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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
14/465.063	08/21/2014	Kyle P. Clark	16754-000023-US-CPA	6343
120493	7590	03/04/2019	EXAMINER	
Harness Dickey (Mastercard) 7700 Bonhomme Suite 400 St. Louis, MO 63105			CIRNU, ALEXANDRU	
			ART UNIT	PAPER NUMBER
			3681	
			NOTIFICATION DATE	DELIVERY MODE
			03/04/2019	ELECTRONIC

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte KYLE P. CLARK, CHRISTOPHER A. GUINEY, and
JENSEN JAMES E. PASTRANA

Appeal 2017-008859
Application 14/465,063
Technology Center 3600

Before JOHNNY A. KUMAR, MONICA S. ULLAGADDI, and
JOYCE CRAIG, *Administrative Patent Judges*.

CRAIG, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellants¹ appeal under 35 U.S.C. § 134(a) from the Examiner's final rejection of claims 1–3, 5–15, and 17–23, which are all of the claims pending in this application.² We have jurisdiction under 35 U.S.C. § 6(b).

We affirm.

¹ According to Appellants, the real party in interest is MasterCard International Incorporated. App. Br. 3.

² Claims 4 and 16 have been canceled. App. Br. 34, 38 (Claims App'x).

INVENTION

Appellants' invention relates to processing payment transactions involving reward accounts. Abstract. Claim 1 is illustrative and reads as follows:

1. A computer-implemented method for initiating a rebate to a reward account, the reward account associated with an account data entry in a database, the account data entry including at least an account identifier for the reward account, a reward balance, and a reward preference, the method comprising:

receiving, by a processing server, an authorization request for a payment transaction involving the reward account, wherein the authorization request includes at least a transaction amount;

determining, at the processing server, based on the reward preference, whether the payment transaction is eligible for a reward rebate, wherein the reward preference is associated with the reward account in the account data entry, and wherein the reward preference includes a preference to request a reward rebate for only the next transaction and a preference to request a reward rebate for only transactions above a consumer minimum purchase amount selected by a consumer to whom the reward account belongs;

transmitting, from the processing server, to a payment network, a request for the reward rebate when the payment transaction is eligible; and

transmitting, to the consumer, a notification indicating that the request for the reward rebate has been transmitted to the payment network, when the request for the reward rebate is transmitted to the payment network.

REJECTIONS

Claims 1–3, 5–15, and 17–23 stand rejected under 35 U.S.C. § 101 because the claimed invention is directed to a judicial exception, without significantly more. Final Act. 2–4.

Claims 1, 5–13, and 15–21 stand rejected under 35 U.S.C. § 103 as unpatentable over the combination of White et al. (US 2008/0133351 A1; published June 5, 2008) (“White”), Ovick et al. (US 2013/0246273 A1; published Sept. 19, 2013) (“Ovick”), and Egan et al. (WO 2000/62231 A1; published Oct. 19, 2000) (“Egan”). Final Act. 4–12.

Claims 2, 3, 22, and 23 stand rejected under 35 U.S.C. § 103 as unpatentable over the combination of White, Ovick, Egan, and Bies et al. (US 2008/0103968; published May 1, 2008) (“Bies”). Final Act. 13–14.

Claim 14 stands rejected under 35 U.S.C. § 103 as unpatentable over the combination of White, Ovick, Egan, Fredregill et al. (WO 2001/43034 A2; published June 14, 2001) (“Fredregill”), Bies, and Sheley (US 8,676,642 B1; issued Mar.18, 2014). Final Act. 14.

ANALYSIS

Rejection of Claims 1–3, 5–15, and 17–23 under 35 U.S.C. § 101

An invention is patent-eligible if it claims a “new and useful process, machine, manufacture, or composition of matter.” 35 U.S.C. § 101. 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 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, 67 (1972)). Concepts determined to be patent eligible include physical and chemical processes, such as “molding . . . rubber products” (*Diamond v. Diehr*, 450 U.S. 175, 193 (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 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 (“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.” (emphasis omitted)).

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 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 USPTO recently published revised guidance on the application of § 101. 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019) (hereinafter “2019 Guidance”). Under the 2019 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* MPEP § 2106.05(a)–(c), (e)–(h)) (9th ed. 2018).

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 2019 Guidance. Patent eligibility under 35 U.S.C. § 101 is a question of law that is reviewable de novo. *See Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012).

Here, the Examiner concluded the claims are abstract because they are directed to “determining/processing a reward rebate (at the time of a transaction) through initiating a rebate to a reward account/receiving an authorization request for a transaction involving the account/determining whether the transaction is eligible for a reward/transmitting a reward rebate request/transmitting a notification that the reward rebate has been transmitted.” Final Act. 2. The Examiner further concluded the claims do not include additional elements that are sufficient to amount to significantly more than the judicial exception because the claims merely amount to the application or instructions to apply the abstract idea. *Id.* at 3.

Appellants argue the claims are not directed to an abstract idea (App. Br. 8) and are directed to significantly more than an abstract idea (*id.* at 14).

Step 2A, Prong One – Recited Judicial Exception

Step 2A of the 2019 Guidance is a two-prong inquiry. In Prong One we evaluate whether the claim recites a judicial exception. For abstract ideas, under Prong One, we determine whether the claim recites

mathematical concepts, certain methods of organizing human activity, or mental processes.

We conclude the following limitations of independent claim 1 recite a fundamental economic practice of rebate processing, which is a certain method of organizing human activity:

receiving . . . an authorization request for a payment transaction involving the reward account, wherein the authorization request includes at least a transaction amount;

determining . . . based on the reward preference, whether the payment transaction is eligible for a reward rebate, wherein the reward preference is associated with the reward account in the account data entry, and wherein the reward preference includes a preference to request a reward rebate for only the next transaction and a preference to request a reward rebate for only transactions above a consumer minimum purchase amount selected by a consumer to whom the reward account belongs;

transmitting . . . a request for the reward rebate when the payment transaction is eligible; and

transmitting, to the consumer, a notification indicating that the request for the reward rebate has been transmitted to the payment network, when the request for the reward rebate is transmitted to the payment network.

App. Br. 33 (Claim App'x). Independent claims 12 and 19 recite similar limitations reciting mental processes. *Id.*

Such activities are squarely within the realm of abstract ideas. The use of rewards in payment transactions is a fundamental business practice long prevalent in our system of commerce, like the risk hedging in *Bilski* (*see Bilski v. Kappos*, 561 U.S. 593 (2010)), the intermediated settlement in *Alice* (*see Alice*, 134 S. Ct. at 2356–57), verifying credit card transactions in *CyberSource* (*see CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1370 (Fed. Cir. 2011)), collecting and analyzing information to detect

and notify of misuses in *FairWarning* (see *FairWarning IP, LLC v. Iatric Sys., Inc.*, 839 F.3d 1089, 1093–94 (Fed. Cir. 2016)), and guaranteeing transactions in *buySafe* (see *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1354 (Fed. Cir. 2014)). Rebate processing is also a building block of a market economy. Thus, rebate processing, like risk hedging, intermediated settlement, and verifying credit card transactions, is an “abstract idea” beyond the scope of § 101. See *Alice*, 134 S. Ct. at 2356.

Because we conclude the independent claims recite an abstract idea, we proceed to Prong Two to determine whether the claims are “directed to” the judicial exception, or whether the judicial exception is integrated into a practical application.

Step 2A, Prong Two – Practical Application

If a claim recites a judicial exception, 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. If the recited judicial exception is integrated into a practical application, the claim is not directed to the judicial exception.

Here, claim 1 recites the additional elements of “an account data entry in a database,” a “processing server,” and a “payment network.” Independent claims 12 and 19 recite commensurate limitations.

Considering claim 1 as a whole, the additional elements do not apply or use the abstract idea in a meaningful way such that the claims as a whole are not more than a drafting effort designed to monopolize the exception.

The Supreme Court guides that the “prohibition against patenting abstract ideas ‘cannot be circumvented by attempting to limit the use of the formula to a particular technological environment’ or [by] adding ‘insignificant postsolution activity.’” *Bilski*, 561 U.S. at 610–11 (quoting *Diehr*, 450 U.S. at 191–92).

Here, the recited “account data entry in a database” merely describes data in a generic database. *See, e.g.*, Spec. ¶ 31. The recited “processing server” is a generically claimed computer. *See* Spec. ¶ 37 (“It will be apparent to persons having skill in the relevant art that the embodiment of the processing server 110 illustrated in FIG. 2 is provided as illustration only and may not be exhaustive to all possible configurations of the processing server 110 suitable for performing the functions as discussed herein.”). The Supreme Court has held “the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.” *Alice*, 134 S. Ct. at 2358; *see also BASCOM Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1348 (Fed. Cir. 2016) (“An abstract idea on ‘an Internet computer network’ or on a generic computer is still an abstract idea.”). The recited “payment network” is described generically in the Specification as “[a] system or network used for the transfer of money via the use of cash-substitutes” that “may use a variety of different protocols and procedures in order to process the transfer of money for various types of transactions.” Spec. ¶ 19.

Thus, we are not persuaded claim 1 purports to improve the function of the computer itself, or any other technology or technical field, as Appellants contend. *See* App. Br. 9; MPEP § 2106.05(a). Nor are we

persuaded that the abstract idea is applied with, or by use of a particular machine. *See* MPEP 2106.05(b).

For these reasons, we determine that, because claim 1 does not integrate the recited abstract idea into a practical application, claim 1 is directed to an abstract idea. According to the 2019 Guidance, we next evaluate the additional elements individually and in combination to determine whether they provide an inventive concept.

Step 2B: Inventive Concept

In Step 2B, we consider whether an additional element (or combination of elements) adds a limitation that is not well-understood, routine, conventional (“WURC”) activity in the field or whether the additional elements simply append WURC activities previously known to the industry, specified at a high level of generality, to the judicial exception. 2019 Guidance. The Examiner’s finding that an additional element (or combination of elements) is WURC activity must be supported with a factual determination. 2019 Guidance (citing MPEP § 2106.05(d), as modified by the *Berkheimer* Memorandum)³.

Whether the additional elements (“an account data entry in a database,” a “processing server,” and a “payment network”) are WURC activity is a question of fact. *See Berkheimer v. HP Inc.*, 881 F.3d 1360, 1369 (Fed. Cir. 2018) (“Whether something is well-understood, routine, and conventional to a skilled artisan . . . is a factual determination.”). Here, Appellants’ Specification demonstrates the WURC nature of the additional

³ “Changes in Examination Procedure Pertaining to Subject Matter Eligibility, Recent Subject Matter Eligibility Decision (*Berkheimer v. HP, Inc.*),” April 19, 2018 (hereinafter “*Berkheimer* Memorandum”).

elements because it indicates the additional elements are sufficiently well-known that the Specification does not need to describe the particulars of such additional elements. *See, e.g.*, Spec. ¶¶ 19, 31, and 37 (discussed above). In addition, courts have recognized that receiving or transmitting data over a network is WURC. *OIP Techs., Inc., v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015) (sending messages over a network); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 1355 (Fed. Cir. 2014) (computer receives and sends information over a network). Courts have also recognized that storing and retrieving information in memory is WURC. *Versata Dev. Group, Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1334 (Fed. Cir. 2015); *OIP Techs.*, 788 F.3d at 1363.

Therefore, on the record before us, we affirm the § 101 rejection of claim 1. For the same reasons, we also reverse the § 101 rejection of independent claims 12 and 19, and dependent claims 2, 3, 5–11, 13–15, 17, 18, 21, and 22, not argued separately. *See* App. Br. 19.

Rejections of Claims 1–3, 5–15, and 17–23 under 35 U.S.C. § 103

We have reviewed the § 103 rejections of claims 1–3, 5–15, and 17–23 in light of Appellants’ arguments that the Examiner erred. We have considered in this decision only those arguments Appellants actually raised in the Briefs. Any other arguments Appellants could have made, but chose not to make, in the Briefs are waived. *See* 37 C.F.R. § 41.37(c)(1)(iv).

Appellants’ arguments are not persuasive of error. We agree with and adopt as our own the Examiner’s findings of facts and conclusions as set forth in the Answer (Ans. Arguments B–E) and in the Action from which

this appeal was taken (Final Act. 4–16). We provide the following explanation for emphasis.

Appellants contend the Examiner erred because White does not teach a “processing server” that both determines whether a payment transaction was eligible and transmits a request for the reward rebate to a payment network, as claim 1 requires. App. Br. 20.

We are not persuaded that the Examiner erred. The test for obviousness is not whether the claimed invention is expressly suggested in any one or all of the references, but whether the claimed subject matter would have been obvious to those of ordinary skill in the art in light of the combined teachings of those references. *See In re Keller*, 642 F.2d 413, 425 (CCPA 1981).

The Examiner found White teaches determining whether a transaction is eligible for a reward rebate. Ans. Arg. C (citing White ¶¶ 40, 77). The Examiner also found White teaches sending authorization information to a reward system, which suggests a “request for the reward rebate.” *Id.* (citing White Fig. 4, ¶¶ 20–22, 54, and 57; Final Act. 4 (citing White ¶¶ 65, 80, 91–92, and 97–98). Moreover, White teaches a determination is made whether the transaction is reward eligible and, if so, an authorization request message is transmitted to the rewards system for processing. *See* White ¶ 80. White further teaches “[t]hose skilled in the art will appreciate that other entities may also operate some or all of the process steps (including, for example, closed payment networks, regional or local payment networks, or the like).” Spec. ¶ 98.

Appellants have not persuaded us that the Examiner erred in determining that the disputed “determining” and “transmitting” limitations

would have been obvious to those of ordinary skill in the art in light of the cited teachings of White.

Appellants next argue White does not teach transmitting a notification to a consumer, as claim 1 requires. App. Br. 24.

We are not persuaded. We agree with the Examiner that White teaches that a point-of-sale terminal retrieves and displays and/or prints reward messaging on a display and/or on a printed receipt so that “the customer is able to enjoy instant notification of a reward transaction.” Ans. Arg. E (citing White ¶¶ 34, 38, and 51). Appellants have not persuasively rebutted the Examiner’s findings.

For these reasons, we are not persuaded that the Examiner erred in finding that the combination of White, Ovick, Egan, and Bies teaches or suggests the disputed limitations of claim 1.

Appellants next argue the Examiner relied on impermissible hindsight in combining White and Ovick because “[n]othing in the Examiner’s argument suggests how or why the particular preference would lead to a more efficient system of processing payments in combination with offers.” App. Br. 25 (emphasis omitted).

We are not persuaded the combination of White and Ovick is the product of improper hindsight, as the Examiner has set forth articulated reasoning with rational underpinnings for the combination. Final Act. 5. Appellants have not identified any knowledge relied upon by the Examiner that was gleaned only from Appellants’ disclosure and that was not otherwise within the level of ordinary skill in the art at the time of invention. *See In re McLaughlin*, 443 F.2d 1392, 1395 (CCPA 1971). Nor have Appellants provided objective evidence of secondary considerations, which

“operates as a beneficial check on hindsight.” *Cheese Sys., Inc. v. Tetra Pak Cheese and Powder Sys., Inc.*, 725 F.3d 1341, 1352 (Fed. Cir. 2013).

Accordingly, we sustain the Examiner’s § 103(a) rejection of independent claim 1, as well as the Examiner’s § 103(a) rejection of independent claims 12 and 19, which Appellants argue are patentable for similar reasons. App. Br. 26–28. We also sustain the Examiner’s § 103(a) rejection of dependent claims 5–11, 13, 15, 17, 18, 20, and 21, not argued separately with particularity. *Id.*

Appellants present similar arguments with respect to dependent claims 2, 3, 22, and 23. *Id.* at 29–30. Thus, we affirm the Examiner’s rejection of dependent claims 2, 3, 22, and 23 over the combination of White, Ovick, Egan, and Bies.

Appellants present similar arguments for the Examiner’s § 103(a) rejection of dependent claim 14 over the combination of White, Ovick, Egan, Fredregill, Bies, and Sheley, which we also sustain. *See id.* at 30–31.

DECISION

We affirm the Examiner’s decision rejecting claims 1–3, 5–15, and 17–23.

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