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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte SCOTT W. RAU, SCOTT PHILIP BERTETTI, and
GERALD A. BEECHUM, JR.

Appeal 2017-010459¹
Application 11/880,598²
Technology Center 3600

Before ANTON W. FETTING, NINA L. MEDLOCK, and
TARA L. HUTCHINGS, *Administrative Patent Judges*.

HUTCHINGS, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellants appeal under 35 U.S.C. § 134(a) from the Examiner’s final rejection of claims 21–23, 33–35, and 49–58. We have jurisdiction under 35 U.S.C. § 6(b).

¹ Our decision references Appellants’ Appeal Brief (“App. Br.,” filed Feb. 28, 2017) and Reply Brief (“Reply Br.,” filed July 26, 2017), and the Examiner’s Answer (“Ans.,” mailed June 5, 2017) and Final Office Action (“Final Act.,” mailed Dec. 6, 2016).

² Appellants identify JPMorgan Chase Bank, N.A. as the real party in interest. App. Br. 1.

We AFFIRM.

CLAIMED INVENTION

Appellants' claimed invention relates generally to "the field of electronic commerce, and more particularly[,] to the use of transponder-activated account transactions at [a] point of sale or other locations."

Spec. 1:5–7.

Claims 21, 33, and 49 are the independent claims on appeal.

Claim 21, reproduced below with bracketed notations added, is illustrative of the claimed subject matter:

21. A computer-implemented method for facilitating the association of a transponder identification number associated with a first transaction account with a second transaction account, wherein the method is executed by a programmed computer processor which communicates with a user via a network, the method comprising:

[(a)] receiving, at a transponder server system using the programmed computer processor, a second transaction account number via the network;

[(b)] receiving, at the transponder server system using the programmed computer processor and wirelessly from a transponder, a transponder identification number associated with a first transaction account via the network; and

[(c)] automatically associating, at the transponder server system using the programmed computer processor, the transponder identification number with the second transaction account, and

[(d)] the transponder server system automatically updating an account table stored on the transponder with the second transaction account,

[(e)] wherein the transponder identification number is associated with the first and second transaction accounts, and wherein the transponder identification number is authorized to be used for multiple transactions.

REJECTIONS³

Claims 21–23, 33–35, and 49–58 are rejected under 35 U.S.C. § 112, first paragraph, as failing to comply with the written description requirement.

Claims 21–23, 33–35, and 49–58 are rejected under 35 U.S.C. § 101 as directed to a judicial exception without significantly more.

ANALYSIS

Written Description

Whether a specification complies with the written description requirement of 35 U.S.C. § 112, first paragraph, is a question of fact and is assessed on a case-by-case basis. *See, e.g., Purdue Pharma L.P. v. Faulding, Inc.*, 230 F.3d 1320, 1323 (Fed. Cir. 2000) (citing *Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555, 1561 (Fed. Cir. 1991)). The disclosure, as originally filed, need not literally describe the claimed subject matter (i.e., using the same terms or *in haec verba*) in order to satisfy the written description requirement. But the Specification must convey with reasonable clarity to those skilled in the art that, as of the filing date, Appellants were in possession of the claimed invention. *See id.*

In rejecting claims 21–23, 33–35, and 49–58 under § 112, first paragraph, the Examiner takes the position that the Specification lacks sufficient written description support for limitations (c) and (d), as recited in independent claim 21, and similarly recited in independent claims 33 and 49. Final Act. 3–4.

³ The Examiner has withdrawn the rejection of claims 21–23, 33–35, and 49–58 under 35 U.S.C. § 112, second paragraph. Ans. 2.

However, we agree with Appellants that the original Specification includes the requisite written description support for limitations (c) and (d), as recited in claim 21, and similarly recited in claims 33 and 49. App. Br. 7–9 (citing Spec. 9:4–11, 9:16–19; Figs. 1–2); *see also* Reply Br. 2–4. For example, the Specification describes that the transponder stores an encoded transponder identification and an account table directly recording account information, such as account balance, for the subscribed user of the transponder. Spec. 5:2–11; *see also id.* at 9:12–10:10 (providing that the account table may be stored on the transponder, as shown in Figure 1, or a portion or all of the account table may be offloaded to a transaction server, as described with reference to Figure 2). After the transponder comes within range of a receiver to establish an RF link with the receiver and a point of sale device indicates a transaction is ready to be commenced, the receiver interrogates the transponder to obtain the account table information to complete a sale transaction. *Id.* at 5:12–6:6. Specifically, the amount of the transaction is validated against available funds within the account balance and, if validated, the receiver enters the transaction amount, recalculates an account balance for storage within the account table, and transmits the information to the transponder. *Id.* at 6:7–18. Because the transponder contains the encoded account information necessary to complete the transaction, the transponder need not resort to offsite transaction, enabling the transaction to be processed more quickly. *See id.* at 6:19–22; *see also id.* at 2:1–7 (describing shortcomings with transponders that do not contain encoded account information).

To establish a new account, the Specification describes with reference to Figure 3 leveraging a “network-based activation architecture” that allows

a user to access a registration server (e.g., a workstation running an operating system) via a communications link (e.g., a wide area network). *Id.* at 7:4–8:14. The registration server receives the transponder identification and one or more accounts the user wants to associate with the transponder, and stores the information in a registration table within the registration server. *Id.* at 8:15–9:3. The registration server communicates by the network connection to update the registration tables within the database of the registration server, the receiver, the point of sale device, and “other associated hardware to authorize transactions at the point of sale.” *Id.* at 9:6–10. For example, in the embodiment depicted in Figure 1 in which the account table necessary for processing a transaction is stored on the transponder, the associated hardware includes the transponder. The Specification describes that the registration server accepts the updated account information and sends the updated information to the transponder, thereby avoiding “paperwork, delay, possibility for error and other drawbacks of paper-based back end account registration.” *Id.* at 9:10–11; *see also id.* at 2:7–11 (describing in the Background section that known methods for initiating new accounts to use wireless vending points require backend processing facilities”).

The Examiner takes the position that the Specification “arguably shows support for *electronically* updating an account table.” Ans. 3. However, the Examiner further finds that the Specification does not describe “*associating* the transponder identification number with the second transaction account, nor how to perform this step automatically,” as required by claim 21, limitation (c). *Id.* Likewise, the Examiner finds that the Specification discusses new account information, but does not describe

“*automatically updating* an account table on the transponder with a second account,” as recited by claim 21, limitation (d). *Id.* at 4.

However, the Specification’s description of the registration server performing claim 21, limitations (c) and (d), and its discussion distinguishing these steps from prior art systems that required “paper-based back end account registration” convey with reasonable clarity that Appellants were in possession of the claimed invention at the time the application was filed. Spec. 9:4–11 (describing receiving account information and updating registration tables within various associated hardware)

Therefore, we do not sustain the Examiner’s rejection of independent claim 21 and its dependent claims under 35 U.S.C. § 112, first paragraph. The Examiner rejected independent claims 33 and 49, which recite substantially similar language, using the same rationale. Final Act. 4. For the same reasons, we also do not sustain the Examiner’s rejection of independent claims 33 and 49 and their dependent claims under 35 U.S.C. § 112, first paragraph.

Patent-Ineligible Subject Matter

Appellants argue the pending claims as a group. App. Br. 10–26. We select independent claim 21 as representative. The remaining claims stand or fall with claim 21. *See* 37 C.F.R. § 41.37(c)(1)(iv).

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. The Supreme Court, however, has long interpreted § 101 to include an implicit exception: “[l]aws of nature, natural phenomena, and abstract ideas” are not patentable. *Alice Corp. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014).

The Supreme Court, in *Alice*, reiterated the two-step framework previously set forth 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 Corp.*, 573 U.S. at 217. The first step in that analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* (citation omitted). If the claims are not directed to a patent-ineligible concept, e.g., an abstract idea, the inquiry ends. Otherwise, the inquiry proceeds to the second step where the elements of the claims are considered “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 566 U.S. at 79, 78).

The Court acknowledged in *Mayo*, that “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. Therefore, the Federal Circuit has instructed that claims are to be considered in their entirety to determine “‘whether their character as a whole is directed to excluded subject matter.’” *McRO, Inc. v. Bandai Namco Games Am., Inc.*, 837 F.3d 1299, 1312 (Fed. Cir. 2016) (quoting *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015)).

Appellants argue that the Examiner erred in rejecting claim 21 under 35 U.S.C. § 101 because the Examiner fails to establish a prima facie case of ineligibility (App. Br. 11–12), the claims do not recite an abstract idea (*id.* at 12–13; *see also* Reply Br. 5–6), the claims recite significantly more than an

abstract idea (App. Br. 13–14; *see also* Reply Br. 6–7), and that the claims do not preempt the abstract idea (*id.* at 14–15; *see also* Reply Br. 7–8).

However, in rejecting the pending claims under 35 U.S.C. § 101, the Examiner determined that limitations (a) through (e), as recited in claim 21, are steps for associating a transponder identification number with a second transaction account. *See* Final Act. 5–6. The Examiner determined steps (a)–(e) are similar to steps recited in claims that have been held to be abstract by the courts, such as obtaining and comparing intangible data. *See id.* (citing *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1372 (Fed. Cir. 2011)). The Examiner further determined that claim 21 does not recite additional element(s), considered individually and as an ordered combination, that amount to significantly more than the judicial exception. *Id.* at 7–8.

In so doing, the Examiner notified Appellants of the reasons for the rejection under 35 U.S.C. § 101 in a sufficiently articulate and informative manner as to meet the notice requirement of 35 U.S.C. § 132, thereby establishing a prima facie case of patent ineligibility. *See In re Jung*, 637 F.3d 1356, 1362 (Fed. Cir. 2011) (holding that the USPTO carries its procedural burden of establishing a prima facie case when its rejection satisfies the notice requirements of 35 U.S.C. § 132 by notifying the applicant of the reasons for the rejection, “together with such information and references as may be useful in judging the propriety of continuing [] prosecution”).

Judicial Exception

The Federal Circuit has explained that “the ‘directed to’ inquiry applies a stage-one filter to claims, considered in light of the [S]pecification,

based on whether ‘their character as a whole is directed to excluded subject matter.’” *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016) (quoting *Internet Patents Corp.*, 790 F.3d at 1346). Here, the Specification is titled “SYSTEM AND METHOD FOR TRANSPONDER-ENABLED ACCOUNT TRANSACTIONS,” and discloses that the present invention relates to “the field of electronic commerce.” Spec. 1:5–7; *see also id.* at 1:27–28. The Background of the Invention section of the Specification describes that transducers for commercial transaction processing have rising popularity, but suffer from disadvantages. *Id.* at 1: 10–21. One disadvantage is that a transducer requires offsite computing facilities, because it is not encoded with account information necessary to complete a transaction. *Id.* at 2:1–4. Another disadvantage is that initiation of a new account “requires backend processing facilities to enter a new user’s account to the remote data processing facility, as well as to encode and associate the transponder with the new account.” *Id.* at 2:7–10. Appellants’ invention seeks to provide “[m]ore streamlined, convenient and flexible transaction technology.” *Id.* at 2:10–11.

Claim 21 recites the following limitations: “receiving . . . a second transaction account number” (limitation (a)); “receiving . . . a transponder identification number associated with a first transaction account” (limitation (b)); “associating . . . the transponder identification number with the second transaction account” (limitation (c)); “updating an account table . . . with the second transaction account” (limitation (d)); and “wherein the transponder identification number is associated with the first and second transaction accounts, and wherein the transponder identification number is authorized to be used for multiple transactions” (limitation (e)). These

limitations, under their broadest reasonable interpretation in light of the Specification, recite a method for updating an identifier for transactions to include an additional transaction account, i.e., a commercial interaction, which is a method of organizing human activity and, therefore, an abstract idea. *See* 2019 REVISED PATENT SUBJECT MATTER ELIGIBILITY GUIDANCE, 84 Fed. Reg. 50, 52 (Jan. 7, 2019) (“Revised Guidance”).

Practical Application

Under the Revised Guidance, if a claim recites a judicial exception (e.g., a method of organizing human activity), it must then be analyzed to determine whether the recited judicial exception is integrated into a practical application of that exception. Revised Guidance 54. Specifically, we identify whether there are any additional elements recited in the claim beyond the judicial exception, and evaluate the additional elements individually and in combination to determine whether they integrate the exception into a practical application. *Id.* at 54–55. Here, claim 21 additionally recites that a “transponder server system” performs or “automatically” performs limitations (a)–(d), and using a “programmed computer processor” (limitations (a)–(c)). However, as the Examiner observes (Final Act. 7), these elements are recited at a high level of generality, i.e., as generic computer components operating in their ordinary capacity (e.g., receiving data, associating data, updating data). *See, e.g.*, Spec. 3:19–4:8, 7:4–8:14. Accordingly, these additional elements do not reflect an improvement to the functioning of a computer or other technology beyond implementation of the abstract idea.

Appellants argue that

the claims here recite improvements to conventional systems and methods for associating a transponder identification number that is associated with a first transaction account with a second transaction account so that the transponder identification number may be authorized to be use for transactions involving the first and second transaction accounts,

which Appellants contend is a non-conventional and non-generic arrangement of claim elements. App. Br. 13 (citing *BASCOM Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016)).

However, the inventive concept identified by Appellants constitutes the abstract idea, not additional elements beyond the abstract idea sufficient to transform the abstract idea into a patent-eligible application.

In *BASCOM*, the Federal Circuit held that “[t]he inventive concept described and claimed in the [asserted] patent is the installation of a filtering tool at a specific location, remote from the end-users, with customizable filtering features specific to each end user.” *BASCOM*, 827 F.3d at 1350. The court explained that the remote location of a filtering tool having customizable user-specific filtering features provides the filtering tool for both the benefits of a filter on a local computer and the benefits of a filter on the ISP server, which is a technical improvement over prior art ways of filtering content. *Id.* at 1350–51. Here, Appellants have not demonstrated any particular arrangement in the claim as providing an inventive concept parallel to *BASCOM*’s technology-based solution.

To the extent Appellants argue that claim 21 is necessarily rooted in computer technology to overcome a problem specifically arising in the realm of computer networks (*see* App. Br. 13–14 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014))), we are not

persuaded. In *DDR Holdings*, the Federal Circuit determined that the claims addressed the problem of retaining website visitors who, if adhering to the routine, conventional functioning of Internet hyperlink protocol, would be transported instantly away from a host’s website after clicking on an advertisement and activating a hyperlink. *Id.* at 1257. Specifically, the court determined that the claims “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.” *Id.* at 1258. The Federal Circuit, thus, held that the claims were directed to eligible subject matter because they claim a solution “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” *Id.* at 1257. Here, Appellants do not identify, and we do not find, any challenge particular to the Internet, or otherwise analogous to the claims in *DDR Holdings*. Appellants describe, for example, that the claimed updating avoids “[t]he paperwork, delay, possibility for error and other drawbacks of paper-based back end account registration.” *See* Spec. 9:10–11. As our reviewing court has made clear, “relying on a computer to perform routine tasks more quickly or more accurately is insufficient to render a claim patent eligible.” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015).

Appellants argue that claim 21 is patent-eligible because it does not preempt the abstract idea. App. Br. 14–16 (citing *McRO*, 837 F.3d at 1312). Specifically, Appellants contend that claim 21 does not broadly preempt all means for associating a transponder identification number with a second transaction account, “but rather [recites] one very specific process for accomplishing a specific result.” App. Br. 15–16. However, the Federal

Circuit in *McRO* premised its determination that the claims were patent-eligible on the fact that the claims, when considered as a whole, were directed to a technological improvement over the existing, manual 3-D animation techniques and used limited rules in a process specifically designed to achieve an improved technological result in industry practice. We are not persuaded that a comparable technological improvement is presented here.

Furthermore, “[t]he Supreme Court has made clear that the principle of preemption is the basis for the judicial exceptions to patentability” and “[f]or this reason, questions on preemption are inherent in and resolved by the § 101 analysis.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015) (citing *Alice Corp.*, 573 U.S. at 216). Although “preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Id.*

We find no indication that the additional elements implement the abstract idea with a particular machine or manufacture that is integral to the claimed invention. Instead, claim 21 implements the abstract idea with known computer components. We also find no indication in the Specification that the claimed invention effects a transformation or reduction of a particular article to a different state or thing. Nor do we find anything of record, short of attorney argument, indicating that the additional element applies the abstract idea in a meaningful way beyond generally linking the use of the abstract idea to a particular technological environment, or that otherwise indicates that the claimed invention integrates the abstract idea

into a “practical application,” as that phrase is used in the Revised Guidance.⁴

Inventive Concept

Turning to step two, we consider whether claim 21 recites additional elements, alone or in combination, that amount to significantly more than the recited abstract idea. Here, claim 21 additionally recites a “transponder server system,” a “programmed computer processor,” a “network,” and a “transponder.” However, the Specification indicates these components are no more than generic computer components. *See, e.g.*, Spec. 3:19–4:9, 7:4–8:14.

Appellants argue that claim 21 recites significantly more than the abstract idea because it recites a process that “***could not occur absent a computer.***” App. Br. 13 (citing *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Yet, the Federal Circuit in *DDR Holdings* did not hold that the claims were patent eligible because they could not occur absent a computer. To the contrary, the Federal Circuit determined 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

⁴ The Revised Guidance references the MANUAL OF PATENT EXAMINING PROCEDURE (“MPEP”) § 2106.05(a)–(c) and (e)–(h) in describing the considerations that are indicative that an additional element or combination of elements integrates the judicial exception, e.g., the abstract idea, into a practical application. *Id.* at 55. If the recited judicial exception is integrated into a practical application, as determined under one or more of these MPEP sections, the claim is not “directed to” the judicial exception.

purely conceptual realm ‘is beside the point.’” *DDR Holdings*, 773 F.3d at 1256 (citation omitted).

We have considered each of Appellants’ arguments presented in the Appeal Brief and the Reply Brief. However, none persuades us of error in the Examiner’s determination that claim 21 is directed to an abstract idea without significantly more. Accordingly, we sustain the rejection of independent claim 21 under 35 U.S.C. § 101, and claims 22, 23, 33–35, and 49–58, which fall with claim 21.

DECISION

The Examiner’s rejection of claims 21–23, 33–35, and 49–58 under 35 U.S.C. § 112, first paragraph, is reversed.

The Examiner’s rejection of claims 21–23, 33–35, and 49–58 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)(1)(iv).

AFFIRMED