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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte JAMES M. YATES

Appeal 2018-006613
Application 10/591,416
Technology Center 3600

Before JOSEPH L. DIXON, JUSTIN BUSCH, and
JAMES W. DEJMEK, *Administrative Patent Judges*.

DEJMEK, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellant¹ appeals under 35 U.S.C. § 134(a) from a Final Rejection of claims 38–56 and 60–67. Appellant has canceled claims 1–37 and 57–59. *See* Amdt 6–14 (filed February 10, 2016). We have jurisdiction over the remaining pending claims under 35 U.S.C. § 6(b). An oral hearing was scheduled for February 25, 2020, but the hearing was waived. Therefore, we decide the appeal on the briefs.

We affirm.

¹ Throughout this Decision, we use the word “Appellant” to refer to “applicant” as defined in 37 C.F.R. § 1.42 (2016). Appellant identifies the inventor, James M. Yates, as the real party in interest. Appeal Br. 1.

STATEMENT OF THE CASE

Introduction

Appellant’s disclosed and claimed invention generally relates to “the commercial exchange of digital media files in a secure manner ensuring authorized transactions and compensation payments to owners and authorized sellers.” Spec. 1:9–13. In a disclosed embodiment, Appellant describes an exchange service—a Digital Copyright Exchange (DCE)—to serve as a structure to facilitate the legal transfer of assets and money. Spec. 5:19–6:2. According to the Specification, the DCE is able to identify and verify digital media and also ensures the copyright holder (in addition to the seller) is compensated as part of a transaction. Spec. 12:13–13:2.

Claim 38 is representative of the subject matter on appeal and is reproduced below:

38. A method for operating a commercial exchange comprising the steps of:

storing digital masters of items in a central media database in a non-transitory computer-readable medium, each digital master being associated with a unique digital master identifier;

storing membership data in a non-transitory computer-readable medium, the membership data including a unique member identifier for each member;

maintaining an association between each digital master identifier and one or more of the unique member identifiers as an owner of a legal copy of the item, the association giving the members represented by the unique member identifiers access to the master file;

receiving, from a first member as an owner of a legal copy of an item, a request to make the item available on the commercial exchange;

verifying that the first member legally possesses the item;

operatively associating the central media database with an exchange interface structured and operable to execute a transaction between the first member as a verified legal owner of the legal copy of the item and a second member as an acquirer of the legal copy of the item; and

upon occurrence of the transaction, recording in the central media database a change reflecting a change in rights to the legal copy of the item by changing access to the master file from the first member to the second member.

The Examiner's Rejections²

1. Claims 38–56 and 60–67 stand rejected under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter. Final Act. 3–5.

2. Claims 60–63 stand rejected under pre-AIA 35 U.S.C. § 103(a) as being unpatentable over Fanning et al. (US 8,180,792 B2; May 15, 2012) (“Fanning”) and Kreuzer (US 2004/0034601 A1; Feb. 19, 2004). Final Act. 20–23.

ANALYSIS³

Rejection under pre-AIA 35 U.S.C. § 103(a)

In the Final Office Action, the Examiner rejected claims 38–56 and 60–67 under pre-AIA 35 U.S.C. § 103(a). Final Act. 6–26. On appeal, Appellant argued the Examiner’s rejections were in error. Appeal Br. 31–

² The Examiner also rejected claims 38–56 and 64–67 under pre-AIA 35 U.S.C. § 103(a). Final Act. 6–20, 23–26. The Examiner has withdrawn the rejections under pre-AIA 35 U.S.C. § 103(a) of these claims. Ans. 2.

³ Throughout this Decision, we have considered the Appeal Brief, filed November 17, 2017 (“Appeal Br.”); the Reply Brief, filed June 12, 2018 (“Reply Br.”); the Examiner’s Answer, mailed April 13, 2018 (“Ans.”); and the Final Office Action, mailed January 17, 2017 (“Final Act.”), from which this Appeal is taken.

78. The Examiner subsequently withdrew the rejections under pre-AIA 35 U.S.C. § 103(a) of claims 38–56 and 64–67, maintaining the rejection of claims 60–63. Ans. 2; 22–26. In an amendment filed June 12, 2018, Appellant canceled claims 60–63 “to simplify the issues on appeal.” Amdt 11. Moreover, in the Reply Brief, Appellant did not reply to the Examiner’s response regarding the rejection of claims 60–63 under pre-AIA 35 U.S.C. § 103(a) other than to indicate that an amendment cancelling the claims had been filed. Reply Br. 2.

Because Appellant’s amendment to cancel claims 60–63 has not been entered into the record by the Examiner, the rejection of these claims is still before the Board. *See* Manual of Patent Examining Procedure (MPEP) § 1206(I) (9th ed. Rev. 08.2017, Jan. 2018) (“[a]n amendment . . . received after jurisdiction has passed to the Board should not be considered by the examiner unless remanded for that purpose”).

In view of Appellant’s filed amendment canceling still-pending claims 60–63, we summarily affirm the rejection of claims 60–63 under pre-AIA 35 U.S.C. § 103(a).

Rejection under 35 U.S.C. § 101

Appellant disputes the Examiner’s conclusion that the pending claims are directed to patent-ineligible subject matter. Appeal Br. 16–31; Reply Br. 2–7. In particular, Appellant argues the claims are directed to a problem specific to digital media files and provide a solution “specific to computer technology.” Appeal Br. 18 (citing *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Appellant argues the claimed invention solves issues related to piracy/counterfeiting and the spread of

corrupted or virus-infected files and, therefore, represents an improvement over conventional practices. Appeal Br. 20. Moreover, Appellant asserts the claims recite significantly more than the alleged abstract idea. Appeal Br. 17–31.

The Supreme Court’s two-step framework guides our analysis of patent eligibility under 35 U.S.C. § 101. *Alice Corp. v. CLS Bank Int’l*, 573 U.S. 208, 217 (2014). In addition, the Office has published revised guidance for evaluating subject matter eligibility under 35 U.S.C. § 101, specifically with respect to applying the *Alice* framework. USPTO, 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019) (“Office Guidance”). If a claim falls within one of the statutory categories of patent eligibility (i.e., a process, machine, manufacture, or composition of matter) then the first inquiry is whether the claim is directed to one of the judicially recognized exceptions (i.e., a law of nature, a natural phenomenon, or an abstract idea). *Alice*, 573 U.S. at 217. As part of this inquiry, we must “look at the ‘focus of the claimed advance over the prior art’ to determine if the claim’s ‘character as a whole’ is directed to excluded subject matter.” *Affinity Labs of Tex., LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1257–58 (Fed. Cir. 2016). Per Office Guidance, this first inquiry has two prongs of analysis (i) does the claim recite a judicial exception (e.g., an abstract idea), and (ii) if so, is the judicial exception integrated into a practical application. 84 Fed. Reg. at 54. Under the Office Guidance, if the judicial exception is integrated into a practical application, *see infra*, the claim passes muster under § 101. 84 Fed. Reg. at 54–55. If the claim is directed to a judicial exception (i.e., recites a judicial exception and does not integrate the exception into a practical application), the next step is to determine whether

any element, or combination of elements, amounts to significantly more than the judicial exception. *Alice*, 573 U.S. at 217; 84 Fed. Reg. at 56.

Here, we conclude Appellant’s claims recite an abstract idea. More specifically, Appellant’s claims are generally directed to transferring digital files via a commercial exchange from an authorized seller to a buyer. This is consistent with how Appellant describes the claimed invention. *See* Spec. 1:9–13, 5:19–21; Appeal Br. 17 (stating the claims are “directed to methods and systems for transferring used, previously legally acquired, digital files from a seller to a buyer” (emphasis omitted)). Transferring digital files via a commercial exchange from an authorized seller to a buyer is a commercial interaction (sales activity) and is a certain method of organizing human activity—an abstract idea. *See* 84 Fed. Reg. at 52; *see also Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 714 (Fed. Cir. 2014) (concluding the claims were directed to using advertising as an exchange or currency to access media content and, therefore, to an abstract idea); *Smartflash LLC v. Apple Inc.*, 680 F. App’x 977, 980–83 (Fed. Cir. 2017) (concluding claims describing providing multimedia content in response to a selection of available multimedia content and payment validation for the content were directed to “conditioning and controlling access to data based on payment” and fell generally within the certain methods of organizing human activity category).

Claim 38 is reproduced below and includes the following limitations that recite transferring digital files via a commercial exchange from an authorized seller to a buyer, emphasized in *italics*:

38. A method for operating a commercial exchange comprising the steps of:

storing digital masters of items in a central media database in a non-transitory computer-readable medium, each digital master being associated with a unique digital master identifier;

storing membership data in a non-transitory computer-readable medium, the membership data including a unique member identifier for each member;

maintaining an association between each digital master identifier and one or more of the unique member identifiers as an owner of a legal copy of the item, the association giving the members represented by the unique member identifiers access to the master file;

receiving, from a first member as an owner of a legal copy of an item, a request to make the item available on the commercial exchange;

verifying that the first member legally possesses the item;

operatively associating the central media database with an exchange interface structured and operable to *execute a transaction between the first member as a verified legal owner of the legal copy of the item and a second member as an acquirer of the legal copy of the item;* and

upon occurrence of the transaction, recording in the central media database a change reflecting a change in rights to the legal copy of the item by changing access to the master file from the first member to the second member.

More particularly, transferring digital files via a commercial exchange from an authorized seller to a buyer comprises (i) an owner of the digital file making the file available for transfer on a commercial exchange (i.e., the claimed step of receiving a request from an owner of a legal copy to make the digital item available on the commercial exchange); (ii) authenticating that the owner possess a legal copy of the item (i.e., the claimed step of verifying the member (i.e., owner or seller) legally possess the item); and (iii) executing the transfer of the digital item from the owner to a buyer (i.e.,

the claimed step of executing a transaction between a first and second member).

Because the claim recites a judicial exception, we next determine whether the claim integrates the judicial exception into a practical application. 84 Fed. Reg. at 54. To determine whether the judicial exception is integrated into a practical application, we identify whether there are “*any additional elements recited in the claim beyond the judicial exception(s)*” and evaluate those elements to determine whether they integrate the judicial exception into a recognized practical application. 84 Fed. Reg. at 54–55 (emphasis added); *see also* Manual of Patent Examining Procedure (“MPEP”) § 2106.05(a)–(c), (e)–(h) (9th ed. Rev. 08.2017, Jan. 2018).

Here, we find the additional limitation(s) do not integrate the judicial exception into a practical application. More particularly, the claims do not recite (i) an improvement to the functionality of a computer or other technology or technical field (*see* MPEP § 2106.05(a)); (ii) a “particular machine” to apply or use the judicial exception (*see* MPEP § 2106.05(b)); (iii) a particular transformation of an article to a different thing or state (*see* MPEP § 2106.05(c)); or (iv) any other meaningful limitation (*see* MPEP § 2106.05(e)). *See* 84 Fed. Reg. at 55.

Rather, the steps of storing digital masters of the digital items in a database, storing membership data, maintaining an association between each digital master and members that own a legal copy of the item, and updating the association to reflect a change in ownership after the transaction are the type of extra-solution activities (i.e., in addition to the judicial exception) the courts have determined insufficient to transform judicially excepted subject

matter into a patent-eligible application. *See* MPEP § 2106.05(g); *see also* *Bilski v. Kappos*, 561 U.S. 593, 612 (2010) (holding the use of well-known techniques to establish inputs to the abstract idea as extra-solution activity that fails to make the underlying concept patent eligible); *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1355 (Fed. Cir. 2016) (explaining that “selecting information, by content or source, for collection, analysis, and display does nothing significant to differentiate a process from ordinary mental processes”); *Elec. Power*, 830 F.3d at 1354 (recognizing “that merely presenting the results of abstract processes of collecting and analyzing information, without more (such as identifying a particular tool for presentation), is abstract as an ancillary part of such collection and analysis”); *Ultramercial*, 772 F.3d at 716 (determining “the steps of consulting and updating an activity log represent insignificant data-gathering steps” (internal quotation marks omitted)); *Bancorp Servs., L.L.C. v. Sun Life Assurance Co. of Can.*, 771 F.Supp.2d 1054, 1066 (E.D. Mo. 2011) *aff’d*, 687 F.3d 1266 (Fed. Cir. 2012) (explaining that “storing, retrieving, and providing data . . . are inconsequential data gathering and insignificant post solution activity”).

Moreover, contrary to Appellant’s assertions (*see, e.g.*, Appeal Br. 19–31), limitations recited in the dependent claims also fail to transform the abstract idea into a patent-eligible application. Rather, the additional limitations merely refine the abstract idea itself (e.g., defining the transaction to include a payment from the second member to the first member, as in claims 39, 48, 54, and 65; specifying the version of the file to be transferred (i.e., a digital master as opposed to a copy) as in claims 40 and 49; refining the verification step, as in claims 44, 46, and 47; maintaining the digital item

in a specified location (e.g., a digital storage locker) as in claims 53, 61–63, 66, and 67) or append extra-solution activities to the abstract idea (e.g., requiring the seller to provide a physical copy of the digital item, as in claims 41 and 52; or directing portions of the payment, as in claims 42, 43, 50, and 51). As discussed above, these limitations are insufficient to transform judicially excepted subject matter into a patent-eligible application.

In addition, we disagree that the claimed invention is a technological improvement to the practice of transferring a digital file from a seller to a buyer. Appellant suggests the claims overcome issues of piracy, prevent the creation of illegal copies of the file in the transfer process, and stop the spread of corrupted or virus-infected files. Appeal Br. 20. As Appellant describes in the Specification, it was known to purchase legal copies of digital files from, for example, iTunes®. *See* Spec. 2:19–27. Purchasing digital media from a trusted source (such as iTunes®) would also overcome issues of piracy, prevent the creation of illegal copies of the file in the transfer process, and stop the spread of corrupted or virus-infected files. Moreover, any purported improvement however, relates to the abstract idea, and does not improve a computer, technology, or a technical field. *See McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1314 (Fed. Cir. 2016) (“We . . . look to whether the claims in these patents focus on a specific means or method that improves the relevant technology or are instead directed to a result or effect that itself is the abstract idea and merely invoke generic processes and machinery.”) (citing *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016)).

Also, contrary to Appellant’s assertions, the claims are not rooted in computer technology, nor do they overcome a problem specifically arising in the field of digital media files. *See* Appeal Br. 18. As explained in *OIP Technologies, Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015), “relying on a computer to perform routine tasks more quickly or more accurately is insufficient to render a claim patent eligible.” *See also Alice*, 573 U.S. at 224 (“use of a computer to create electronic records, track multiple transactions, and issue simultaneous instructions” is not an inventive concept); *Bancorp Servs., L.L.C. v. Sun Life Assurance Co. of Can. (U.S.)*, 687 F.3d 1266, 1278 (Fed. Cir. 2012) (a computer “employed only for its most basic function . . . does not impose meaningful limits on the scope of those claims”).

By contrast, in *DDR Holdings*, the Federal Circuit determined “the claimed solution amount[ed] to an inventive concept for resolving [a] particular Internet-centric problem,” i.e., a challenge unique to the Internet. *DDR Holdings*, 773 F.3d at 1257–59; *see Synopsys, Inc. v. Mentor Graphics Corp.*, 839 F.3d 1138, 1151 (Fed. Cir. 2016) (noting that “[i]n *DDR Holdings*, we held that claims ‘directed to systems and methods of generating a composite web page that combines certain visual elements of a ‘host’ website with content of a third-party merchant’ contained the requisite inventive concept”). The Federal Circuit explained that the patent-eligible claims specified “how interactions with the Internet are manipulated to yield a desired result . . . that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *DDR Holdings*, 773 F.3d at 1258. The court reasoned that those claims recited a technological solution “necessarily rooted in computer technology” that

addressed a “problem specifically arising in the realm of computer networks.” *DDR Holdings*, 773 F.3d at 1257. Here, unlike the claims at issue in *DDR Holdings*, Appellant’s claims rely on a “computer network [(i.e., a commercial exchange)] operating in its normal, expected manner.” *DDR Holdings*, 773 F.3d at 1258–59.

For at least the foregoing reasons, the claims do not integrate the judicial exception into a practical application.

Because we determine the claims are directed to an abstract idea or combination of abstract ideas, we analyze the claims under step two of *Alice* to determine if there are additional limitations that individually, or as an ordered combination, ensure the claims amount to “significantly more” than the abstract idea. *Alice*, 573 U.S. at 217–18 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 77–79 (2012)). As stated in the Office Guidance, many of the considerations to determine whether the claims amount to “significantly more” under step two of the *Alice* framework are already considered as part of determining whether the judicial exception has been integrated into a practical application. 84 Fed. Reg. at 56. Thus, at this point of our analysis, we determine if the claims add a specific limitation, or combination of limitations, that is not well-understood, routine, conventional activity in the field, or simply appends well-understood, routine, conventional activities at a high level of generality. 84 Fed. Reg. at 56.

Here, Appellant’s claims fail to recite specific limitations (alone or when considered as an ordered combination) that are not well-understood, routine, and conventional. Rather, the claims merely recite generic computer components (e.g., a system comprising a processor and storage

media) performing generic computing functions that are well-understood, routine, and conventional (e.g., storing and organizing data in a database, receiving and transmitting information (e.g., requests and payment information)). *See Mort. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1324–25 (Fed. Cir. 2016) (generic computer components, such as an “interface,” “network,” and “database,” fail to satisfy the inventive concept requirement); *Alice*, 573 U.S. at 226 (“Nearly every computer will include a ‘communications controller’ and a ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”); *Intellectual Ventures I LLC v. Erie Indem. Co.*, 850 F.3d 1315, 1329 (Fed. Cir. 2017) (explaining that receiving a request to execute a database search and delivering records are routine computer functions that can only be described as generic or conventional); *see also* Final Act. 5; Ans. 6. In addition, Appellant states that the “operation of the present invention is an extension of the use of available technology.” Spec. 8:10–12; *see also* Spec. 17:13–29 (describing, at a high level, generic computer processes and apparatuses for practicing the claimed invention).

Further, to the extent Appellant is asserting that the Examiner’s withdrawal of the rejections under 35 U.S.C. § 103(a) suggests the instant claims do not recite well-understood, routine, or conventional activities, or otherwise recite an inventive concept (*see, e.g.*, Reply Br. 4–5), we are not persuaded. Subject-matter eligibility under 35 U.S.C. § 101 is a requirement separate from other patentability inquiries. *See Mayo*, 566 U.S. at 90 (recognizing that the § 101 inquiry and other patentability inquiries “might sometimes overlap,” but that “shift[ing] the patent-eligibility inquiry entirely

to these [other] sections risks creating significantly greater legal uncertainty, while assuming that those sections can do work that they are not equipped to do”); *see also Diamond v. Diehr*, 450 U.S. 175, 188–89 (1981) (“[t]he ‘novelty’ of any element or steps in a process, or even of the process itself, is of no relevance in determining whether the subject matter of a claim falls within the § 101 categories of possibly patentable subject matter”); *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 591 (2013) (“Groundbreaking, innovative, or even brilliant discovery does not by itself satisfy the § 101 inquiry.”); *Two-Way Media Ltd. v. Comcast Cable Commc’ns, LLC*, 874 F.3d 1329, 1340 (Fed. Cir. 2017) (“[e]ligibility and novelty are separate inquiries”).

For the reasons discussed *supra*, we are unpersuaded of Examiner error. Accordingly, we sustain the Examiner’s rejection of claims 38–56 and 60–67 as patent ineligible under 35 U.S.C. § 101.

CONCLUSION

We affirm the Examiner’s decision rejecting claims 38–56 and 60–67 under 35 U.S.C. § 101.

We summarily affirm the Examiner’s decision rejecting claims 60–63 under pre-AIA 35 U.S.C. § 103(a).

DECISION SUMMARY

Claims Rejected	35 U.S.C. §	Reference(s)/Basis	Affirmed	Reversed
38–56, 60–67	101	Eligibility	38–56, 60–67	
60–63	103(a)	Fanning, Kreuzer	60–63	

Appeal 2018-006613
Application 10/591,416

Claims Rejected	35 U.S.C. §	Reference(s)/Basis	Affirmed	Reversed
Overall Outcome			38–56, 60–67	

TIME PERIOD FOR RESPONSE

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. § 41.50(f).

AFFIRMED