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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte PATRICIA M. MCKERNAN, RAMONA JOHNSON, and
CHRISTIAN J. TRUJILLO

Appeal 2018-005920
Application 14/171,529
Technology Center 3600

BEFORE ADAM J. PYONIN, JOSEPH P. LENTIVECH, and
SCOTT RAEVSKY, *Administrative Patent Judges*.

RAEVSKY, *Administrative Patent Judge*.

DECISION ON APPEAL

Pursuant to 35 U.S.C. § 134(a), Appellant¹ appeals from the Examiner's decision to reject claims 1, 2, and 5–18. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

¹ We use the word “Appellant” to refer to “Applicant” as defined in 37 C.F.R. § 1.42(a). Appellant identifies the real party in interest as The Western Union Company. Appeal Br. 2.

CLAIMED SUBJECT MATTER

The claims are directed to providing tax refunds via a money transfer service. *See* Spec., Abstract. Claim 1, reproduced below, is illustrative of the claimed subject matter:

1. A method comprising:
 - receiving, by a computer system, from a user or a third party, a request indicating a first method in which at least a first portion of a tax refund is to be provided to the user;
 - associating, by the computer system, a first account identifier with the user, wherein the first account identifier is in a predetermined format;
 - providing, by the computer system, the first account identifier to a government entity, as a first target for the tax refund;
 - receiving, by the computer system, the tax refund associated with the first account identifier;
 - creating, by the computer system, and based on the account identifier being in the predetermined format, a temporary account;
 - depositing, by the computer system, the tax refund in the temporary account; and
 - causing, by the computer system, at least the first portion of the tax refund to be provided to a first recipient from the temporary account using the first method.

REJECTIONS

Claims 1, 2, and 5–18 are rejected under 35 U.S.C. § 101 because the claimed invention is directed to non–statutory subject matter. Final Act. 4.

Claims 1, 2, 5–10, and 16–18 were rejected under 35 U.S.C. § 112 (pre–AIA), first paragraph, as failing to comply with the written description requirement.² *Id.* at 8.

² The Examiner withdrew this rejection. Ans. 7.

We review the appealed rejections for error based upon the issues identified by Appellant and in light of the arguments and evidence produced thereon. *Ex parte Frye*, 94 USPQ2d 1072, 1075 (BPAI 2010) (precedential).

ANALYSIS

I. 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: “[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 id.* 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, 67–68 (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 183 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 187; *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. “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.* (alterations in original) (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 U.S. Patent and Trademark Office (“PTO”) recently published revised guidance on the application of § 101. *See* USPTO, *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50 (Jan. 7, 2019) (“Guidance”). Under the 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 activities 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. Rev. 08.2017, Jan. 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.

See Guidance, 84 Fed. Reg. at 56.

II. Step 2A, Prong One (Judicial Exception)

The Examiner determines that claim 1³ is directed to the abstract idea of “distributing tax refunds.” Final Act. 4. For the reasons set forth below, we conclude claim 1 recites certain methods of organizing human activity, namely a fundamental economic practice, which is an abstract idea.

The Specification discloses, “[e]mbodiments of the invention provide novel facilities . . . for providing tax refunds without requiring the taxpayer to maintain a deposit account with a financial institution.” Spec. ¶ 7. The Specification further discloses that “the invention allows for one or more fees (such as tax preparer fees and the like) to be deducted from the amount of the refund as well.” *Id.*

We determine that claim 1 recites a fundamental economic practice because claim 1 broadly relates to receiving a tax refund, creating a temporary account, depositing the refund in the temporary account, and providing at least a portion of the refund to a recipient. Specifically, claim 1 recites “[a] method” that recites steps including: (1) “receiving . . . , from a user or a third party, a request indicating a first method in which at least a first portion of a tax refund is to be provided to the user,” (2) “associating . . . a first account identifier with the user, wherein the first account identifier is in a predetermined format,” (3) “providing . . . the first account identifier to a government entity, as a first target for the tax refund,” (4) “receiving . . . the tax refund associated with the first account identifier,” (5) “creating . . . based on the account identifier being in the predetermined format, a

³ Appellant argues claims 1, 2, and 5–18 as a group. *See* App. Br. 4–6. We select independent claim 1 as representative of claims 1, 2, and 5–18. *See* 37 C.F.R. § 41.37(c)(1)(iv) (2013).

temporary account,” (6) “depositing . . . the tax refund in the temporary account,” and (7) “causing . . . at least the first portion of the tax refund to be provided to a first recipient from the temporary account using the first method.”

As drafted, these limitations, under their broadest reasonable interpretation, recite a fundamental economic practice because the limitations all recite operations that would ordinarily take place in the process of obtaining a tax return. *See 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); *Bilski*, 561 U.S. at 611–612 (concluding that hedging is a “fundamental economic practice” and therefore 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) (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”).

Appellant does not dispute that claim 1 recites an abstract idea, instead contending that claim 1 recites significantly more than an abstract idea. App. Br. 4–6. Accordingly, for the aforementioned reasons, we agree with the Examiner that claim 1 recites certain methods of organizing human activity, namely a fundamental economic practice, and thus, an abstract idea. *See Guidance*, 84 Fed. Reg. 52.

III. Step 2A, Prong 2 (Integration into a Practical Application)

Under the Guidance, we now must determine if additional elements in the claims integrate the judicial exception into a practical application (*see* MPEP §§ 2106.05(a)–(c), (e)–(h)).

We discern no additional element (or combination of elements) recited in Appellant’s representative claim 1 that integrates the judicial exception into a practical application. *See* Guidance, 84 Fed. Reg. at 54–55 (“Prong 2”). For example, Appellant’s claimed additional elements (i.e., by a “computer system”) do not: (1) improve the functioning of a computer or other technology; (2) are not applied with any particular machine (except for a generic computer); (3) do not effect a transformation of a particular article to a different state; and (4) are not applied in any meaningful way beyond generally linking the use of the judicial exception to a particular technological environment, such that the claim as a whole is more than a drafting effort designed to monopolize the exception. *See* MPEP §§ 2106.05(a)–(c), (e)–(h). Instead, these limitations merely serve to narrow the recited abstract idea using a generic computing device, which cannot impart patent-eligibility. *See* Spec. ¶¶ 12 (“In some embodiments of the invention, a system (such as a computer system) might be configured to implement a method of the invention.”), 40 (“As used herein, the term ‘host computer’ means any computer (or system of computers) that can be used to process transactions in accordance with embodiments of the invention.”); *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716–17 (Fed. Cir. 2014) (determining that a general-purpose processor that merely executes the judicial exception is not a particular machine).

Appellant’s arguments focus on limitations that we determine are part of the judicial exception as discussed above; thus, these limitations are not “additional elements” that can impart patent eligibility to the claim. *See, e.g.,* App. Br. 4–5; *see also* Guidance n. 24 (“USPTO guidance uses the term ‘additional elements’ to refer to claim features, limitations, and/or steps that are recited in the claim beyond the identified judicial exception.”). Even assuming these limitations could be considered additional elements, we are not persuaded the Examiner’s rejection is in error. Appellant contends, “the claims include multiple recitations which improve another technical field. For example, the independent claims improve payment security and payment acquisition for tax preparers preparing returns for refund-receiving clients.” App. Br. 4. The Examiner finds, and we agree, that neither “the claims nor the specification recite how the invention improves payment security[,] and the appellant offers no further explanation. With regard to payment acquisition the appellant also fails to explain how payment acquisition is improved.” Ans. 5. We agree that Appellant’s argument is conclusory and points to no portion of the claims or Specification supporting its assertions.

Appellant also contends, “the claims include multiple recitations which improve the functioning of specialized computers implementing them.” App. Br. 4. Specifically, Appellant contends, “the independent claims improve the speed at which the specialized computer therein is capable of clearing transactions to both refund recipients and tax preparers. This frees computing resources in the specialized computer thereby increasing the speed and decreasing the latency in which future transactions may be processed.” *Id.* The Examiner finds, and we agree, that Appellant

“fails to explain how the claims make the cited improvements possible.”

Ans. 5. Appellant’s conclusory assertions are again unpersuasive.

Appellant next contends, “the claims as a whole are directed to processes implemented on particular specialized machines rather than generic general-use computers.” App. Br. 4. Specifically, Appellant contends,

claim 1 alone discusses a particularly configured specialized device which implements the processes and systems therein. Further, this specialized machine is particularly configured and specialized in the manner recited by the claim to perform particular specialized functions with respect to the other particular specialized machines in or outside of the claim.

Id. at 4–5. Appellant also cites a prior Board decision, *Ex parte Ravenel*, Appeal No. 2016-003604 (April 1, 2016), but does not explain the relevance of this decision.

The Examiner finds, and we agree, “the claims recite the use of generic devices merely programmed to perform the specific claim steps. There is no recitation in the claims or specification of any particular devices and the appellant does not show support for the invention of particular devices.” Ans. 6. Appellant points to nothing in the claims or Specification to support Appellant’s assertion. In fact, the Specification belies Appellant’s assertion by disclosing merely generic computer systems for implementing the invention. *See, e.g.*, Spec. ¶¶ 12 (“In some embodiments of the invention, a system (such as a computer system) might be configured to implement a method of the invention.”), 40 (“As used herein, the term ‘host computer’ means any computer (or system of computers) that can be used to process transactions in accordance with embodiments of the invention.”).

Appellant also contends, “the claims effect a transformation of an article into a different state through the conversion of a refund directive into one, if not two distinct payments.” App. Br. 5. In addition, Appellant contends, “there is at least one other transformation which occurs during the claimed procedures: temporary accounts may be created (and closed) to handle such transactions, as described in various claims.” *Id.* The Examiner finds, and we agree,

the transformation principle does not apply here. The interim guidance cites the transformation into a different state or thing as in *Diehr* (the transformation of rubber into a cured state) and *Tilghman* (manufacturing fat acids and glycerin from fatty bodies . . .). The “transformation” into payments cannot be considered a different state or thing as payments are abstract.

Ans. 6; see *July 2015 Update Appendix 1: Examples*, available at <https://www.uspto.gov/sites/default/files/documents/ieg-july-2015-app1.pdf>, 14–19 (discussing *Diehr*) (July 30, 2015); *Subject Matter Eligibility Examples: Life Sciences*, available at <https://www.uspto.gov/sites/default/files/documents/ieg-may-2016-ex.pdf>, 30–31 (discussing *Tilghman*) (May 4, 2016). Appellant cites no authority supporting its contention that splitting a refund directive into two payments or creating a temporary account constitutes an eligibility-conferring transformation. Nor does Appellant persuade us that, under the broadest reasonable interpretation, refund directives and temporary accounts are articles—i.e., physical objects or substances. See *MPEP* § 2106.05(c) (“An ‘article’ includes a physical object or substance.”).

Additionally, Appellant contends “the remainder of the claim ha[s] been determined to be novel and non-obvious, as there are no outstanding

§102 and §103 rejections.” App. Br. 5. Appellant concludes, “[c]onsequently, the remaining portion of the claims must be what is other than ‘well-understood, routine, and conventional in the field,’ or else they would not be substantively allowable.” *Id.* This argument overlooks governing precedent. Even if we were to assume that the techniques claimed are “[g]roundbreaking, innovative, or even brilliant,” that is not enough for eligibility. *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 591 (2013). Nor is it enough for subject-matter eligibility that claimed techniques be novel and nonobvious in light of prior art, passing muster under 35 U.S.C. §§ 102 and 103. *See Synopsys, Inc. v. Mentor Graphics Corp.*, 839 F.3d 1138, 1151 (Fed. Cir. 2016) (“[A] claim for a *new* abstract idea is still an abstract idea. The search for a § 101 inventive concept is thus distinct from demonstrating § 102 novelty.”); *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1315 (Fed. Cir. 2016) (same for obviousness). The claims here are ineligible because their innovation is an innovation in ineligible subject matter.

Finally, Appellant contends, “the alleged abstract idea, ‘distributing tax refunds,’ is being linked to a very particular technological environment in the claims. Specifically, the claims recite specifically configured machines to conduct such operations, in specifically configured and distinct manners (from one claim to another).” App. Br. 5. Appellant then concludes, “[t]hus, the claims do not attempt to assert that the alleged abstract idea is pre-empted across all possible technological areas, but only in one specific technological area where embodiments of the invention can remedy shortcomings of existing . . . methods.” *Id.* The Examiner finds, and we agree, “[t]he technological environment here is the generic

computers recited[,] but application of an abstract idea by generic computer devices does not add significantly more than the abstract idea.” Ans. 6.

In addition to the Examiner’s analysis, we also note that although pre-emption “might tend to impede innovation more than it would tend to promote it, ‘thereby thwarting the primary object of the patent laws’” (*Alice*, 134 S. Ct. at 2354 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012))), “the absence of complete preemption does not demonstrate patent eligibility” (*Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015)). “Where a patent's claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, . . . preemption concerns are fully addressed and made moot.” *Ariosa Diagnostics*, 788 F.3d at 1379.

For at least these reasons, we determine that claim 1 does not integrate the judicial exception into a practical application and, therefore, is directed to the recited abstract idea (e.g., certain methods of organizing human activity).

IV. Step 2B (Inventive Concept)

Because we find that the claims are directed to an abstract idea, we next consider whether the claims include additional limitations, such that the claims amount to significantly more than the abstract idea.

The Examiner finds that the additional elements are well-understood, routine, and conventional in the field. Ans. 6; Final Act. 5. Specifically, the Examiner finds, “the claims recite the user of generic devices merely programmed to perform the specific claim steps,” and “application of an

abstract idea by generic computer devices does not add significantly more than the abstract idea.” Ans. 6. Appellant does not dispute these findings.⁴

As we explained above, the additional limitations merely narrow the recited abstract ideas using generic computer components. Accordingly, we find that there are no additional limitations that cause the claims to amount to significantly more than the abstract idea. *See, e.g.*, Spec. ¶¶ 12, 40, 64–67. Thus, we determine no element or combination of elements recited in claim 1 contains any “inventive concept” or adds anything “significantly more” to transform the abstract concept into a patent-eligible application.

Because Appellant’s independent claim 1 is directed to a patent-ineligible abstract concept, does not include additional elements that integrate the judicial exception into a practical application, and does not recite significantly more than the abstract idea to which the claim is directed, we sustain the Examiner’s rejection of claims 1, 2, and 5–18, which Appellant argues as a group, under 35 U.S.C. § 101 as being directed to non-statutory subject matter in light of *Alice*, its progeny, and the Guidance. *See supra* n.3.

CONCLUSION

In summary:

Claims Rejected	Basis	Affirmed	Reversed
1, 2, and 5–18	§ 101	1, 2, and 5–18	
Overall Outcome		1, 2, and 5–18	

⁴ Appellant did not file a Reply Brief.

Appeal 2018-005920
Application 14/171,529

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