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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte PETER GROARKE

Appeal 2018-000600
Application 13/782,385
Technology Center 3600

Before DAVID M. KOHUT, BETH Z. SHAW, and
STEVEN M. AMUNDSON, *Administrative Patent Judges*.

SHAW, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellant appeals under 35 U.S.C. § 134 from a rejection of claims 1, 4–14, and 17–27. We have jurisdiction under 35 U.S.C. § 6(b).

We affirm.

The claims are directed to a method and system for a hosted merchant and cardholder transaction cache. Claim 1, reproduced below, is illustrative of the claimed subject matter:

1. A method for hosting a cache of electronically processed financial transaction data, comprising:
 - receiving, by a receiving device of a hosting server and from a payment network, merchant and cardholder transaction data;
 - storing, in a memory of a hosting server, a cache of the received merchant and cardholder transaction data as a plurality of transaction data entries, wherein each transaction data entry

includes data related to a previously conducted financial transaction involving at least one of a plurality of merchants and includes at least a merchant identifier, a consumer identifier, a transaction time and/or date, and transaction data;

receiving, by the receiving device of the hosting server, via a communications network and from a first merchant point of sale device or a first consumer device, a transaction cache request, wherein the transaction cache request comprises at least a first merchant identifier and a first consumer identifier, and wherein the first merchant point of sale device corresponds to the first merchant identifier and the first consumer device corresponds to the first consumer identifier;

identifying, by a processing device of the hosting server and based upon the received transaction cache request, a first merchant-cardholder transaction subset, wherein the first merchant-cardholder transaction subset comprises a subset of the plurality of transaction data entries and where each transaction data entry in the transaction data entry subset comprises at least the first merchant identifier and the first consumer identifier;

transmitting, by a transmitting device of the hosting server and via the communications network, the first merchant-cardholder transaction subset to the first merchant point of sale device or the first consumer device;

storing, in an offer database stored in the memory of the hosting server, a plurality of offer data entries, wherein each offer data entry includes data related to an offer and includes at least an offer identifier and at least one predetermined criteria;

identifying, by the processing device of the hosting server, at least one offer data entry in the plurality of offer data entries where the included at least one predetermined criteria is satisfied based on an analysis of the first merchant-cardholder transaction subset; and

transmitting, by the transmitting device of the hosting server and to one of the first merchant point of sale device and the first consumer device, the offer related to each offer data entry of the identified at least one offer data entry.

REJECTIONS

The Examiner made the following rejections:

Claims 1, 4–14, and 17–27 are rejected under 35 U.S.C. § 101.

Claims 1, 4, 6–8, 10–14, 17, 19–21, and 23–27 are rejected under pre-AIA 35 U.S.C. § 103(a) as being unpatentable over Magpayo et al. (US 2013/0073464) (“Magpayo”) in view of Blomeyer et al. (US 2013/0013386) (“Blomeyer”).

Claims 5, 9, 18, and 22 are rejected under pre-AIA 35 U.S.C. § 103(a) as being unpatentable over Magpayo, Blomeyer, and Strock et al. (US 2004/0122736) (“Strock”).

CONTENTIONS AND ANALYSIS

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: “[I]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, 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, 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*, 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.”).

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 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019) (“Memorandum”). 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* MPEP § 2106.05(a)–(c), (e)–(h) (Rev. 08.2017 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.

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See Memorandum.

The Examiner determines claim 1 is directed to the abstract idea of providing offers to consumers based on financial transaction information, which is considered a fundamental economic practice, an idea of itself, and a method of organizing human activities. Final Act. 2. Appellant argues the Examiner mischaracterized the claim by failing to consider elements of the claim and the claimed subject matter as a whole or as an ordered combination of features. App. Br. 10; Reply Br. 2–4. Appellant addresses the claims as a group (App. Br. 7–14; Reply Br. 2–4), and we treat claim 1 as representative. Appellant argues “the appealed claims provide a technical solution offering benefits over prior transaction record-keeping and offer distribution systems and methods by providing a hosted cache, rather than a locally managed merchant-bookkeeping system.” Reply Br. 4.

In this case, we are not persuaded by Appellant’s arguments. We agree with the Examiner that the claim is directed to an abstract idea because it is directed to a method of organizing human activity, including a fundamental economic practice, as discussed below. The steps of claim 1, including:

receiving, by a receiving device of a hosting server and from a payment network, merchant and cardholder transaction data;

storing, in a memory of a hosting server, a cache of the received merchant and cardholder transaction data as a plurality of transaction data entries, wherein each transaction data entry includes data related to a previously conducted financial transaction involving at least one of a plurality of merchants and includes at least a merchant identifier, a consumer identifier, a transaction time and/or date, and transaction data;

receiving, by the receiving device of the hosting server, via a communications network and from a first merchant point

of sale device or a first consumer device, *a transaction cache request, wherein the transaction cache request comprises at least a first merchant identifier and a first consumer identifier, and wherein the first merchant point of sale device corresponds to the first merchant identifier and the first consumer device corresponds to the first consumer identifier;*

identifying, by a processing device of the hosting server and based upon the received transaction cache request, a first merchant-cardholder transaction subset, wherein the first merchant-cardholder transaction subset comprises a subset of the plurality of transaction data entries and where each transaction data entry in the transaction data entry subset comprises at least the first merchant identifier and the first consumer identifier;

transmitting, by a transmitting device of the hosting server and via the communications network, the first merchant-cardholder transaction subset to the first merchant point of sale device or the first consumer device;

storing, in an offer database stored in the memory of the hosting server, a plurality of offer data entries, wherein each offer data entry includes data related to an offer and includes at least an offer identifier and at least one predetermined criteria;

identifying, by the processing device of the hosting server, at least one offer data entry in the plurality of offer data entries where the included at least one predetermined criteria is satisfied based on an analysis of the first merchant-cardholder transaction subset; and

transmitting, by the transmitting device of the hosting server and to one of the first merchant point of sale device and the first consumer device, the offer related to each offer data entry of the identified at least one offer data entry,

recite steps of receiving and storing financial data, identifying a subset of financial transaction data, transmitting the data subset, storing offers, identifying an offer, and transmitting the offer. These steps fall under the umbrella of managing transactions or sales activities. The Federal Circuit has determined that many patents relate to “a fundamental economic practice long prevalent in our system of commerce.” *Alice*, 573 U.S. at 219

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(quoting *Bilski*, 561 U.S. at 611); see, e.g., *Intellectual Ventures I LLC v. Capital One Bank*, 792 F.3d 1363 (Fed. Cir. 2015) (an advertisement taking into account the time of day and tailoring the information presented to the user based on that information is another “fundamental . . . practice long prevalent in our system”); *Credit Acceptance Corp. v. Westlake Servs.*, 859 F.3d 1044 (Fed. Cir. 2017) (patent claims directed to system and method for providing financing to allow a customer to purchase a product selected from an inventory of products maintained by a dealer patent ineligible as directed to the abstract idea of processing an application for financing a purchase, an economic practice long prevalent in commerce). Therefore, we agree with the Examiner that claim 1 is directed to the abstract idea of providing offers to consumers based on financial transaction information, which is a fundamental economic practice similar to those in *Intellectual Ventures I LLC* and *Credit Acceptance Corp.*

In accordance with the PTO’s policy guidance, and looking to MPEP § 2106.05(a)-(c) and (e)-(h), we determine that the additional elements of claim 1, both individually and as an ordered combination, do not integrate a judicial exception, in this case abstract concepts, into a practical application. Claim 1 is directed to little more than the implementation of the abstract idea on generic computer servers and devices. The claim as a whole merely describes how to generally “apply” the concept of receiving, storing, and transmitting financial transaction information in a computer environment. The claimed computer components are recited at a high level of generality and are merely invoked as tools to perform an existing offer process. Simply implementing the abstract idea on a generic computer is not a practical application of the abstract idea.

Accordingly, the claim as a whole does not integrate the abstract idea into a practical application because the claim limitations do not impose any meaningful limits on practicing the abstract idea.

Appellant argues the claims are analogous to *BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016). App. Br. 12, 13. We have considered Appellant’s arguments in light of *BASCOM*, and, for the reasons set forth below, we conclude *BASCOM* does not alter our determination that the claims do not include an inventive concept—an element or combination of elements sufficient to ensure that the claim amounts to significantly more than the abstract idea and to transform the nature of the claim into a patent-eligible concept.

In *BASCOM*, the court determined at the pleading stage and decided in favor of the nonmovant,

The inventive concept described and claimed . . . 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. This design gives the filtering tool both the benefits of a filter on a local computer and the benefits of a filter on the ISP server. *BASCOM* explains that the inventive concept rests on taking advantage of the ability of at least some ISPs to identify individual accounts that communicate with the ISP server, and to associate a request for Internet content with a specific individual account.

Id. at 1350 (emphasis added).

The rejected claims are unlike the claims of *Bascom* because they are not directed to an “installation of a filtering tool at a specific location, remote from the end-users, with customizable filtering features specific to each end user.” *Id.* Nor do they “give[] the filtering tool both the benefits of a filter on a local computer and the benefits of a filter on the ISP server.” *Id.*

In fact, the pending claims do not even recite any filtering or ISP server.

Accordingly, we sustain the Examiner's rejection of claims 1, 4–14, and 17–27 under 35 U.S.C. § 101 as directed to patent-ineligible subject matter.

Section 103 Rejection

Appellant cites paragraphs 2 and 11–13 of Blomeyer and then states nothing in Blomeyer teaches or suggests the receipt a “transaction cache request” in claim 1. App. Br. 14; Reply Br. 4, 5. We are not persuaded by this conclusory argument, which is unsupported by the record. Claim 1 recites, in part, receiving “a transaction cache request, wherein the transaction cache request comprises at least a first merchant identifier and a first consumer identifier.” Appellant does not explain why Blomeyer fails to teach this element. We agree with the Examiner that paragraphs 2 and 11–13 of Blomeyer teach the claimed transaction cache request because Blomeyer teaches receiving a specific customer identifier and a retailer identifier. Blomeyer ¶¶ 12, 13; Ans. 4, 5.

Appellant also argues Magpayo does not teach the claimed “transmitting . . . the first merchant-cardholder transaction subset” to either a merchant *point of sale* device or a consumer device. App. Br. 16. The Examiner finds Magpayo teaches transmitting transactions and account numbers along with merchant information to the merchant aggregator. Ans. 5, 6. Appellant argues the merchant aggregator is not sufficient to teach the merchant point of sale device or a consumer device. App. Br. 16.

We agree that, on this record, the cited portions of Magpayo do not appear to teach “transmitting . . . the first merchant-cardholder transaction subset” to either a merchant point of sale device or a consumer device. Rather, in the cited portions of Magpayo, the system transmits the data to the

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merchant aggregator, which is shown in communication with merchants. The Examiner has not explained sufficiently on this record, however, how transmitting the information to the merchant aggregator teaches transmitting the information to either a merchant point of sale device or a consumer device. Although transmitting the subset of information to a merchant point of sale device or a consumer device instead of Magpayo's "merchant aggregator" may be have been obvious to one skilled in the art, constrained as we are by the record before us, we do not sustain the rejection of claim 1 under Section 103. For the same reasons, and because the Examiner has not shown that Strock cures the deficiencies discussed above, we do not sustain the Section 103 rejection of claims 4–14 and 17–27.

DECISION

Because we affirm at least one ground of rejection, we affirm the Examiner's rejection of claims 1, 4–14, and 17–27.

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) (2009).

AFFIRMED