



UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE  
United States Patent and Trademark Office  
Address: COMMISSIONER FOR PATENTS  
P.O. Box 1450  
Alexandria, Virginia 22313-1450  
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
13/450,235	04/18/2012	Paul J. Matsuda	79900-830241(080540USC6)	5967

66945                      7590                      03/25/2019  
KILPATRICK TOWNSEND & STOCKTON LLP/VISA  
Mailstop: IP Docketing - 22  
1100 Peachtree Street  
Suite 2800  
Atlanta, GA 30309

EXAMINER
----------

SHEIKH, ASFAND M

ART UNIT	PAPER NUMBER
----------	--------------

3627

NOTIFICATION DATE	DELIVERY MODE
-------------------	---------------

03/25/2019

ELECTRONIC

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

ipefiling@kilpatricktownsend.com  
KTSDocketing2@kilpatrick.foundationip.com

UNITED STATES PATENT AND TRADEMARK OFFICE

---

BEFORE THE PATENT TRIAL AND APPEAL BOARD

---

*Ex parte* PAUL J. MATSUDA, SARAH E. PERRY, and  
TRACY L. WILK

---

Appeal 2017-005824  
Application 13/450,235<sup>1</sup>  
Technology Center 3600

---

Before JOHN A. EVANS, LARRY J. HUME, and CATHERINE SHIANG,  
*Administrative Patent Judges.*

HUME, *Administrative Patent Judge.*

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. § 134(a) of the Final Rejection of claims 40–45, 47–54, 57–60, and 63–69, which are all claims pending in the application. Appellants have canceled claims 1–39. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

---

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

STATEMENT OF THE CASE<sup>2</sup>

*The Invention*

Appellants' disclosed embodiments and claimed invention "relate[] to electronic commerce and more particularly to systems and methods for conducting electronic commerce between individuals." Spec. 1:10–11.

*Exemplary Claim*

Claim 40, reproduced below, is representative of the subject matter on appeal:

40. A method of integrating an escrow period with the purchase of goods, the method comprising:

recording, on a transaction server, a transaction record comprising a purchase price of the goods, a first account for an individual buyer, shipping information of the buyer, and

a second account for an individual seller, the seller and the buyer connecting to the transaction server over a network with a seller terminal and a buyer terminal, respectively, to provide information regarding the purchase;

debiting, by the transaction server, the first account of the buyer by an amount equal to the purchase price;

placing, by the transaction server, the amount into an escrow account; and

establishing, by transaction server, an escrow period during which the amount is held in the escrow account; and

---

<sup>2</sup> Our decision relies upon Appellants' Appeal Brief ("App. Br.," filed Aug. 9, 2016); Reply Brief ("Reply Br.," filed Feb. 21, 2017); Examiner's Answer ("Ans.," mailed Dec. 21, 2016); Final Office Action ("Final Act.," mailed Feb. 9, 2016); and the original Specification ("Spec.," filed Apr. 18, 2012) (ultimately claiming benefit of US 60/135,103, filed Feb. 19, 1999);.

establishing a unique tracking number for the goods, wherein the unique tracking number allows the buyer to track shipment of the goods from the seller to the buyer with the buyer terminal.

*Prior Art*

The Examiner relies upon the following prior art as evidence in rejecting the claims on appeal:

Walker et al. (“Walker ‘207”)	US 5,794,207	Aug. 11, 1998
Cook	US 5,860,068	Jan. 12, 1999
Gebb	US 6,067,532	May 23, 2000
Walker et al. (“Walker ‘396”)	US 6,240,396 B1	May 29, 2001

*Rejections on Appeal<sup>3</sup>*

R1. Claim 67 stands rejected under 35 U.S.C. § 112(b) as being indefinite. Final Act. 6.

R2. Claims 40–45, 47–54, 57–60, and 63–69 stand rejected under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter. Final Act. 7.

R3. Claims 40–44, 47–54, 57–60, and 63–67 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over the combination of Gebb, Walker ‘207, and Cook. Final Act. 8.

---

<sup>3</sup> There is a discrepancy between the Final Action, the Answer, and the pending claims on Appeal with respect to exactly which claims stand rejected under patent-eligibility Rejection R2. *Compare* Final Act. 7 with Ans. 2. Lacking any mention of this discrepancy by Appellants, we assume that all claims 40–45, 47–54, 57–60, and 63–69 on appeal are subject to Rejection R2.

R4. Claims 45, 55, 68, and 69 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over the combination of Gebb, Walker ‘207, Cook, and Walker ‘396. Final Act. 13.

#### CLAIM GROUPING

Based on Appellants’ arguments (App. Br. 6–25) and our discretion under 37 C.F.R. § 41.37(c)(1)(iv), we decide the appeal of patent-ineligible subject matter Rejection R2 of claims 40–45, 47–54, 57–60, and 63–69 on the basis of representative claim 40; and we also decide the appeal of obviousness Rejection R3 of claims 40–44, 47–54, 57–60, and 63–67 on the basis of representative claim 40. Remaining claims 45, 55, 68, and 69 in Rejection R3, not argued separately, stand or fall with the respective independent claim from which they depend.<sup>4</sup> We address separately argued indefiniteness Rejection R1 of claim 67, *infra*.

#### ISSUES AND ANALYSIS

In reaching this decision, we consider all evidence presented and all arguments actually made by Appellants. To the extent Appellants have not advanced separate, substantive arguments for particular claims, or other issues, such arguments are waived. 37 C.F.R. § 41.37(c)(1)(iv).

---

<sup>4</sup> “Notwithstanding any other provision of this paragraph, the failure of appellant to separately argue claims which appellant has grouped together shall constitute a waiver of any argument that the Board must consider the patentability of any grouped claim separately.” 37 C.F.R. § 41.37(c)(1)(iv). In addition, when Appellants do not separately argue the patentability of dependent claims, the claims stand or fall with the claims from which they depend. *In re King*, 801 F.2d 1324, 1325 (Fed. Cir. 1986).

Based upon our review of the record, we find a preponderance of the evidence supports particular arguments advanced by Appellants with respect to indefiniteness Rejection R1 claim 67 for the specific reasons discussed below.

However, we disagree with Appellants' arguments with respect to Rejections R2 through R4 of claims 40–45, 47–54, 57–60, and 63–69 and, unless otherwise noted,<sup>5</sup> we incorporate by reference herein and adopt as our own: (1) the findings and reasons set forth by the Examiner in the action from which this appeal is taken, and (2) the reasons and rebuttals set forth in the Examiner's Answer in response to Appellants' arguments. We highlight and address specific findings and arguments regarding claim 40 for emphasis as follows.

1. § 112, ¶ 2 Rejection R1 of Claim 67

Issue 1

Appellants argue (App. Br. 5–6) the Examiner's rejection of claim 67 under 35 U.S.C. § 112(b) as being indefinite is in error. These contentions present us with the following issue:

Did the Examiner err in concluding claim 67, recited as a dependent hybrid system claim, is indefinite for failing to particularly point out and distinctly claim the subject matter which the inventors regard as the invention?

---

<sup>5</sup> We review ineligible subject matter Rejection R2 *de novo*.

Analysis

The Examiner concludes “[c]laim 67 claims a system claim; however [it] appears to additionally claim another independent Claim 50, which is a server (i.e., device). This causes the claim to be indefinite as it is unclear if the server and all its components are being claimed or just a generic server.” Final Act. 6–7.

In contrast, “Appellants submit claim 67 is clear and definite to the person of ordinary skill in the art. In particular, as the Examiner notes, claim 67 claims a system, which includes the server computer recited in claim 50 as well as a buyer terminal and a seller terminal. Thus, it is clear that since claim 67 depends upon independent 50, dependent claim 67 includes all of the limitations in independent claim 50.” App. Br. 5.

We conclude that hybrid claim 67 is not indefinite for merely reciting a system that comprises a server in dependent form, among other elements. *Cf. Rembrandt Data Techs., LP v. AOL, LLC*, 641 F.3d 1331, 1339 (Fed. Cir. 2011) (holding an apparatus claim reciting an active transmitting step to be indefinite). Therefore, we do not sustain indefiniteness Rejection R2 of claim 67.

2. § 101 Rejection R2 of Claims 40–45, 47–54, 57–60, and 63–69

Issue 2

Appellants argue (App. Br. 6–17; Reply Br. 2–5) the Examiner’s rejection of claim 40 under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter is in error. These contentions present us with the following issue:

Under the USPTO’s Revised Guidance, informed by our governing case law concerning 35 U.S.C. § 101, is claim 40 patent-ineligible under § 101?

## PRINCIPLES OF LAW

### A. 35 U.S.C. § 101

“Whether a claim is drawn to patent-eligible subject matter is an issue of law that we review de novo.” *SiRF Tech., Inc. v. Int’l Trade Comm’n*, 601 F.3d 1319, 1331 (Fed. Cir. 2010).

An invention is patent-eligible if it claims a “new and useful process, machine, manufacture, or composition of matter.” 35 U.S.C. § 101.<sup>6</sup> However, the Supreme Court has long interpreted 35 U.S.C. § 101 to include implicit exceptions: “[l]aws of nature, natural phenomena, and abstract ideas” are not patentable. *E.g., Alice Corp. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014).

In determining whether a claim falls within an excluded category, we are guided by the Supreme Court’s two-step framework, described in *Mayo* and *Alice*. *Id.* at 217–18 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 75–77 (2012)). In accordance with that framework, we first determine what concept the claim is “directed to.” *See Alice*, 573 U.S. at 219 (“On their face, the claims before us are drawn to the concept of intermediated settlement, *i.e.*, the use of a third party to mitigate settlement

---

<sup>6</sup> This threshold analysis of whether a claim is directed to one of the four statutory categories of invention, *i.e.*, a process, machine, manufacture, or composition of matter, is referred to as “*Step 1*” in the patent-eligibility inquiry under § 101.

risk.”); *see also Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (“Claims 1 and 4 in petitioners’ application explain the basic concept of hedging, or protecting against risk.”).

Concepts determined to be abstract ideas, and thus patent ineligible, include certain methods of organizing human activity, such as fundamental economic practices (*Alice*, 573 U.S. at 219–20; *Bilski*, 561 U.S. at 611); mathematical formulas (*Parker v. Flook*, 437 U.S. 584, 594–95 (1978)); and mental processes (*Gottschalk v. Benson*, 409 U.S. 63, 69 (1972)). Concepts determined to be patent eligible include physical and chemical processes, such as “molding rubber products” (*Diamond v. Diehr*, 450 U.S. 175, 191 (1981)); “tanning, dyeing, making water-proof cloth, vulcanizing India rubber, smelting ores” (*id.* at 182 n.7 (quoting *Corning v. Burden*, 56 U.S. 252, 267–68 (1854))); and manufacturing flour (*Benson*, 409 U.S. at 69 (citing *Cochrane v. Deener*, 94 U.S. 780, 785 (1876))).

In *Diehr*, the claim at issue recited a mathematical formula, but the Supreme Court held “[a] claim drawn to subject matter otherwise statutory does not become nonstatutory simply because it uses a mathematical formula.” *Diehr*, 450 U.S. at 176; *see also id.* at 191 (“We view respondents’ claims as nothing more than a process for molding rubber products and not as an attempt to patent a mathematical formula.”). Having said that, the Supreme Court also indicated that a claim “seeking patent protection for that formula in the abstract . . . is not accorded the protection of our patent laws, . . . and this principle cannot be circumvented by attempting to limit the use of the formula to a particular technological environment.” *Id.* (citing *Benson* and *Flook*); *see, e.g., id.* at 187 (“It is now commonplace that an *application* of a law of nature or mathematical formula

to a known structure or process may well be deserving of patent protection.”).

However, the Federal Circuit has held claims ineligible as directed to an abstract idea when they merely collect electronic information, display information, or embody mental processes that could be performed by humans. *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1353–54 (Fed. Cir. 2016) (collecting cases). At the same time, “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. Abstract ideas may include, but are not limited to, fundamental economic practices, methods of organizing human activities, and mathematical formulas or relationships. *Alice* 573 U.S. 208 at 218–22. Under this guidance, we must therefore ensure at step one that we articulate what the claims are directed to with enough specificity to ensure the step one inquiry is meaningful. *Id.* at 217 (“[W]e tread carefully in construing this exclusionary principle lest it swallow all of patent law.”).

If the claim is “directed to” an abstract idea, we turn to the second step of the *Alice* and *Mayo* framework, where “we must examine the elements of the claim to determine whether it contains an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *Alice*, 573 U.S. at 221 (quotation marks omitted). “A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Id.* (quoting *Mayo*, 566 U.S. at 77). “[M]erely requir[ing] generic computer implementation[] fail[s] to transform that abstract idea into a patent-eligible invention.” *Id.*

B. USPTO Guidance

The PTO recently published revised policy guidance in the Federal Register concerning the application of § 101. *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50 (January 7, 2019) (hereinafter “Guidance”) (<https://www.govinfo.gov/content/pkg/FR-2019-01-07/pdf/2018-28282.pdf>).

Under that Guidance, we first look to whether the claim recites:

(1) any judicial exceptions, including certain groupings of abstract ideas (i.e., mathematical concepts, certain methods of organizing human activity such as a fundamental economic practice, or mental processes);<sup>7</sup> and

(2) additional elements that integrate the judicial exception into a practical application (*see* MPEP §§ 2106.05(a)–(c), (e)–(h)).<sup>8</sup>

Only if a claim (1) recites a judicial exception and (2) does not integrate that exception into a practical application, do we then look to whether the claim:

(3) adds a specific limitation beyond the judicial exception that are not “well-understood, routine, conventional” in the field (*see* MPEP § 2106.05(d)); or

(4) simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception.<sup>9</sup>

---

<sup>7</sup> Referred to as “*Revised Step 2A, Prong 1*” in the Guidance (hereinafter “*Step 2A(i)*”).

<sup>8</sup> Referred to as “*Revised Step 2A, Prong 2*” in the Guidance (hereinafter “*Step 2A(ii)*”).

<sup>9</sup> Items (3) and (4) continue to be collectively referred to as “*Step 2B*” of the Supreme Court’s two-step framework, described in *Mayo* and *Alice*.

*See* Guidance.

*Step 2A(i) – Abstract Idea*

Informed by our judicial precedent, the recent Guidance extracts and synthesizes key concepts identified by the courts as abstract ideas to explain that the abstract idea exception includes the following groupings of subject matter, when recited as such in a claim limitation:

(a) Mathematical concepts—mathematical relationships, mathematical formulas or equations, mathematical calculations;

(b) Certain methods of organizing human activity — fundamental economic principles or practices (including hedging, insurance, mitigating risk); commercial or legal interactions (including agreements in the form of contracts; legal obligations; advertising, marketing or sales activities or behaviors; business relations); managing personal behavior or relationships or interactions between people (including social activities, teaching, and following rules or instructions); and

(c) Mental processes—concepts performed in the human mind (including an observation, evaluation, judgment, opinion).

Under the Guidance, if the claim does not recite a judicial exception (a law of nature, natural phenomenon, or subject matter within the enumerated groupings of abstract ideas above), then the claim is patent-eligible at *Step 2A(i)*. This determination concludes the eligibility analysis, except in situations identified in the Guidance.<sup>10</sup>

---

<sup>10</sup> In the rare circumstance in which an examiner believes a claim limitation that does not fall within the enumerated groupings of abstract ideas should nonetheless be treated as reciting an abstract idea, the procedure described in of the Guidance for analyzing the claim should be followed. *See* Guidance, Section III.C.

However, if the claim recites a judicial exception (i.e., an abstract idea enumerated above, a law of nature, or a natural phenomenon), the claim requires further analysis for a practical application of the judicial exception in *Step 2A(ii)*.

*Step 2A(ii) – Practical Application*

If a claim recites a judicial exception in *Step 2A(i)*, we determine whether the recited judicial exception is integrated into a practical application of that exception in *Step 2A(ii)* by: (a) identifying whether there are any additional elements recited in the claim beyond the judicial exception(s); and (b) evaluating those additional elements individually and in combination to determine whether they integrate the exception into a practical application.

The seven identified “practical application” sections of the MPEP,<sup>11</sup> cited in the Guidance under *Step 2A(ii)*, are:

- (1) MPEP § 2106.05(a) Improvements to the Functioning of a Computer or To Any Other Technology or Technical Field
- (2) MPEP § 2106.05(b) Particular Machine
- (3) MPEP § 2106.05(c) Particular Transformation
- (4) MPEP § 2106.05(e) Other Meaningful Limitations
- (5) MPEP § 2106.05(f) Mere Instructions To Apply An Exception
- (6) MPEP § 2106.05(g) Insignificant Extra-Solution Activity

---

<sup>11</sup> See MPEP § 2106.05(a)–(c), (e)–(h). Citations to the MPEP herein refer to revision [R-08.2017].

(7) MPEP § 2106.05(h) Field of Use and Technological Environment

If the recited judicial exception is integrated into a practical application as determined under one or more of the MPEP sections cited above, then the claim is not directed to the judicial exception, and the patent-eligibility inquiry ends. If not, then analysis proceeds to *Step 2B*.

*Step 2B – “Inventive Concept” or “Significantly More”*

Under our precedent, it is possible that a claim that does not “integrate” a recited judicial exception under *Step 2A(ii)* is nonetheless patent eligible. For example, the claim may recite additional elements that render the claim patent eligible even though a judicial exception is recited in a separate claim element.<sup>12</sup> The Federal Circuit has held claims eligible at the second step of the *Alice/Mayo* test (USPTO *Step 2B*) because the additional elements recited in the claims provided “significantly more” than the recited judicial exception (e.g., because the additional elements were unconventional in combination).<sup>13</sup> Therefore, if a claim has been determined to be directed to a judicial exception under *Revised Step 2A*, we must evaluate the additional elements individually and in combination under *Step 2B* to determine whether they provide an inventive concept (i.e.,

---

<sup>12</sup> See, e.g., *Diehr*, 450 U.S. at 187.

<sup>13</sup> See, e.g., *Amdocs (Israel), Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288, 1300, 1304 (Fed. Cir. 2016); *BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1349–52 (Fed. Cir. 2016); *DDR Holdings v. Hotels.com*, 773 F.3d 1245, 1257–59 (Fed. Cir. 2014).

whether the additional elements amount to significantly more than the exception itself).<sup>14</sup>

Under the Guidance, we must consider in *Step 2B* whether an additional element or combination of elements: (1) “Adds a specific limitation or combination of limitations that are not well-understood, routine, conventional activity in the field, which is indicative that an inventive concept may be present;” or (2) “simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception, which is indicative that an inventive concept may not be present.” *See* Guidance, III.B.<sup>15</sup>

In the *Step 2B* analysis, an additional element (or combination of elements) is not well-understood, routine or conventional unless the examiner finds an evidentiary basis, and expressly supports a rejection in writing with, one or more of the following:

---

<sup>14</sup> The patent eligibility inquiry may contain underlying issues of fact. *Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1325 (Fed. Cir. 2016). In particular, “[t]he question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact.” *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1368 (Fed. Cir. 2018).

<sup>15</sup> In accordance with existing *Step 2B* guidance, an Examiner’s conclusion that an additional element (or combination of elements) is well understood, routine, conventional activity must be supported with a factual determination. For more information concerning evaluation of well-understood, routine, conventional activity, *see* MPEP § 2106.05(d), as modified by the USPTO *Berkheimer* Memorandum (USPTO Commissioner for Patents Memorandum dated Apr. 9, 2018, “Changes in Examination Procedure Pertaining to Subject Matter Eligibility, Recent Subject Matter Eligibility Decision (*Berkheimer v. HP, Inc.*)” (hereinafter “*Berkheimer Memo*”).

1. A citation to an express statement in the specification or to a statement made by an applicant during prosecution that demonstrates the well-understood, routine, conventional nature of the additional element(s).
2. A citation to one or more of the court decisions discussed in MPEP § 2106.05(d)(II) as noting the well-understood, routine, conventional nature of the additional element(s).
3. A citation to a publication that demonstrates the well-understood, routine, conventional nature of the additional element(s).
4. A statement that the examiner is taking official notice of the well-understood, routine, conventional nature of the additional element(s).

*See Berkheimer Memo.*

The analysis in *Step 2B* further determines whether an additional element or combination of elements:

- (a) Adds a specific limitation or combination of limitations that are not well-understood, routine, conventional activity in the field, which is indicative that an inventive concept may be present; or
- (b) simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception, which is indicative that an inventive concept may not be present.

Guidance, *and see Berkheimer Memo.*

If the Examiner or the Board determines under *Step 2B* that the element (or combination of elements) amounts to significantly more than the exception itself, the claim is eligible, thereby concluding the eligibility analysis.

However, if a determination is made that the element and combination of elements does not amount to significantly more than the exception itself, the claim is ineligible under *Step 2B*, and the claim should be rejected for lack of subject matter eligibility.

## ANALYSIS

### *Step 1*

Claim 40, as a method (process) claim, recites one of the enumerated categories of eligible subject matter in 35 U.S.C. § 101. Therefore, the issue before us is whether it is directed to a judicial exception without significantly more.

#### *Step 2A(i): Does the Claim Recite a Judicial Exception?*

The Examiner determined that claim 40 is directed to “a fundamental economic practice and/or mathematical relationships/formulas (i.e., a transaction involving an escrow period),” (Final Act. 7), and thereafter modified the analysis in the Answer by determining claim 40 is “directed to integrating an escrow period with the purchase of goods, which is considered an abstract idea.” Ans. 2–3.

We find claim 40 does not recite the judicial exceptions of either natural phenomena or laws of nature, we reevaluate whether an abstract idea is recited by claim 40 based upon the Guidance. We conduct our review for abstractness *de novo*.

The Specification provides context as to what the claimed invention is directed. In this case, the Specification discloses that the invention “relates

to electronic commerce and more particularly to systems and methods for conducting electronic commerce between individuals.” Spec. 1:10–11.

Appellants’ Abstract describes the invention as:

Receiving payment includes the establishment, at a first server, a transaction record including information identifying a payment amount, a first account to be credited by the payment amount, and a second account to be debited by a debit amount. A financial authorization network performs an authorization analysis on at least the second account. The second account is debited if the authorization analysis is successfully completed, and the first account is directly credited by the payment amount to conclude the transaction. Risk analysis may be performed for each individual. Payment is integrated with shipping.

Spec. 36.

Claim 40 recites “[a] method of integrating an escrow period with the purchase of goods,” that includes the steps of:

- (1) “recording . . . a transaction record comprising a purchase price of the goods, a first account for an individual buyer, shipping information of the buyer, and a second account for an individual seller, the seller and the buyer connecting . . . to provide information regarding the purchase;”
- (2) “debiting . . . the first account of the buyer by an amount equal to the purchase price;”
- (3) “placing . . . the amount into an escrow account;”
- (4) “establishing . . . an escrow period during which the amount is held in the escrow account;” and
- (5) “establishing a unique tracking number for the goods [that] allows the buyer to track shipment of the goods from the seller to the buyer.”

Claims App’x.

Under their broadest reasonable interpretation standard,<sup>16</sup> we conclude at least limitations (2) through (4) recite steps that would ordinarily occur when conducting transactions related to the purchase of goods using an escrow account. *See* Final Act. 7.

For example, debiting the buyer's account in the amount of the purchase price is an operation that generally occurs with sales of goods. Further, when use of an escrow account is involved, placing the debited amount in the escrow account and establishing escrow rules, e.g., an escrow period during which the amount is held in escrow, are typical escrow operations.

We conclude the purchase of goods is a commercial interaction that includes sales activities or behaviors, and use of an escrow account includes an agreement in the form of a legal interaction that incurs a legal obligation, both of which may be considered, under the Revised Guidelines, as certain methods of organizing human activity.

We also determine that claim 40, directed to commercial interactions as a certain method of organizing human activity, may also be performed by pen and paper. This type of activity, i.e., debiting a buyer's account by an

---

<sup>16</sup> During prosecution, claims must be given their broadest reasonable interpretation when reading claim language in light of the specification as it would be interpreted by one of ordinary skill in the art. *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004). Under this standard, we interpret claim terms using “the broadest reasonable meaning of the words in their ordinary usage as they would be understood by one of ordinary skill in the art, taking into account whatever enlightenment by way of definitions or otherwise that may be afforded by the written description contained in the applicant's specification.” *In re Morris*, 127 F.3d 1048, 1054 (Fed. Cir. 1997).

amount equal to the purchase price, and placing the debited amount in an escrow account for a predetermined period of time, for example, includes longstanding conduct that existed well before the advent of computers and the Internet, and could be carried out by a human with pen and paper. *See CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1375 (Fed. Cir. 2011) (“That purely mental processes can be unpatentable, even when performed by a computer, was precisely the holding of the Supreme Court in *Gottschalk v. Benson.*”).

To summarize the *Step 2A(i)* analysis, we conclude limitations (2) “debiting . . . the first account of the buyer by an amount equal to the purchase price;” (3) “placing . . . the amount into an escrow account;” and (4) “establishing . . . an escrow period during which the amount is held in the escrow account” recite commercial interactions in the form of a sales activity. Accordingly, under the Revised Guidelines, we conclude the claims recite certain methods of organizing human activity, which is an abstract idea.

*Step 2A(ii): Judicial Exception Integrated into a Practical Application?*

If the claims are directed to a patent-ineligible concept, as we conclude above, we proceed to the “practical application” *Step 2A(ii)* in which we determine whether the recited judicial exception is integrated into a practical application of that exception by: (a) identifying whether there are any additional elements recited in the claim beyond the judicial exception(s); and (b) evaluating those additional elements individually and in combination to determine whether they integrate the exception into a practical application.

In addition to the abstract (2) “debiting,” (3) “placing,” and (4) “establishing” limitations identified in *Step 2A(i), supra*, claim 40 recites (1) “recording, on a transaction server, a transaction record comprising a purchase price of the goods, a first account for an individual buyer, shipping information of the buyer, and a second account for an individual seller, the seller and the buyer connecting to the transaction server over a network with a seller terminal and a buyer terminal, respectively, to provide information regarding the purchase;” and (5) “establishing a unique tracking number for the goods, wherein the unique tracking number allows the buyer to track shipment of the goods from the seller to the buyer with the buyer terminal.”

As to the specific limitations, we find limitation (1) recites insignificant data gathering. *See* MPEP § 2106.05(g). Data gathering, as performed by the steps or function in Appellants’ claims, is a classic example of insignificant extra-solution activity. *See, e.g., In re Bilski*, 545 F.3d 943, 963 (Fed. Cir. 2008) (en banc), *aff’d sub nom, Bilski v. Kappas*, 561 U.S. 593 (2010).

We also find limitation (5) recites insignificant post solution activity.<sup>17</sup> The Supreme Court guides that the “prohibition against patenting abstract ideas ‘cannot be circumvented’ [by] adding ‘insignificant postsolution activity.’” *Bilski*, 561 U.S. at 610–11 (quoting *Diehr*, 450 U.S. at 191–92). On this record, we are of the view that Appellants’ claims do not operate the recited generic computer components in an unconventional

---

<sup>17</sup> We also note the step of “establishing a unique tracking number” could be classified as an abstract idea because it can be carried out by a human in the mind or by use of pen and paper. *See CyberSource*, 654 F.3d at 1375.

manner to achieve an improvement in computer functionality. *See* MPEP § 2106.05(a).

Regarding Appellants’ preemption argument (App. Br. 9), “[w]hile preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility. . . . 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.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015); *see also OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362–63 (Fed. Cir. 2015) (“[T]hat the claims do not preempt all price optimization or may be limited to price optimization in the e-commerce setting do not make them any less abstract”).

Appellants allege the Federal Circuit’s holding in *Enfish* is instructive. App. Br. 11. In *Enfish*, our reviewing court held claims directed to a self-referential logical model for a computer database patent-eligible under step one of *Alice*. *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1330 (Fed. Cir. 2016). The disclosed technique enabled faster searching and more effective storage of data than previous methods. *Id.* at 1333. The court found the claims directed to “a specific improvement to the way computers operate, embodied in the self-referential table” (*id.* at 1336), and explained that the claims are “not simply directed to *any* form of storing tabular data, but instead are specifically directed to a *self-referential table* for a computer database” that functions differently than conventional databases. *Id.* at 1337.

We find the rejected claims are dissimilar to *Enfish*'s self-referential logical model for a computer database, and the Specification does not support a determination that the computer related claim elements are unconventional. *See* Spec. 9:6–11, 31.

Accordingly, we conclude the recited judicial exception is not integrated into a practical application as determined under one or more of the MPEP sections cited above, such that the claim is directed to the judicial exception.

*Step 2B – “Inventive Concept” or “Significantly More”*

If the claims are directed to a patent-ineligible concept, as we conclude above, we proceed to the “inventive concept” step. For *Step 2B* we must “look with more specificity at what the claim elements add, in order to determine ‘whether they identify an “inventive concept” in the application of the ineligible subject matter’ to which the claim is directed.” *Affinity Labs of Texas, LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1258 (Fed. Cir. 2016) (quoting *Elec. Power Grp.*, 830 F.3d at 1353).

In applying step two of the *Alice* analysis, our reviewing court guides we must “determine whether the claims do significantly more than simply describe [the] abstract method” and thus transform the abstract idea into patentable subject matter. *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 715 (Fed. Cir. 2014). We look to see whether there are any “additional features” in the claims that constitute an “inventive concept,” thereby rendering the claims eligible for patenting even if they are directed to an abstract idea. *Alice*, 573 U.S. at 221. Those “additional features” must be

more than “well-understood, routine, conventional activity.” *Mayo*, 566 U.S. at 79.

Limitations referenced in *Alice* that are not enough to qualify as “significantly more” when recited in a claim with an abstract idea include, as non-limiting or non-exclusive examples: adding the words “apply it” (or an equivalent) with an abstract idea<sup>18</sup>; mere instructions to implement an abstract idea on a computer<sup>19</sup>; or requiring no more than a generic computer to perform generic computer functions that are well-understood, routine and conventional activities previously known to the industry.<sup>20</sup>

Evaluating representative claim 40 under *Step 2B* of the *Alice* analysis, we agree with the Examiner that it lacks an inventive concept that transforms the abstract ideas of debiting an account and establishing an escrow account that holds the funds for a period of time into a patent-eligible application of that abstract idea. *See* Final Act. 7; Ans. 6.<sup>21</sup>

---

<sup>18</sup> *Alice*, 573 U.S. at 221–23.

<sup>19</sup> *Alice*, 573 U.S. at 221, *e.g.*, simply implementing a mathematical principle on a physical machine, namely a computer (citing *Mayo*, 566 U.S. at 84–85).

<sup>20</sup> *Alice*, 573 U.S. at 225, *e.g.*, using a computer to obtain data, adjust account balances, and issue automated instructions.

<sup>21</sup> The Examiner determined:

In sum, the examiner finds that the claims "are directed to the use of conventional or generic technology in a nascent but well-known environment, without any claim that the invention reflects an inventive solution to any problem presented by combining the two." *In re TLI Communications LLC*, No. 2015-1372 (May 17, 2016). Accordingly, when considered individually and in ordered combination, the examiner finds the claims to be directed to ineligible subject matter.

Further, The Examiner reiterates, and we agree:

As noted supra, the analysis makes it clear that the computer functions performed by the transaction server of recording . . . . , debiting . . . , placing . . . and establishing . . . are well-understood, routine and conventional generic computer functions previously known to the industry. This conclusion was not made in a vacuum. Rather, the ground of rejection clearly note that these computer functions are deemed to be generic computer functions, based on the following analogous functions that courts have already recognized as generic computer functions: receiving, processing, and storing data, electronic recordkeeping, automating mental tasks, and receiving or transmitting data over a network, e.g., using the Internet to gather data.

Ans. 8.

Appellants rely upon the Federal Circuit's holding in *DDR Holdings*<sup>22</sup> to contend the appealed claims are patent-eligible. App. Br. 10. In particular, Appellants argue:

[T]he present claims are necessarily rooted in computer technology in order to overcome a problem of being able to facilitate a transaction between two individuals who might be remotely located with respect to each other, and being able to provide each individual with the confidence that the transaction will be conducted with accuracy and without fraud. The problem to be solved is necessarily rooted in computer technology and the solution is a computer implemented solution.

Further, the pending claims are also similar to the subject-matter eligible claims of *DDR Holdings* as they do not merely recite the performance of some business practice known from the pre-Internet world along with some generic requirement to perform it using the Internet. Appellants submit

---

Ans. 6.

<sup>22</sup> *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014).

that there is no "pre-computer" business practice directly analogous to the steps in independent claim 40. Should the Examiner believe that some "pre-computer" analogue to the present claims existed prior to the filing of the present application, then the Examiner is requested to identify what that analogue is.

App. Br. 11.

Appellants' reliance on *DDR* (App. Br. 10–11) is misplaced as the recited claims do not improve the computer. In *DDR*, the claims at issue involved, *inter alia*, "web pages displays [with] at least one active link associated with a commerce object associated with a buying opportunity of a selected one of a plurality of merchants" (claim 1 of US 7,818,399). The Federal Circuit found the claims in *DDR* to be patent-eligible under step one of the *Alice* test because "the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks." *DDR Holdings*, 773 F.3d at 1257. Specifically, the Federal Circuit found the claims addressed the "challenge of retaining control over the attention of the customer in the context of the Internet." *Id.* at 1258. We find the rejected claims are dissimilar to *DDR*'s web page with an active link, and the Specification does not support the view that the computer related claim elements are unconventional. *See* Spec. 9:6–11, 31.

We note the patent eligibility inquiry may contain underlying issues of fact. *Mortg. Grader*, 811 F.3d at 1325. In particular, "[t]he question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact." *Berkheimer*, 881 F.3d at 1368.

As evidence of the conventional nature of the claimed network components and processes, we again refer to Appellants' Specification at page 9, line 6 through page 11, line 31. In particular:

Payment system 100 includes a number of terminals 108a-108n and a number of servers 104a-n. In general, terminals 108a-n are small computers or "personal computers" or workstations operated by human operators to retrieve, browse, or interact with information and service providers across the Internet. Servers 104a-n, in general, are larger computers or workstations configured and used to store data and information for retrieval over the Internet. In this simplified scenario, terminals 108a-108n are clients and servers 104a-n are the servers in the client-server relationship. Because of the design of the Internet and the web, roles of the computers can be reversed in any given transaction, for example, the smaller computers may also act as "servers" by providing information to the larger computers.

Spec. 9:6–14.

We agree with the Examiner that the claim limitations may be broadly but reasonably construed as reciting conventional computer components and techniques, particularly in light of Appellants' Specification, as quoted above.

With respect to the *Step 2B* analysis, we agree with the Examiner because, as in *Alice*, the recitation of either a "method of integrating an escrow period with the purchase of goods," that includes a "transaction server," a "network", and a buyer terminal (claim 40); or a "transaction server" that includes a "storage device," and a "a processor connected to the storage device" (claim 50), is simply not enough to transform the patent-ineligible abstract idea here into a patent-eligible invention. *See Alice*, 573 U.S. at 221 ("[C]laims, which merely require generic computer

implementation, fail to transform [an] abstract idea into a patent-eligible invention.”).

Accordingly, based upon the findings above, on this record, and in light of the Guidance, we sustain the Examiner’s § 101 rejection of independent claim 40, and grouped claims 41–45, 47–54, 57–60, and 63–69, not argued separately, and which fall therewith. *See Claim Grouping, supra.*

3. § 103 Rejection R3 of Claims 40–44, 47–54, 57–60, and 63–67

Issue 3

Appellants argue (App. Br. 17–25; Reply Br. 6) the Examiner’s rejection of claim 40 under 35 U.S.C. § 103(a) as being obvious over the combination of Gebb, Walker ‘207, and Cook is in error. These contentions present us with the following issues:

Did the Examiner err in finding the cited prior art combination teaches or suggests the limitations of claim 40, allegedly because: (1) the Examiner failed to provide a rational underpinning to modify Gebb in the manner suggested; (2) the modification proposed by the Examiner would have been contrary to the intended purpose of Gebb; and (3) improper hindsight was used to arrive at the present rejection?

Analysis

The test for obviousness is what the combined teachings of the prior art would have suggested to the hypothetical person of ordinary skill in the art. *In re Keller*, 642 F.2d 413, 425 (CCPA 1981).

Appellants contend “[o]bviousness has not been established, because there is no rational underpinning to modify Gebb in the manner provided by

the Examiner.” App. Br. 18. Appellants further argue, “Gebb essentially discloses a ticket consignment system . . . . The Examiner acknowledges that Gebb fails to teach or suggest placing an amount in an ‘escrow account’ but alleges that one [skilled in the art] would have been modified Gebb with Walker '207.” *Id.*

Contrary to the Examiner's allegation, there is absolutely no need for any sort of "escrow account" in Gebb, since the buyer in Gebb simply pays for a particular ticket held by a host system, and the buyer can get the ticket (col. 8, lines 30-35). There is no reason to put the buyer's money into escrow, since Gebb's ticket system verifies all tickets posted on its system, verifies the buyer's credit, and guarantees payment to the seller (col. 2, lines 24-28). Stated differently, Gebb's ticket redistribution system apparently dispenses with the need for a buyer to worry about not getting what was expected. Furthermore, adding an escrow account to Gebb's system would make the system more cumbersome, slower, and more costly to maintain than it already is, so Gebb teaches away from the modification proposed by the Examiner. Consequently, there is absolutely no reason to modify Gebb with an "escrow account" as alleged by the Examiner.

App. Br. 18–19.

The relevant inquiry is whether the Examiner has set forth “some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.” *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006) (cited with approval in *KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398, 418 (2007)).

In the Final Action, the Examiner provides the following rationale for combining Gebb with Walker ‘207:

[I]t would have been obvious to one of ordinary skill in the art at the time the invention was made to combine the teachings of

Walker with the method of Gebb to include placing, by a central controller, the amount into an escrow account; and establishing, by the central controller, an escrow period during which the amount is held in the escrow account to provide users with a means for to ensure fund availability and delivery of goods thus increasing buyer/seller confidence.

Final Act. 9–10.<sup>23</sup> We find this stated basis of motivation meets the articulated reasoning and rational underpinning requirements of *KSR*, cited above.

Further, “[a] reference may be said to teach away when a person of ordinary skill, upon reading the reference, would be discouraged from following the path set out in the reference, or would be led in a direction divergent from the path that was taken by the applicant.” *Ricoh Co., Ltd. v. Quanta Computer, Inc.*, 550 F.3d 1325, 1332 (Fed. Cir. 2008) (citations omitted). A reference does not teach away if it merely expresses a general preference for an alternative invention from amongst options available to the ordinarily skilled artisan, and the reference does not discredit or discourage investigation into the invention claimed. *In re Fulton*, 391 F.3d 1195, 1201 (Fed. Cir. 2004). One of ordinary skill in the art would have understood Walker ‘307’s use of an escrow account, i.e., an account to withhold payment until a particular event has occurred or until a particular time has passed, to be an alternative implementation of Gebb’s ticket redistribution system, particularly in light of Gebb’s teaching at column 9, lines 10–17:

---

<sup>23</sup> The Examiner also provides a rationale to combine the teachings and suggestions of Gebb and Walker ‘207 with Walker ‘396, however this rationale is not pertinent to Appellants’ specific allegations of improper motivation to combine Gebb and Walker ‘207 with respect to the “escrow account” limitation, as identified above. Final Act. 10.

[A]fter the event occurs and no complaints are logged related to the specific ticket, the information from the actual tickets is compared to the information previously submitted by the seller. If verified, the seller's previously reported credit card in credit card database 54 is credited a predetermined amount, such as, for example, the face value of the ticket less a transaction fee (step 120).

Gebb, col. 9, ll. 10–17.

We find this disclosure at least teaches or suggests use of an “escrow account.” In particular, and similar to the holding in *Fulton*, Gebb does not disparage the use of an escrow account. Furthermore, the Examiner relies upon the explicit teaching in Walker ‘207 of an escrow account. “Escrow account 299 allows payment to be delayed until the seller completes delivery of the goods.” Walker ‘207 col. 22, ll. 9–10.

We specifically note Appellants’ challenge to the references individually is not convincing of error in the Examiner’s position because all of the features of the secondary reference need not be bodily incorporated into the primary reference, but consideration should be given to what the combined teachings, knowledge of one of ordinary skill in the art, and the nature of the problem to be solved as a whole would have suggested to those of ordinary skill in the art (*see In re Keller*, 642 F.2d 413, 425 (CCPA 1981)). Furthermore, the artisan is not compelled to blindly follow the teaching of one prior art reference over the other without the exercise of independent judgment. *See Lear Siegler, Inc. v. Aeroquip Corp.*, 733 F.2d 881, 889 (Fed. Cir. 1984).

Finally, Appellants argue the Examiner engaged in impermissible hindsight to combine Gebb, Walker ‘207, and Cook in the manner suggested. App. Br. 23–25.

Here, in applying the guidance of *KSR*, we see the hindsight question before us as a balancing test — whether the Examiner’s proffered combination of references is merely “the predictable use of prior art elements according to their established functions” (*KSR*, 550 U.S. at 417), consistent with common sense; or, would an artisan reasonably have combined the cited references in the manner proffered by the Examiner but for having the benefit of the claim to use as a guide?

On this record, Appellants have provided no evidence that combining such teachings was “uniquely challenging or difficult for one of ordinary skill in the art,” *Leapfrog Enters., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1162 (Fed. Cir. 2007), nor have Appellants presented evidence that this incorporation yielded more than expected results.

Rather, we find that Appellants’ invention is simply a combination of known teachings that realize a predictable result. The Supreme Court has determined the conclusion of obviousness can be based on the interrelated teachings of multiple patents, the effects of demands known to the design community or present in the marketplace, and the background knowledge possessed by a person having ordinary skill in the art. *KSR*, 550 U.S. at 418. The skilled artisan would “be able to fit the teachings of multiple patents together like pieces of a puzzle” since the skilled artisan is “a person of ordinary creativity, not an automaton.” *Id.* at 420–21.

Therefore, in the absence of persuasive evidence to the contrary, we fail to find that Gebb teaches away from use of an escrow account, or that incorporating an escrow account with the teachings of Gebb would be contrary to Gebb's stated purpose, or that the Examiner engaged in impermissible hindsight in combining the Gebb, Walker '207, and Cook references in the manner suggested.

Therefore, based upon the findings above, on this record, we are not persuaded of error in the Examiner's reliance on the cited prior art combination to teach or suggest the disputed limitation of claim 40, nor do we find error in the Examiner's resulting legal conclusion of obviousness. Therefore, we sustain the Examiner's obviousness rejection of independent claim 40, and grouped claims 41–44, 47–54, 57–60, and 63–67 which fall therewith. *See Claim Grouping, supra.*

3. Rejection R4 of Claims 45, 55, 68, and 69

In view of the lack of *any* arguments directed to obviousness Rejection R4 of claims 45, 55, 68, and 69 under § 103, we sustain the Examiner's rejection of these claims. Arguments not made are waived.

REPLY BRIEF

To the extent Appellants *may* advance new arguments in the Reply Brief (Reply Br. 2–6) not in response to a shift in the Examiner's position in the Answer, we note arguments raised in a Reply Brief that were not raised in the Appeal Brief or are not responsive to arguments raised in the Examiner's Answer will not be considered except for good cause (*see* 37 C.F.R. § 41.41(b)(2)), which Appellants have not shown.

## CONCLUSIONS

(1) The Examiner erred with respect to indefiniteness Rejection R1 of claim 67 under 35 U.S.C. § 112, second paragraph, and we do not sustain the rejection.

(2) Based upon our *de novo* review of the patent-ineligible subject matter Rejection R2 of claims 40–45, 47–54, 57–60, and 63–69 under 35 U.S.C. § 101, we sustain the rejection.

(3) The Examiner did not err with respect to obviousness Rejections R3 and R4 of claims 40–45, 47–54, 57–60, and 63–69 under 35 U.S.C. § 103(a) over the cited prior art combinations of record, and we sustain the rejections.

Because we have affirmed at least one ground of rejection with respect to each claim on appeal, we affirm the Examiner's decision. *See* 37 C.F.R. § 41.50(a)(1).

## DECISION

We affirm the Examiner's decision rejecting claims 40–45, 47–54, 57–60, and 63–69. 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). *See* 37 C.F.R. § 41.50(f).

AFFIRMED