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UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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*Ex parte* HAIM E. ARAZY and SIMEON H. LIFSCHITZ

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Appeal 2017-007617  
Application 12/108,238<sup>1</sup>  
Technology Center 3600

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Before MICHAEL W. KIM, PHILIP J. HOFFMANN, and  
BRADLEY B. BAYAT, *Administrative Patent Judges*.

HOFFMANN, *Administrative Patent Judge*.

DECISION ON APPEAL  
STATEMENT OF THE CASE

Pursuant to 35 U.S.C. § 134(a), Appellants appeal from the Examiner’s rejection of claims 1, 8–11, and 18–20. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

According to Appellants, the invention “relates to issuing and managing electronic gift cards.” Spec. ¶ 1. Claims 1, 10, and 11 are the independent claims on appeal. Below, we reproduce claim 1 as illustrative of the appealed claims.

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<sup>1</sup> Appellants identify International Business Machines Corporation as the real party in interest. Appeal Br. 1.

1. A method of issuing and managing an electronic gift card, the method comprising:

receiving a gift card purchase order for a primary electronic gift card, wherein the order is transmitted from an initial purchaser to a gift card issuer, wherein the primary electronic gift card has an initial value, and wherein the order is received and processed by a gift card issuing server;

transmitting a first unique gift card identifier from the gift card issuing server to a first electronic device that is dedicated to the initial purchaser, wherein the first unique gift card identifier identifies the primary electronic gift card;

transmitting the initial value of the primary electronic gift card to the first electronic device;

in response to the purchaser assigning a portion of the primary electronic gift card to an assignee:

transmitting, from the first electronic device, a second unique gift card identifier to a second electronic device that is dedicated to the assignee;

assigning a partial value of the initial value to the second unique gift card identifier, wherein the second unique gift card identifier identifies a split gift card and the partial value, and wherein the split gift card is derived from the primary electronic gift card;

reducing an amount of the initial value on the primary electronic gift card by the amount of the partial value, wherein the partial value is sectioned out of and is less than the initial value of the primary electronic gift card;

in response to a retail store receiving, from the initial purchaser, a purchase order for a retail good, receiving, at the gift card issuing server, the first unique gift card identifier from the retail store as a request to authorize a payment for the retail good; and

in response to a retail store receiving, from the assignee, a purchase order for a retail good, receiving, at the gift card issuing

server, the second unique gift card identifier from the retail store as a request to authorize a payment for the retail good,

wherein the first electronic device is a first cellular phone, and wherein the first unique gift card identifier is transmitted via a first Short Message Service (SMS) text message from the gift card issuing server to the first cellular phone, and

wherein the second electronic device is a second cellular phone, and wherein the second unique gift card identifier is transmitted via a Short Message Service (SMS) text message from the first cellular phone to the second cellular phone.

#### REJECTION

The Examiner rejects claims 1, 8–11, and 18–20 under 35 U.S.C. § 101 as reciting only patent-ineligible subject matter.

#### PRINCIPLES OF LAW CONCERNING 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 has long interpreted 35 U.S.C. § 101 to include implicit exceptions, however: “[l]aws of nature, natural phenomena, and abstract ideas” are not patentable. *E.g., Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014) (internal quotation marks and citation omitted).

In determining whether a claim falls within an excluded category, the Supreme Court’s two-step framework, described in *Mayo* and *Alice*, guides us. *See Alice*, 573 U.S. 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.” *Id.* 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

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 that the courts 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, 67 (1972)). Concepts that the courts 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 (1853))); and manufacturing flour (*Benson*, 409 U.S. at 69 (citing *Cochrane v. Deener*, 94 U.S. 780, 785 (1876))).

In *Diehr*, although the claim at issue recited a mathematical formula, the Supreme Court held that “[a] claim drawn to subject matter otherwise statutory does not become nonstatutory simply because it uses a mathematical formula.” *Diehr*, 450 U.S. at 187; *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.”). Nonetheless, 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.”).

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 (internal citation 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.*

*2019 Revised Patent Subject Matter Eligibility Guidance*

The U.S. Patent and Trademark Office recently published revised guidance on the application of § 101. *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50 (Jan. 7, 2019) (“Guidance”). 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); and
- (2) additional elements that integrate the judicial exception into a practical application (*see* MANUAL OF PATENT EXAMINING PROCEDURE (“MPEP”) § 2106.05(a)–(c), (e)–(h) (9th Ed., Rev. 08.2017, Jan. 2018)).

A practical application “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.” Guidance, 84 Fed. Reg. at 54.

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 either:

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

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

*See generally* Guidance.

#### ANALYSIS

Initially, we note that Appellants argue against the Examiner’s rejection of the claims as a group. Appeal Br. 9–23. We choose independent claim 1 for our analysis, and the remaining independent and dependent claims stand or fall with claim 1. *See* 37 C.F.R. § 41.37 (c)(1)(iv). For the following reasons, we sustain the Examiner’s rejection of the claims as patent-ineligible.

As discussed below, we determine that in accordance with point (1) of the Guidance referenced above, independent claim 1 recites at least one judicial exception, including an abstract idea. More specifically, as described in further detail, the abstract idea includes certain methods of organizing human activity, such as a fundamental economic practice.

As set forth above, claim 1 recites the following: (1) “A method of issuing and managing an electronic gift card, the method comprising”: (2) “receiving a gift card purchase order for a primary electronic gift card, wherein the order is transmitted from an initial purchaser to a gift card

issuer, wherein the primary electronic gift card has an initial value, and wherein the order is received and processed by a gift card issuing server”; (3) “transmitting a first unique gift card identifier from the gift card issuing server to a first electronic device that is dedicated to the initial purchaser, wherein the first unique gift card identifier identifies the primary electronic gift card”; (4) “transmitting the initial value of the primary electronic gift card to the first electronic device”; (5) “in response to the purchaser assigning a portion of the primary electronic gift card to an assignee”: (5a) “transmitting, from the first electronic device, a second unique gift card identifier to a second electronic device that is dedicated to the assignee”; (5b) “assigning a partial value of the initial value to the second unique gift card identifier, wherein the second unique gift card identifier identifies a split gift card and the partial value, and wherein the split gift card is derived from the primary electronic gift card”; and (5c) “reducing an amount of the initial value on the primary electronic gift card by the amount of the partial value, wherein the partial value is sectioned out of and is less than the initial value of the primary electronic gift card”; (6) “in response to a retail store receiving, from the initial purchaser, a purchase order for a retail good, receiving, at the gift card issuing server, the first unique gift card identifier from the retail store as a request to authorize a payment for the retail good”; (7) “in response to a retail store receiving, from the assignee, a purchase order for a retail good, receiving, at the gift card issuing server, the second unique gift card identifier from the retail store as a request to authorize a payment for the retail good”; (8) “wherein the first electronic device is a first cellular phone, and wherein the first unique gift card identifier is transmitted via a first Short Message Service (SMS) text message from the gift card

issuing server to the first cellular phone”; and (9) “wherein the second electronic device is a second cellular phone, and wherein the second unique gift card identifier is transmitted via a Short Message Service (SMS) text message from the first cellular phone to the second cellular phone.” Appeal Br., Claims App. (Claim 1). Here, each of claim 1’s recitations reproduced above, including the claim’s preamble (1) as well as limitations (2)–(9) in the claim’s body, involve issuing and managing an electronic gift card. As described in Appellants’ Specification, “[r]ather than giving physical gifts or money, many people choose to give gift cards, which allow the recipient the option of selecting a particular gift from a participating store”—i.e., the gift card allows the purchase of an item from a store. Spec. ¶ 2. An item purchase is a financial transaction, which is a fundamental economic practice. See MPEP § 2106.04(a)(2)(I)(A); *Alice*, 573 U.S. at 219–20 (“intermediated settlement” is a fundamental economic practice, and, thus, an abstract idea); *Bilski*, 561 U.S. at 611 (“hedging” is a fundamental economic practice, which is an abstract idea).

Appellants agree with the Examiner that the claims involve issuing and managing an electronic gift card. See Appeal Br. 12 (“Appellants assert that independent claims 1, 10 and 11, as a whole, are **directed to** issuing and managing an electronic gift card, as expressed in the preamble of claims 1, 10[,] and 11.”). Further, Appellants appear to concede that issuing and managing an electronic gift card is an economic practice. *Id.* However, Appellants argue that the Examiner errs because “[t]he Examiner has not cited evidence allegedly demonstrating that issuing and managing an electronic gift card is *long prevalent in our system of commerce*,” and, therefore, the claims do not recite a *fundamental* economic practice, such

that the economic practice is an abstract idea. *Id.* Appellants do not persuade us of error, however, as we do not agree that the case law requires that an economic practice is prevalent for any minimum time for a court to consider the economic practice a fundamental economic practice that is an abstract idea. Rather, the case law indicates that the term “fundamental” is used in the sense of being foundational or basic, and not in the sense of necessarily being “old” or “well-known.” *See, e.g., In re Smith*, 815 F.3d 816, 818–19 (Fed. Cir. 2016) (describing a new set of rules for conducting a wagering game as a “fundamental economic practice[.]”) (internal quotation marks and citation omitted). In this case, purchasing items, even with an electronic gift card, is a foundational or basic economic practice.

In accordance with point (2) of the Guidance referenced above, claim 1 does not recite any additional element that integrates the judicial exception into a practical application—i.e., something that “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.” Guidance, 84 Fed. Reg. at 54. The claim only generically recites the use of certain hardware—“a gift card issuing server,” as well as “a first electronic device” and “a second electronic device” (i.e., “a first cellular phone” and “a second cellular phone”)—and, thus, the hardware does not meaningfully limit the claim. Further, in their Specification, Appellants do not describe the claimed hardware in such a way as to indicate that the hardware is anything other than generic. *See, e.g., Spec.* ¶ 10 (Describing “a cellular phone, . . . [as] more specifically, a ‘smart phone’ such as a Personal Digital Assistant (PDA) phone, etc.”; describing “that some or all of the exemplary

architecture shown for computer **102** may be utilized by . . . gift card issuing server **152.**”); *id.* ¶ 11 (Describing “[c]omputer **102**” as including only generic components, such as “a processor unit,” a “system bus,” a “video adapter,” “a display,” “a bus bridge,” “an Input/Output (I/O) bus,” an “I/O interface,” “a keyboard,” “a mouse,” a “CD-ROM” “drive,” “a floppy disk drive,” and “a wire-based or wireless-based transceiver.”).

Appellants argue that independent claim 1 includes steps that are intrinsic to electronic gift card technology and cannot be implemented outside of an electronic transformation of an electronic gift card, . . . [such that the claim] is analogous to the claims in [*DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014),] . . . in which the Federal Circuit held that the claims were intrinsic to Internet technology and cannot be implemented outside of Internet technology and are[,] thus[,] not directed to an abstract idea.

Appeal Br. 16. However, Appellants improperly analogize the claims in *DDR* to their claims by replacing *DDR*’s references to “Internet technology” with “electronic gift card technology”—this is unpersuasive because *DDR* is relevant to claims that cannot be implemented outside of Internet technology, and does not address claims arguably lacking implementation outside of “electronic gift card technology.” Conversely, *DDR* explains that “after *Alice*, there can remain no doubt: recitation of generic computer limitations does not make an otherwise ineligible claim patent-eligible. . . . The bare fact that a computer exists in the physical rather than purely conceptual realm ‘is beside the point.’” *DDR*, 773 F.3d at 1256 (internal citation omitted).

We also disagree with Appellants’ argument that claim 1 improves electronic gift card technology. Appeal Br. 17. For the reasons discussed above, the fundamental economic practice includes electronic gift cards.

Further, Appellants' reliance on *DDR* by analogy is improper for reasons similar to those discussed above. *See id.*

Therefore, claim 1 is directed to the above-discussed abstract ideas, and does not integrate the judicial exception into a practical application.

In accordance with points (3) and (4) of the Guidance referenced above, claim 1 fails to recite a specific limitation beyond the judicial exception which is not well understood, routine, and conventional in the field, but instead simply appends well-understood, routine, and conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception. Taking the claim elements separately, the functions performed by the claimed hardware are purely conventional. Specifically, and contrary to Appellants' argument that the claims "recite usage of special purpose hardware" (Appeal Br. 18 (underlining omitted)), as we discuss above the claim uses known, generic components to perform their known, basic functions. Although, arguably, the data processed and transmitted differs, the claimed processor and cellular phones themselves process and transmit information the same way as other processors and cellular phones do. Thus, the claim recites only well-understood, routine, and conventional functions. *See Elec. Power Grp. v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016); *see also In re Katz*, 639 F.3d 1303, 1316 (Fed. Cir. 2011) ("Absent a possible narrower construction of the terms 'processing,' 'receiving,' and 'storing,' . . . those functions can be achieved by any general purpose computer without special programming."). There is no unconventional use of the claimed hardware, and the hardware does not produce any unexpected result.

Considered as an ordered combination, claim 1's hardware does not add anything that is not already present when we consider the steps separately. Appellants do not persuade us that the claim affects an improvement in any technology or technical field. As stated above, claim 1 recites "cellular phone[s]" and a "server" that are known, generic components. Thus, the claim amounts to nothing significantly more than instructions to apply the abstract idea with generic hardware, and does not improve the phones or server. Accordingly, the claim recitations are insufficient to transform an abstract idea into a patent-eligible invention. *See Alice*, 573 U.S. at 225–26.

Therefore, based on the foregoing, we sustain the Examiner's § 101 rejection of independent claim 1. Inasmuch as the remaining claims stand or fall with claim 1, we also sustain the rejection of claims 8–11, and 18–20.

#### DECISION

We AFFIRM the Examiner's rejection of claims 1, 8–11, and 18–20.

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

AFFIRMED