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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte OLIVER S. C. QUIGLEY, NATHAN McCAULEY, and
BOB LEE

Appeal 2017-008917
Application 13/799,724¹
Technology Center 3600

Before ANTON W. FETTING, JOSEPH A. FISCHETTI, and
BRUCE T. WIEDER, *Administrative Patent Judges*.

WIEDER, *Administrative Patent Judge*.

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. § 134 from the Examiner's final rejection of claims 1, 2, 4–8, 10–14, and 16–18. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

CLAIMED SUBJECT MATTER

Appellants' invention "relates to mobile card processing using mobile devices." (Spec. 1, l. 8.)

¹ According to Appellants, the real party in interest is Square, Inc. (Appeal Br. 3.)

Claims 1, 7, and 13 are the independent claims on appeal. Claim 1 is illustrative. It recites:

1. A method for processing payment transactions, the method comprising:

receiving, by a card reader, batched information from a mobile device in communication with the card reader, where the batched information includes a plurality of information items for a payment transaction between a merchant associated with the mobile device and a cardholder associated with a payment card, wherein the plurality of information items in the batched information include a passcode input by the cardholder on the mobile device;

storing the batched information in the card reader;

receiving, by the card reader from the payment card, a plurality of requests for at least some of the information items;

providing, from the card reader to the payment card, corresponding information items from the stored batched information on an individual basis in response to the requests, without separately requesting each of the corresponding information items from the mobile device in response to the requests, to cause the payment card to determine whether the payment transaction can be authorized;

receiving, by the card reader from the payment card, a first transaction authorization request message in response to a determination by the payment card that the payment transaction can be authorized; and

sending, from the card reader to the mobile device, a second transaction authorization request message in response to the first transaction authorization request message, to cause the mobile device to send a third transaction authorization request message over a network to a payment authorization entity.

REJECTION

Claims 1, 2, 4–8, 10–14, and 16–18 are rejected under 35 U.S.C. § 101 as directed to a judicial exception without significantly more.

ANALYSIS

Appellants argue independent claims 1, 7, and 13 together, and do not separately argue dependent claims 2, 4–6, 10–12, 14, and 16–18. (*See* Appeal Br. 10.) We select claim 1 as representative. Claims 2, 4–8, 10–14, and 16–18 will stand or fall with claim 1. *See* 37 C.F.R. § 41.37(c)(1)(iv).

“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.” 35 U.S.C. § 101. Section 101, however, “contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014) (quoting *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 589 (2013)).

Alice applies a two-step framework, earlier set out in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012), “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355.

Under the two-step framework, it must first be determined if “the claims at issue are directed to a patent-ineligible concept.” *Id.* If the claims are determined to be directed to a patent-ineligible concept, e.g., an abstract idea, then the second step of the framework is applied to determine if “the elements of the claim . . . contain[] an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *Id.* at 2357 (citing *Mayo*, 566 U.S. at 72–73, 79).

With regard to step one of the *Alice* framework, we apply a “directed to” two prong test to: 1) evaluate whether the claim recites a judicial exception, and 2) if the claim recites a judicial exception, evaluate whether the claim “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.” *See 2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50, 54 (Jan. 7, 2019) (hereinafter “2019 Guidance”).

Here, the Examiner determines that claim 1 is directed to the abstract idea of “comparing new . . . and stored information . . . and using rules to identify options.” (Final Action 3.) More particularly, the Examiner determines that claim 1 is directed to “the fundamental economic idea of authorizing a transaction.” (Answer 4.)

Appellants disagree and argue that “[t]he *focus* of Applicant’s [sic] claims is a technique for reducing reduce [sic] power consumption associated with communication between a mobile device and a card reader for purposes of authorizing a payment card transaction.” (Appeal Br. 6.) Specifically, Appellants argue, the “invention, which involves transferring information from the mobile device to the card reader *in batched mode*, serves to *reduce the consumption of battery power on both the card reader and the mobile device.*” (*Id.*)

Under step one of the *Alice* framework, we “look at the ‘focus of the claimed advance over the prior art’ to determine if the claim’s ‘character as a whole’ is directed to excluded subject matter.” *Affinity Labs of Texas, LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1257 (Fed. Cir. 2016) (quoting *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016)).

The ‘directed to’ inquiry . . . cannot simply ask whether the claims *involve* a patent-ineligible concept, because essentially every routinely patent-eligible claim involving physical products and actions *involves* a law of nature and/or natural phenomenon Rather, the ‘directed to’ inquiry applies a stage-one filter to claims, considered in light of the specification, based on whether ‘their character as a whole is directed to excluded subject matter.’ *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015).

Enfish, LLC v. Microsoft Corp., 822 F.3d 1327, 1335 (Fed. Cir. 2016). In other words, the first step of the *Alice* framework “asks whether the focus of the claims is on the specific asserted improvement in [the relevant technology] or, instead, on a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool.” *Id.* at 1335–36; *see also* 2019 Guidance at 54–55.

The Specification provides evidence as to what the claimed invention is directed. In this case, the Specification discloses that the invention “relates to mobile card processing using mobile devices.” (Spec. 1, l. 8.) Claim 1 provides additional evidence. Claim 1 recites “[a] method for processing payment transactions . . . comprising: receiving, by a card reader, batched information from a mobile device,” “storing the . . . information in the card reader,” “receiving, by the card reader from the payment card, . . . requests for . . . the information,” “providing, from the card reader to the payment card, corresponding information items from the stored . . . information . . . to cause the payment card to determine whether the payment transaction can be authorized,” “receiving, by the card reader from the payment card, a first transaction authorization request,” “and sending, from the card reader to the mobile device, a second transaction authorization request.” In short, claim 1 is directed to a fundamental

economic practice, i.e., seeking authorization for a transaction. This is accomplished by receiving information, storing information, analyzing information, and receiving requests for and sending information.

Although we and the Examiner describe, at different levels of abstraction, to what the claims are directed, it is recognized that “[a]n abstract idea can generally be described at different levels of abstraction.” *Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240 (Fed. Cir. 2016). That need not and, in this case does not, “impact the patentability analysis.” *Id.* at 1241.

We note that claims, like claim 1 here, directed to processing an application to finance a purchase, have been determined to be directed to an abstract idea. *Credit Acceptance Corp. v. Westlake Servs.*, 859 F.3d 1044, 1054 (Fed. Cir. 2017). Additionally, “we have treated collecting [or sending] information, including when limited to particular content (which does not change its character as information), as within the realm of abstract ideas.” *Elec. Power Grp.*, 830 F.3d at 1353. “In a similar vein, we have treated analyzing information by steps people go through in their minds, or by mathematical algorithms, without more, as essentially mental processes within the abstract-idea category.” *Id.* at 1354. The limitations recited in claim 1 could be performed by a person using a pencil and paper, or with ordinary mental steps. *See id.* at 1355. “Here, the claims are clearly focused on the combination of those abstract-idea processes.” *Id.* at 1354; *see also Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (determining claims directed to collecting, recognizing, and storing data in a computer memory to be directed to an abstract idea). Claim 1 merely implements the abstract idea

(of seeking authorization for a transaction) in the field of payment card transactions.

We do not find persuasive Appellants' argument that "[t]he *focus* of Applicant's [sic] claims is a technique for reducing reduce [sic] power consumption" by "transferring information from the mobile device to the card reader *in batched mode*." (Appeal Br. 6.) As an initial matter, claim 1 does not recite "batched mode." Rather, claim 1 recites "receiving . . . batched information." The Specification discloses that "[t]he batched information includes a passcode from a user." (Spec. 3, l. 8.) Similarly, claim 1 recites that "the batched information includes a plurality of information items" and that "the plurality of information items in the batched information include a passcode input by the cardholder on the mobile device." In other words, claim 1 does not recite "transferring information . . . *in batched mode*" (*see* Appeal Br. 6), but rather transferring "batched information," which need only include a passcode. Nor does claim 1 recite any reduction in power consumption. Therefore, we find that Appellants' argument is not commensurate with the scope of claim 1.

Similarly, we do not find persuasive Appellants' argument that the claimed invention "reduce[s] the consumption of battery power on both the card reader and the mobile device." (Appeal Br. 6, emphasis omitted.) Claim 1 does not recite that either the mobile device or the card reader are battery powered. Again, Appellants' argument is not commensurate with the scope of claim 1.

Nonetheless, Appellants seek to analogize the claims to the claims in *Enfish*. (Reply Br. 3.) We disagree. Unlike claim 1, the claims in *Enfish* were "specifically directed to a *self-referential* table for a computer

database.” *Enfish*, 822 F.3d at 1337. That is, “the plain focus of the claims [was] on an improvement to computer functionality itself, not on economic or other tasks for which a computer is used in its ordinary capacity.” *Id.* at 1336. Here, the asserted improvement is to a fundamental economic practice, i.e., seeking authorization for a transaction.

Moreover, Appellants do not argue that they invented a payment card, card reader, or mobile device. Nor do we see how the recitation of a payment card, card reader, and mobile device, even in conjunction with the recited functions, “ensure[s] ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (brackets in original) (quoting *Mayo*, 566 U.S. at 77.) In short, claim 1 uses generic computer and peripheral hardware, i.e., payment card, card reader, and mobile device, as a tool to perform the abstract idea. *See, e.g., Credit Acceptance Corp.*, 859 F.3d at 1055 (and cases cited therein).

In view of the above, we agree with the Examiner that claim 1 is directed to an abstract idea.

Step two of the *Alice* framework has been described “as a search for an ‘“inventive concept” ’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Alice*, 134 S. Ct. at 2355 (brackets in original) (quoting *Mayo*, 566 U.S. at 72–73).

Appellants argue that “[p]ower consumption is an important *performance criterion* of essentially any electronic device” and that “Applicant [sic] maintains that the claimed invention represents an *improvement in the performance* of the recited devices.” (Appeal Br. 8.)

We do not find this argument persuasive. Appellants' power consumption argument is based on an asserted "batched mode" feature which, as discussed above, is not captured in claim 1. Also, as discussed above, claim 1 does not recite any reduction in power consumption.

Appellants seek to analogize claim 1 to the claims in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014). We are not persuaded of error. The claims in *DDR Holdings* "specify how interactions with the Internet are manipulated to yield a desired result — a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink." *DDR Holdings*, 773 F.3d at 1258. Appellants do not persuasively argue that claim 1 overrides or varies some routine and conventional sequence of events.

Appellants further argue that

the courts have recognized that claims that apply an alleged judicial exception to or use a *particular machine* may amount to significantly more than an abstract idea. *Bilski v. Kappos*, 561 U.S. 593, 130 S. Ct. 3218, 3227 (2010). The present invention is *expressly limited* by the claim language to a *card reader*, and in particular, to a card reader that communicates with a mobile device and a payment card.

(Appeal Br. 9.)

We do not find this argument persuasive. As discussed above, claim 1 is directed to the abstract idea of seeking authorization for a transaction, limited to the field of payment card transactions. The additional elements of a generic payment card, a generic device to read the payment card, and a generic device to communicate, i.e., a mobile device, do not recite significantly more than the ineligible concept itself. Nor, as discussed

above, do Appellants argue that they invented the payment card, card reader, or mobile device.

[T]he mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention. Stating an abstract idea “while adding the words ‘apply it’ ” is not enough for patent eligibility. Nor is limiting the use of an abstract idea “ ‘to a particular technological environment.’ ” Stating an abstract idea while adding the words “apply it with a computer” simply combines those two steps, with the same deficient result. Thus, if a patent’s recitation of a computer amounts to a mere instruction to “implemen[t]” an abstract idea “on . . . a computer,” that addition cannot impart patent eligibility.

Alice, 134 S. Ct. at 2358 (citations omitted).

“[T]he relevant question is whether the claims here do more than simply instruct the practitioner to implement the abstract idea . . . on a generic computer.” *Id.* at 2359. They do not. Claim 1 relates to receiving information, storing information, analyzing information, and receiving requests for and sending information, to seek authorization for a payment card transaction, using a generic payment card, card reader, and mobile device.

Taking the claim elements separately, the function performed by the generic computer components at each step is purely conventional. Receiving, analyzing, and sending information are basic computer functions, i.e., they are well-understood, routine, and conventional functions previously known to the industry. *See Elec. Power Grp.*, 830 F.3d at 1356 (The claims “do not include any requirement for performing the claimed functions of gathering, analyzing, and displaying in real time by use of anything but entirely conventional, generic technology. The claims therefore do not state

an arguably inventive concept”); *see also In re Katz Interactive Call Processing Patent Litig.*, 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.”).

Considered as an ordered combination, the generic computer components of Appellants’ method add nothing that is not already present when the steps are considered separately. For example, claim 1 does not, as discussed above, purport to improve the functioning of the components themselves. Nor does it effect an improvement in any other technology or technical field. Instead, claim 1 amounts to nothing significantly more than an instruction to apply the abstract idea using generic computer components. That is not enough to transform an abstract idea into a patent-eligible invention. *See id.* at 2360.

Appellants also argue that the independent claims do not tie up the abstract idea. (Appeal Br. 9–10.) We understand this to be an argument that the claims are patent-eligible because they do not preempt every application of the abstract idea. We do not find this argument persuasive of error. Preemption is not a separate test.

To be clear, the proper focus is not preemption *per se*, for some measure of preemption is intrinsic in the statutory right granted with every patent to exclude competitors, for a limited time, from practicing the claimed invention. *See* 35 U.S.C. § 154. Rather, the animating concern is that claims should not be coextensive with a natural law, natural phenomenon, or abstract idea; a patent-eligible claim must include one or more substantive limitations that, in the words of the Supreme Court, add “significantly more” to the basic principle, with the result that

the claim covers significantly *less*. See *Mayo* 132 S. Ct. at 1294 [566 U.S. at 72–73].

CLS Bank Int'l v. Alice Corp. Pty. Ltd., 717 F.3d 1269, 1281 (Fed. Cir. 2013) (Lourie, J., concurring), *aff'd*, 134 S. Ct. 2347 (2014). Moreover, “[w]here 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). In other words, “preemption may signal patent ineligible subject matter, [but] the absence of complete preemption does not demonstrate patent eligibility.” *Id.*

In view of the above, we are not persuaded that the Examiner erred in rejecting claim 1 under § 101. Claims 2, 4–8, 10–14, and 16–18 fall with claim 1. See 37 C.F.R. § 41.37(c)(1)(iv).

DECISION

The Examiner’s rejection of claims 1, 2, 4–8, 10–14, and 16–18 under 35 U.S.C. § 101 is affirmed.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). See 37 C.F.R. § 1.136(a)(1)(iv).

AFFIRMED