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UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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Ex parte MARK J. DICKELMAN

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Appeal 2018-002159
Application 14/334,170
Technology Center 3600

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Before CARL W. WHITEHEAD JR., JEREMY J. CURCURI and
JOHN R. KENNY, *Administrative Patent Judges.*

WHITEHEAD JR., *Administrative Patent Judge.*

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellant[1] is appealing the final rejection of claims 1–21 under

35 U.S.C. § 134(a). Appeal Brief 4. We have jurisdiction under 35 U.S.C.

§ 6(b).

We affirm.

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[1] Appellant identifies JPMorgan Chase Bank, N.A. as the real party in
interest. Appeal Brief 2.

Introduction

"The present invention relates generally to payment processing, and more particularly, to a payment processing system and method providing for effectively converting an initial type of financial transaction into a more advantageous final type of financial transaction." Specification 1.

Illustrative Claim

1.   A computer-implemented method for converting an initial financial transaction to a final financial transaction, the method comprising:
        storing instructions in a computer memory coupled to at least one computer processor;
        receiving over a network, from a mobile computing device physically remote from a merchant via a merchant server, electronic data of a first card instrument associated with a cardholder;
        generating a card-not-present (CNP) payment transaction based on said received electronic data of said first card instrument;
        receiving, over the network, card data read by a point of authentication (POA) device from the first card instrument or a second card instrument associated with said cardholder;
        accessing the stored instructions by the at least one computer processor; and
        executing the stored instructions to convert, by the at least one computer processor, said CNP payment transaction to a card-present (CP) payment transaction, the CP payment transaction being based at least in part on the card data read by said POA device and effectively replacing said CNP payment transaction.

Rejection on Appeal

Claims 1–21 stand rejected under 35 U.S.C. § 101 because the claimed invention is directed to non-statutory subject matter. Final Action 2–4.

ANALYSIS

Rather than reiterate the arguments of Appellant and the Examiner,
we refer to the Appeal Brief (filed October 18, 2017), the Reply Brief (filed
December 20, 2017), the Final Action (mailed May 18, 2017) and the
Answer (mailed November 2, 2017), for the respective details.

35 U.S.C. § 101 rejection

The Examiner determines the claims are patent ineligible under
35 U.S.C. § 101 because the claims are directed to an abstract idea
comprising a fundamental economic practice or organizing human activity,
and do not include additional elements that are sufficient to amount to
significantly more than the abstract idea. Final Action 2–3 ("[T]he claim
recites receiving information of the card instrument, reading, extracting data,
using the received information to organize, generate the card-not-present
(CNP) payment transaction, compare and convert the CNP payment
transaction to a card-present (CP) payment transaction."); *see* Answer 11
(citing Specification page 1, lines 10–12); *see also Alice Corp. v. CLS Bank
Int'l*, 573 U.S. 208, 217 (2014) (describing the two-step framework "for
distinguishing patents that claim laws of nature, natural phenomena, and
abstract ideas from those that claim patent-eligible applications of those
concepts").

After the mailing of the Answer and the filing of the Briefs in this
case, the USPTO published revised guidance on the application of § 101.
2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50
(Jan. 7, 2019) (hereinafter "Memorandum"). Under the Memorandum, the
Office first looks 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, does the Office 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.

We are not persuaded the Examiner's rejection is in error. We adopt the Examiner's findings and conclusions as our own, and we add the following primarily for emphasis and clarification with respect to the Memorandum.

Appellant argues the pending claims are not directed to an abstract idea "when every limitation is taken into consideration and the invention is viewed as a whole." Appeal Brief 12. Appellant further argues,

[t]he claimed invention is not limited to merely using transactional information or directed to the naked idea of converting a payment transaction. Rather, the entire claimed invention, if properly appreciated as a whole, involves both the receipt/collection of payment/transaction data (e.g., from a physical payment instrument and POA device) and the use of such data for conversion of payment transactions.

Appeal Brief 13.

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We agree with the Examiner's determination that the claims are directed to an abstract idea. *See* Final Action 2. The Abstract discloses that the invention is "a system and method for converting initial financial transactions into final financial transactions entailing lower transaction fees or which are otherwise more advantageous."

The Specification discloses:

> An embodiment of the present invention comprises a system and method for converting initial financial transactions into final financial transactions entailing lower transaction fees or which are otherwise more advantageous or efficient. According to one embodiment of the invention, a card not present (CNP) transaction is conducted for a remote (e.g., physically remote insofar the card can not be handed over at that time) consumer buying goods/services. When the consumer later arrives at a point of authentication (POA), the consumer is presented with an opportunity to have the CNP transaction effectively converted to a card present (CP) transaction using the same card instrument or a different card instrument.

Specification 5–6.

Claim 1 recites "A computer-implemented method for converting an initial financial transaction to a final financial transaction"; "generating a card-not-present (CNP) payment transaction based on said received electronic data of said first card instrument"; and "executing the stored instructions to convert, by the at least one computer processor, said CNP payment transaction to a card-present (CP) payment transaction, the CP payment transaction being based at least in part on the card data read by said POA device and effectively replacing said CNP payment transaction." *See* Memorandum, Section I (Groupings of Abstract Ideas); *see also* Specification 5–7. Our reviewing court has found claims to be directed to

abstract ideas when they recited similar subject matter. *See 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 . . . .");
Dealertrack, Inc. v. Huber, 674 F.3d 1315, 1333 (Fed. Cir. 2012) (claims
directed to abstract idea of processing loan information through a
clearinghouse); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 715 (Fed.
Cir. 2014) (sequence of receiving, selecting, offering for exchange, display,
allowing access, and receiving payment recited an abstraction); *Inventor
Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372, 1378 (Fed. Cir.
2017) (holding that sequence of data retrieval, analysis, modification,
generation, display, and transmission was abstract). Therefore, we conclude
the claims recite an abstract idea pursuant to Step 2A, Prong One of the
guidance. *See* Memorandum, Section III(A)(1) (Prong One: Evaluate
Whether the Claim Recites a Judicial Exception).

Appellant argues:

> The claims in *Enfish* related to "a specific type of data
> structure designed to improve the way a computer stores and
> retrieves data in memory[.]" *Enfish* at 1691. The present claims
> are similarly directed to systems and methods for electronically
> converting and replacing a CNP payment transaction with a CP
> transaction. Indeed, the claims utilize integrated hardware and
> software components to achieve this result, and do not fall into
> the category of "generic computer functions merely used to
> implement the abstract ideas[.]" *Final Office Action at 4.*

Appeal Brief 16.

We do not find Appellants' arguments persuasive because the claims
utilize a computer network, telephonic network, Internet, mail system or
other private or public computer network as merely a tool to process
financial transactions initiated by a mobile computing device. *See*

Specification 6–8; s*ee also Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327,
1335–36 (Fed. Cir. 2016) ("[W]e find it relevant to ask whether the claims
are directed to an improvement to computer functionality versus being
directed to an abstract idea . . . the focus of the claims is on the specific
asserted improvement in computer capabilities (i.e., the self-referential table
for a computer database) or, instead, on a process that qualifies as an
'abstract idea' for which computers are invoked merely as a tool."). The
claims do not recite an additional element or elements that reflect an
improvement in the functioning of a computer, or an improvement to other
technology or technical field. *See* Final Action 4–5 ("These components of
the additional limitations of the claim are recited at a high level of generality
to simply perform the required functions of receiving information, reading
data, comparing and converting the payment transactions."); *see also Alice*,
573 U.S. at 222 ("In holding that the process was patent ineligible, we
rejected the argument that 'implement[ing] a principle in some specific
fashion' will 'automatically fal[l] within the patentable subject matter of
§ 101.'" (Alterations in original) (quoting *Parker v. Flook*, 437 U.S. 584,
593 (1978))).

Accordingly, we determine the claim does not integrate the judicial
exception into a practical application. *See* Memorandum, Section III(A)(2)
(Prong Two: If the Claim Recites a Judicial Exception, Evaluate Whether the
Judicial Exception Is Integrated Into a Practical Application). Nor do we
find the claim includes a specific limitation or a combination of elements
that amounts to significantly more than the judicial exception itself. *See*
Memorandum, Section III(B) (Step 2B: If the Claim Is Directed to a Judicial
Exception, Evaluate Whether the Claim Provides an Inventive Concept); *see*

also Aatrix Software, Inc. v. Green Shades Software, Inc., 890 F.3d 1354, 1359 (Fed. Cir. 2018) (Moore, J., concurring) ("the 'inventive concept' cannot be the abstract idea itself"); *see* Final Action 3–4.

Other than the abstract idea itself, the remaining claim elements only recite generic computer components that are well-understood, routine, and conventional. *See* Final Action 3–4; Specification 6–9; *Alice*, 573 U.S. at 226.

Accordingly, we conclude that claims 1–21 recite a fundamental economic practice, which is one of certain methods of organizing human activity identified in the Memorandum and thus an abstract idea.

DECISION

The Examiner's non-statutory subject matter rejection of claims 1–21 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). *See* 37 C.F.R. § 1.136(a)(1)(v).

<u>AFFIRMED</u>