UNITED STATES PATENT AND TRADEMARK OFFICE

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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 FRANK ANTHONY NUZZI and JAMES BRETT SOWDER

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Appeal 2017-008580
Application 14/063,786[1]
Technology Center 3600

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Before JOHN A. JEFFERY, JUSTIN BUSCH, and
CARL L. SILVERMAN, *Administrative Patent Judges.*

SILVERMAN, *Administrative Patent Judge.*

DECISION ON APPEAL

Appellants appeal under 35 U.S.C. § 134(a) from the Examiner's
Final Rejection[2] of claims 1–20, which constitute all pending claims. We
have jurisdiction under 35 U.S.C. § 6(b).

We affirm.

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STATEMENT OF THE CASE

The invention relates to providing contingent payments. Abstract; Spec. ¶¶ 29, 36, 39, 43, Figs. 1, 6, 7. Claim 1, reproduced below, is exemplary of the subject matter on appeal (emphasis added):

1.   A contingent purchasing system, comprising:

a *non-transitory memory* storing a first user account associated with a first user;

one or more hardware processors coupled to the non-transitory memory and configured to read instructions from the non-transitory memory to cause a system to perform operations comprising:

providing at least one contingent *purchase graphical user interface (GUI) over a network for display on a first user device of the user*;

receiving a contingent payment request through the network via a selection provided in the at least one contingent purchase GUI from the first user device that identifies a first product and a second product that is different than the first product and includes an instruction to automatically purchase the second product that is identified in the contingent payment request in direct response to determining that the first product has been purchased;

storing the contingent payment request *in the non-transitory memory* in association with the first user account;

communicating with a first account provider device over the network to monitor the first user account of the first user subsequent to storing the contingent payment request in the non-transitory memory and, in response, determining that the first product in the contingent payment request has been purchased by the first user using the first user account; and

automatically sending an instruction to the first account provider device through the network to transfer funds associated with the first user account to a merchant account in order to purchase the second product that is identified in the

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> contingent payment request for the first user in direct response
> to determining that the first product in the contingent payment
> request has been purchased by the first user.

App. Br. 18, Claims Appendix.

THE REJECTION

Claims 1–20 are rejected under 35 U.S.C. § 101 because the claimed
invention is directed to patent ineligible subject matter. Final Act. 2–5.

PRINCIPLES OF LAW

Patent-eligible subject matter is defined in 35 U.S.C. § 101 of the
Patent Act, which recites:

> Whoever invents or discovers any new and useful
> process, machine, manufacture, or composition of matter, or
> any new and useful improvement thereof, may obtain a patent
> therefor, subject to the conditions and requirements of this title.

There are, however, three judicially created exceptions to the broad
categories of patent-eligible subject matter in 35 U.S.C. § 101: "[l]aws of
nature, natural phenomena, and abstract ideas." *Alice Corp. Pty. Ltd. v. CLS
Bank Int'l*, 134 S. Ct. 2347, 2354 (2014); *Mayo Collaborative Servs. v.
Prometheus Labs., Inc.*, 566 U.S. 66, 70 (2012).

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

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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, 192 (1981)); "tanning, dyeing, making waterproof cloth, vulcanizing India rubber, smelting ores" (*id.* at 184 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 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 176; *see also id.* at 191-192 ("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.").

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.*

The PTO recently published revised guidance on the application of § 101. USPTO's January 7, 2019 Memorandum, *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50 ("Memorandum"). Under that guidance, we first determine whether the claim recites:

> (1) any judicial exceptions, including certain groupings of abstract ideas (i.e., mathematical concepts, certain methods of organizing human interactions such as a fundamental economic practice, or mental processes); and
>
> (2) additional elements that integrate the judicial exception into a practical application (*see* MPEP § 2106.05(a)–(c), (e)–(h)).

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 is 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.

See Memorandum.

ANALYSIS

Appellants argue the Examiner errs in finding the claims are directed to abstract ideas of fundamental economic practice or organizing human activity, and, assuming the claims are directed to an abstract idea, the Examiner errs in finding the claims do not amount to significantly more than the abstract idea. App. Br. 6–16.

In the Final Action, the Examiner finds the claims are directed to a fundamental economic practice and a method of organizing human activities, and the additional elements in the claims other than the abstract idea per se amount to no more than mere instructions to implement the idea on a computer and recitation of generic computer structure that serves to perform generic computer functions that are well-understood, routine, and conventional activities previously known to the pertinent industry. Final Act. 2–3. The Examiner determines that the additional claim elements do not provide meaningful limitations to transform the abstract idea into a patent eligible application of the abstract idea such that the claims amount to significantly more than the abstract idea itself. *Id.* at 3.

The Examiner finds:

[a]ll the steps in the claims are directed to a series of behavioral activities including e.g., providing contingent purchase choices,

> receiving a selection, storing the contingent request in the memory, monitoring the user account, and transferring funds, which, when viewed individually and in combination, constitute an abstract idea of certain methods of organizing human activity.

Id.

The Examiner finds:

> these behavioral activities are "interpersonal activities" of "managing relationships or transactions between people, social activities, or behaviors," "satisfying or avoiding a legal obligation," and "advertising, marketing, and sales activities or behaviors," which are subcategories of activities that the precedential courts have found to be abstract ideas under "certain methods of organizing human activity."

Id.

The Examiner finds:

> "contingent purchasing as viewed in combination of all elements" is a "fundamental economic practice"; as stated in the July 2015 Update, "... phrase 'fundamental economic practices' is used to describe concepts relating to the economy and commerce such as agreements between people in the form of contracts, legal obligations, and business relations ..."

Id. at 3–4.

The Examiner finds:

> all the claims require no more than adding insignificant extra-solution activity to the judicial exception, e.g., mere collecting data ("receiving ... a selection provided ...") and performing of generic computer functions (e.g. providing selections by GUI, storing data, transferring funds, and transmitting/communicating information via network) that are well-understood, routine and conventional activities previously known to the industry. None of these foregoing functions are distinguishable from what the courts have recognized as well-understood, routine, and conventional generic computer functions; rather, each of these particular functions fall under at least one of the following computer functions that the courts already recognized as "merely generic": performing repetitive calculations, 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.

The elements of the claims, when taken in combination, together do not
offer substantially more than the sum of the functions of the elements
when each is taken alone. That is, the elements involved in the recited
process undertake their roles in performance of their activities
according to their generic functionalities which are well-understood,
routine and conventional. The elements together execute in routinely
and conventionally accepted coordinated manners and interact with
their partner elements to achieve an overall outcome which, similarly,
is merely the combined and coordinated execution of generic computer
functionalities which are well-understood, routine and conventional
activities previously known to the industry.

Id. at 4–5.

Appellants argue the Examiner errs in finding the claims are directed
to fundamental economic practices or methods of organizing human activity
under the then applicable guidelines (2015 IEG Update[3]; May 2016 SME
Update.[4]). App. Br. 5–9. Appellants argue, even if the claims are directed
to abstract ideas, the Examiner errs in failing to identify the additional
elements and provides only conclusory statements that the "elements" do not
amount to significantly more than the supposed abstract idea when viewed in
combination. *Id.* at 10–12. Appellants argue the additional elements do add
significantly more to any abstract idea presented in the claims. *Id.* at 11–16
(citing *DDR Holdings, LLC v. Hotels.com, LP*, 773 F.3d 1245, 1248 (Fed.
Cir. 2014)). Appellants additionally argue dependent claim 3 recites how

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[3] Available at https://www.uspto.gov/sites/default/files/documents/ieg-july-
2015-update.pdf
[4] Available at https://www.uspto.gov/sites/default/files/documents/ieg-may-
2016-memo.pdf

the system operates and dependent claim 4 is illustrative of "unconventional actions the system may perform." *Id.* at 15.

In the Answer, the Examiner cites additional cases to support the finding of the abstract idea and refers to the Final Action as explaining why the additional elements, including the processing components viewed as a whole were well-understood, routine, and conventional activities and not "significantly more." Ans. 3–4 (citing *Ultramercial, Inc. v. Hulu, LLC,* 772 F.3d 709, No. 2010-1544 (Fed. Cir. 2014); *buySAFE, Inc. v. Google, Inc.,* 765 F.3d 1350, 1355 (Fed. Cir. 2014); *DDR Holdings,* 773 F.3d 1245; *Bilski,* 561 U.S. 593; *Wildtangent, Inc. v. Ultramercial, LLC,* 134 S. Ct. 2870 (2014)).

As discussed below, we are not persuaded by Appellants' arguments.

Applying the current Guidelines (Memorandum), we agree with the Examiner's findings and we agree claim 1 recites a "fundamental economic practice." *See* Final Act 2–3; Ans. 3–4; 84 Fed. Reg. 50 at I(a), III. In particular, we refer to the claim limitations that recite a system with one or more processors configured to read instructions from memory to cause the system to perform the following operations comprising: receiving a contingent payment request that identifies a first product and a second product that is different than the first product and includes an instruction to automatically purchase the second product in response to determining that the first product has been purchased; determining that the first product has been purchased; send an instruction to transfer funds to purchase the second product in response to determining that the first product in the contingent payment request has been purchased. These limitations recite contingent purchase of a second item (e.g., nails) after purchase of a first item (e.g.,

hammer). *See, e.g.*, Spec. ¶ 29, Fig. 6. Thus, claim 1 recites a fundamental economic concept and constitutes a judicial exception.

Next, we consider whether the claim includes additional elements that integrate the judicial exception into a practical application. Here, although the claim does include additional elements, such as non-transitory memory, a graphical user interface, and a network, these are insufficient to constitute integration into a practical application because these elements are recited at high level of generality and the claim simply applies the judicial exception using computer components. In particular, the additional elements do not constitute a particular machine, but instead use a generically-recited computer (i.e., generic computer components) to perform the abstract idea. *See* 84 Fed. Reg. 50 at III A(2); MPEP § 2106.05(b); *Eibel Process Co.* v. *Minnesota & Ontario Paper Co.,* 261 U.S. 45, 64–65 (1923); MPEP § 2106.05(f); *Alice,* 573 U.S. at 222–26; *Benson,* 409 U.S. 63; *Credit Acceptance Corp.* v. *Westlake Services,* 859 F.3d 1044 (Fed. Cir. 2017).

Therefore, under the Memorandum, claim 1 is directed to an abstract idea, and we proceed to analyze the claims under *Alice,* step 2. As discussed above, in the *Alice,* step 2 inquiry, we determine whether there is an inventive concept that renders the abstract idea patent eligible.

We note the introduction of a "processor of a computer system" into the claims to implement an abstract idea is not a patentable application of the abstract idea. *Alice,* 134 S. Ct. at 2357–58. The computer implementation here is purely conventional and performs basic functions. *See id.* at 2359–60. Appellants do not adequately show how the claimed steps are done technically such that they cannot be done manually or that they are not routine and conventional functions of a generic computer. *See Versata Dev.*

Grp., Inc. v. SAP Am., Inc., 793 F.3d 1306, 1334 (Fed. Cir. 2015) ("the limitations of claim 17 involve arranging a hierarchy of organizational and product groups, storing pricing information, retrieving applicable pricing information, sorting pricing information, eliminating less restrictive pricing information, and determining the price. All of these limitations are well-understood, routine, conventional activities previously known to the industry."). *See* Spec. ¶¶ 53–63, Figs. 9, 10.

We find no element or combination of elements recited in Appellants' claim 1 that contains any "inventive concept" or adds anything "significantly more" to transform the abstract concept into a patent-eligible application. *Alice*, 134 S. Ct. at 2357. As discussed *supra*, we are not persuaded the added computer elements transform the abstract idea into a patent eligible invention. As our reviewing court has observed, "after *Alice*, there can remain no doubt: recitation of generic computer limitations does not make an otherwise ineligible claim patent-eligible." *DDR*, 773 F.3d at 1256 (citing *Alice*, 134 S. Ct. at 2358).

Appellants' reliance on *DDR* is misplaced as the recited claims do not improve the computer or underlying technology. In *DDR*, the claims at issue involved, *inter alia*, "web page[] 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 two of the *Mayo/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. To the contrary, Appellants' claims merely *use* the
internet to automate a process that would otherwise be performed manually.
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. ¶¶ 53–63, Figs. 9, 10.

In view of the above, we sustain the rejection of claim 1, independent
claims 8 and 15 as these claims recite similar limitations to claim 1 and are
not argued separately, and dependent claims 2, 5–7, 9–14, and 16–20 as
these claims are not argued separately.

Regarding dependent claims 3 and 4, although the Examiner does not
specifically address these claims in the Final Action or Answer, we are not
persuaded by Appellants' arguments.

The claim 3 limitation of "communicating with a second account
provider device over the network to monitor a second user account of the
first user in order to determine whether the first product in the contingent
payment request has been purchased by the first user using the second user
account" (*see* App. Br., Claims Appendix, 19) does not constitute additional
elements that integrate the judicial exception into a practical application for
the same reasons as discussed for claim 1, *supra*. Additionally, this
limitation, individually and in combination, does not constitute significantly
more than the abstract idea itself for the same reasons as discussed for claim
1, *supra*.

Claim 4 recites:

> The contingent purchasing system of claim 1, wherein the
> contingent payment request *identifies a desired price below which the*
> *first product should be purchased,* and the one or more hardware

processors are configured to read instructions from the memory to cause the system to perform operations comprising:

    providing a contingent payment intent through the network *to a social network provider device for display on a user profile of a social network that is associated with the first user*, wherein the contingent payment intent identifies the first product and an intent to purchase the first product below the desired price, and *wherein the providing the contingent payment intent for display on the user profile results in the contingent payment intent being displayed to a plurality of other users of the social network*. (emphasis added). *Id.*

The additional elements (identifies a desired price below which the first product be purchased, providing intent to purchase to a social network associated with a user and displaying intent to other users) do not constitute additional elements that integrate the judicial exception into a practical application for the same reasons as discussed for claim 1, *supra*. Additionally, the additional elements, individually and in combination, do not constitute significantly more than the abstract idea itself as discussed for claim 1, *supra*.

In view of the above, we sustain the rejection of claims 3 and 4.

DECISION

We affirm the Examiner's decision rejecting claims 1–20 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). *See* 37 C.F.R. § 41.50(f).

AFFIRMED