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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte RICHARD N. HILDRED

Appeal 2018-001865
Application 12/512,340¹
Technology Center 3600

Before MARC S. HOFF, STEPHEN C. SIU, and SCOTT E. BAIN,
Administrative Patent Judges.

HOFF, *Administrative Patent Judge.*

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellant appeals under 35 U.S.C. § 134 from a Final Rejection of claims 1–6 and 11–14. We have jurisdiction under 35 U.S.C. § 6(b).

We affirm.

¹ Appellant states that the real party in interest is NCR Corporation. App. Br. 2.

Appellant's invention is a computer-implemented method of processing payments for a merchant selling goods or services. The method comprises, at a first time, receiving from the consumer a first payment made by check, and at a second time, receiving from said consumer a second payment made by credit card. Spec. 1–2. Processing is performed to link the check and credit card purchases to the same consumer, allowing the merchant to link the two purchases without having to ask the consumer for any personal information. Abstract.

Claim 1 is reproduced below:

1. A computer-implemented method of processing payments for a merchant selling goods or services to a consumer, the computer-implemented method comprising:
 - at a first time, receiving from the consumer a first payment made by a check for a first purchase of goods or services;
 - electronically by a processor, identifying account details associated with the check;
 - electronically by a processor, comparing the account details associated with the check with account details of accounts already stored in an accounts database;
 - electronically by a processor, determining if the account details associated with the check can be matched to account details of an account already stored in the accounts database;
 - electronically by a processor, if a determination is made that the account details associated with the check does not match account details of an account already stored in the accounts database, creating a new account using the account details associated with the check and adding the new account to the accounts database without having to ask the consumer for any personal information when the new account is being added as a new account to the accounts database and without having had to ask the consumer for any personal information when the first payment was being received from the consumer;

electronically by a processor, if a determination is made that the account details associated with the check does match account details of an account already stored in the accounts database, alerting the merchant that the account details associated with the check for the first purchase of goods or services have been matched to account details of an account already stored in the accounts database;

at a second time which is after the first time, receiving from the consumer a second payment made by a credit card for a second purchase of goods or services;

electronically by a processor, identifying account details associated with the credit card;

electronically by a processor, comparing the account details associated with the credit card with account details of accounts already stored in the accounts database;

electronically by a processor, determining if the account details associated with the credit card can be matched to account details of an account already stored in the accounts database;

electronically by a processor, if a determination is made that the account details associated with the credit card does not match account details of an account already stored in the accounts database, creating a new account using the account details associated with the credit card and adding the new account to the accounts database without having to ask the consumer for any personal information when the new account is being added as a new account to the accounts database and without having had to ask the consumer for any personal information when the second payment was being received from the consumer;

electronically by a processor, if a determination is made that the account details associated with the credit card does match account details of an account already stored in the accounts database, alerting the merchant that (i) the account details associated with the credit card for the second purchase of goods or services have been matched to account details of an account already stored in the accounts database, and (ii) the second purchase of goods or services made by the credit card

and the first purchase of goods or services made by the check were made by the same person;

incrementing by a processor, a token counter each time a match is made between information extracted from a particular method of payment with a particular account already stored in the accounts database;

comparing a current value of the token counter and determining whether matches are acceptable and when the current value is below a predetermined token number but different methods of payment are used by the person at a same store location determining a match has successfully occurred and when the current value is below the predetermined token number identifying other affirmative steps of verification to perform before identifying a successful match; and

maintaining with the new account created for or the particular account of the consumer purchasing habits for a merchant for both the first purchase and the second purchase even when the first purchase and the second purchase use different payment methods and are processed over different channels.

Claims 1–6 and 11–14 stand rejected under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter.

Throughout this decision, we make reference to the Appeal Brief (“App. Br.,” filed Aug. 29, 2017), the Reply Brief (“Reply Br.,” filed Dec. 11, 2017), and the Examiner’s Answer (“Ans.,” mailed Oct. 11, 2017) for their respective details.

ISSUES

1. Is the claimed invention directed to a judicial exception?
2. Is the judicial exception integrated into a practical application?

PRINCIPLES OF LAW

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. *See, 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, 192 (1981)); “tanning, dyeing, making waterproof 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 January 7, 2019 Memorandum, *2019 Revised Patent*

Subject Matter Eligibility Guidance (“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)).

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 are 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

SECTION 101 REJECTION

Independent claim 1 is directed to a computer-implemented method of processing payments, including determining if account details of a check can be matched to details of another account in the database; automatically creating a new account if the details do not match; alerting the merchant if the details do match; at another time, determining if account details of a credit card can be matched to details of another account in the database;

automatically creating a new account if the details do not match; alerting the merchant if the details do match; performing certain verification details; and maintaining purchasing habits across payment methods. Appellant presents a unitary argument directed to all claims together. Accordingly, we select claim 1 for discussion as representative of the rejected claims.

ABSTRACT IDEA – FUNDAMENTAL ECONOMIC PRACTICE

We agree with the Examiner that the claimed invention is directed to the abstract idea of a fundamental economic practice. *Ans. 3; Alice*, 573 U.S. at 219–20 (concluding that use of a third party to mediate settlement risk is a “fundamental economic practice” and thus an abstract idea); *id.* (describing the concept of risk hedging identified as an abstract idea in *Bilski* as “a method of organizing human activity”); *Bilski*, 561 U.S. at 611–12 (concluding that hedging is a “fundamental economic practice” and therefore an abstract idea); *Bancorp Servs. L.L.C. v. Sun Life Assurance Co.*, 687 F.3d 1266, 1280 (Fed. Cir. 2012) (concluding that “managing a stable value protected life insurance policy by performing calculations and manipulating the results” is an abstract idea); *Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372, 1378–79 (Fed. Cir. 2017) (holding that concept of “local processing of payments for remotely purchased goods” is a “fundamental economic practice, which *Alice* made clear is, without more, outside the patent system.”); *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362–63 (Fed. Cir. 2015) (citation omitted) (concluding that claimed concept of “offer-based price optimization” is an abstract idea “similar to

other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and this court”).

We determine that the claimed payment processing using different payment types is a fundamental economic practice (concepts demonstrated to be fundamental, long prevalent, well-known, and extensively used for many years) because check and credit card payment processing have been in long-standing operation, with or without the involvement of technological means.

Further, we agree with the Examiner that the claimed steps of payment processing using different payment types correspond to concepts identified as abstract ideas by the courts. Final Act. 3. In *Electric Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350 (Fed. Cir. 2016), the claimed invention concerned detecting events on an electric power grid, comprising receiving a plurality of data streams, receiving data from other power system data sources, receiving data from non-grid data sources, detecting and analyzing events in real-time from the plurality of data streams, and displaying the event analysis results and diagnoses of events, displaying concurrent visualization of measurements from the data streams, accumulating and updating the measurements from the data streams, and deriving a composite indicator of reliability. *Id.* at 1351. Similarly, the claimed invention concerns detecting financial transaction events from a plurality of data streams, analyzing financial events in real time, and displaying or transmitting the results of said analysis. In *Content Extraction & Transmission v. Wells Fargo Bank, N.A.*, 776 F.3d 1343 (Fed. Cir. 2014), the claimed invention concerned processing information from hard copy documents, including storing information from digitized documents to a

memory, recognizing portions of said documents corresponding to a first data field, and storing information from said portions of said document corresponding to said first data field into memory. *Id.* at 1345. Similarly, in the claimed invention, pertinent information regarding customer transactions is recognized from among other information and stored. In both *Electric Power Group* and *Content Extraction*, the court concluded that the claimed invention was directed to an abstract idea. *See* Ans. 4. We agree with the Examiner that analyzing payment data to determine if the customer is a new customer, or an existing customer who has made payment by a different form similarly constitutes an abstract idea.

INTEGRATION INTO A PRACTICAL APPLICATION

We determine that identified abstract idea is not integrated into a practical application. The claimed invention does not constitute an improvement to the functioning of a computer; rather, we determine that it merely constitutes the adaptation of an abstract idea, previously performed mentally or manually, to execution as steps performed by a computer. MPEP § 2106.05(a). The invention is directed to the use of the computer as merely a tool to perform an existing process, in this case, processing check and credit card payments, and, under certain circumstances, opening new accounts. We agree with the Examiner that “[m]atching payment data of a present transaction with preexisting records as recited does not suggest an improvement to an existing technology or a technological solution to a problem.” Ans. 6. Appellant’s Specification makes clear that an object of the invention is “to identify that the consumer in the first transaction and the consumer in the second transaction are the same person.” Spec. 1. A

disclosed advantage of the linkage between the check payment and credit card payment is that

the merchant is able to identify a single individual person amongst a plurality of commercial transactions even though this person used a different payment instrument in each of the plurality of transactions. . . . This knowledge about the person may enable the merchant to custom design a marketing campaign targeted specifically for this person.

Spec. 6. Appellant concedes that the claimed invention may be performed by “suitable servers and microcomputers” that are “readily available.” Spec. 2. We find that the ability to design an individualized marketing campaign constitutes only an improvement to the underlying abstract idea, using the computer merely as a tool. *Id.*

Appellant argues that the customer tracking across multiple payment methods “at least improves the capabilities associated with purchase verification by extending and enhancing such existing capabilities” and that the present claims “improve the technological processes transaction verification processing.” Reply Br. 2–3. Appellant provides no evidence in support of these alleged improved capabilities, and fail to explain how the case law mentioned in passing (*Enfish, McRO, NVIDIA, Bascom*)² is analogous to the invention under appeal. *See* App. Br. 10–11. We are not persuaded that the claimed invention constitutes an improvement to the

² *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016); *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016); *Visual Memory, LLC v. NVIDIA Corp.*, 867 F.3d 1253 (Fed. Cir. 2017); *BASCOM Glob. Internet Servs. v. AT&T Mobility, LLC*, 827 F.3d 1341 (Fed. Cir. 2016).

functioning of a computer, rather than an improvement to the underlying abstract idea of payment processing and customer purchase history tracking.

Turning to the other examples under the Guidelines of an abstract idea integrated into a practical application, the claimed invention is not applied with, or by use of, a particular machine. MPEP § 2106.05(b). Appellant's invention does not cause the transformation or reduction of a particular article to a different state or thing. MPEP § 2106.05(c). We agree with the Examiner that Appellant's invention constitutes mere instructions to implement an abstract idea on a computer. Ans. 6; MPEP § 2106.05(f).

In response to Appellant's argument that the claims do not "present any concern of preempting any existing commercial or known human-based activity," (App. Br. 12), a lack of preemption does not necessarily demonstrate patent eligibility. Ans. 7. "Where 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).

WELL-UNDERSTOOD, ROUTINE, AND CONVENTIONAL

Having determined that the claims recite a judicial exception, and do not integrate that exception into a practical application, we consider whether the claim adds a specific limitation beyond the judicial exception that is not "well understood, routine, and conventional" in the field. USPTO, 2019

Revised Patent Subject Matter Eligibility Guidance, 84(4) Fed. Reg. 50, 56 (January 7, 2019) (“Revised Guidance”).

Appellant’s claimed invention (independent claims 1, 6) recites “a computer-implemented method of processing payments.” Several of the steps of the claimed method are recited as performed by “a processor.”

Appellant’s Specification discloses a computer-implemented process that “may be carried [out] by a merchant server or microcomputer (both not shown). Suitable servers and microcomputers are readily available in the marketplace and, therefore, will not be described.” Spec. 2. Appellant’s statement that “readily available” hardware may be used to perform the disclosed and claimed method, and that such hardware need not be described, is tantamount to an admission that the means for performing the steps of the claimed method are “well-understood, routine, and conventional.” Similarly, Appellant’s disclosure of the claimed “processor” can be interpreted as being at a high level of generality.

Appellant’s argument that the absence of a prior art rejection in the invention under appeal leads to a conclusion that the combination of elements and processing must necessarily be unconventional and novel is not persuasive. App. Br. 13. Novelty under § 102 and non-obviousness under § 103 are separate and distinct inquiries from the question of patent eligibility under § 101.

We conclude that none of the claim limitations, viewed “both individually and as an ordered combination,” amount to significantly more than the judicial exception in order to sufficiently transform the nature of the claims into patent-eligible subject matter. *See Alice*, 573 U.S. at 217

Appeal 2018-001865
Application 12/512,340

(citation and quotation marks omitted). Accordingly, we sustain the Examiner's 35 U.S.C. § 101 rejection of claims 1–6 and 11–14.

CONCLUSIONS

1. The claimed invention is directed to a judicial exception.
2. The judicial exception is not integrated into a practical application.

DECISION

The Examiner's decision to reject claims 1–6 and 11–14 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).

AFFIRMED