” as called for in claims 1, 19, 20, and 23.³ Br. 19.

³ In light of the overall form of the claim and the invention as described in the Specification, we consider the preamble of claim 23 to limit the claim. *See Catalina Mktg. Int’l v. Coolsavings.com, Inc.*, 289 F.3d 801, 808 (Fed.

Therefore, we do not sustain the Examiner's rejection of claims 1 , 19, 20, and 23, and their dependent claims under 35 U.S.C. § 103(a).

DECISION

The Examiner's rejection of claims 1, 2, 5–8, 10–20, and 23 under 35 U.S.C. § 101 is reversed.

The Examiner's rejection of claims 1, 2, 5–8, 10–20, and 23 under 35 U.S.C. § 112(b) is reversed.

The Examiner's rejection of claims 1, 2, 5–8, 10–20, and 23 under 35 U.S.C. § 103(a) is reversed.

REVERSED

Cir. 2002). Here, the preamble recites structure underscored as important by the Specification, and is essential to understand terms in the claim body.