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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte GARY J. WILSON

Appeal 2018-006867
Application 14/101,987
Technology Center 3600

Before JOSEPH L. DIXON, ERIC B. CHEN, and JENNIFER L. McKEOWN, *Administrative Patent Judges*.

McKEOWN, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellant[1] appeals under 35 U.S.C. § 134(a) from the Examiner's decision to reject claims 1–14. Claim 15 is canceled. App. Br. 3. We have jurisdiction under 35 U.S.C. § 6(b).

We reverse.

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[1] Gary J. Wilson ("Appellant") is the applicant as provided in 37 C.F.R. § 1.46 and is identified as the real party in interest. App. Br. 3.

STATEMENT OF THE CASE

Appellant's disclosed and claimed invention "relates to conducting secure transactions. More particularly, the invention relates to conducting secure financial and informational transactions via portable smart devices." Spec. 1, ll. 18–20.

Abstract.

Claim 1 is illustrative of the claimed invention and reads as follows:

1. A computer implemented method for authorizing a computer system to conduct a transaction between a user and a third party, comprising:

providing at least two independent smart devices, wherein said devices are simultaneously accessible by a user;

independently and simultaneously connecting each of said devices to a common account server by a secure connection between each device and said account server;

responsive to said at least two devices substantially simultaneously connecting thereto, said account server generating unique information for exchange between said at least two devices and transmitting said unique information to each of said devices;

said at least two devices receiving said unique information from said common server;

said at least two devices exchanging said unique information with each other to establish conclusive, mutual verification of said at least two devices with and to each other, once said at least two devices are connected to said account server;

said account server confirming conclusive, mutual verification of said at least two devices with and to each other; and

once conclusive, mutual verification of said at least two devices with each other is confirmed, one of said devices communicating with a third-party server to exchange information for conducting a transaction between said user and said third party server.

THE REJECTIONS

The Examiner rejected claims 1–14 under 35 U.S.C. § 101 as directed to patent ineligible subject matter. Final Act. 2–9.

The Examiner rejected claims 1–14 under 35 U.S.C. § 103 as unpatentable over Stone (US 2011/0246363 A1, published Oct. 6, 2011), and Kargman (US 2009/0276347 A1, published Nov. 5, 2009). Final Act. 10–17.

ANALYSIS

THE § 101 REJECTION

Claims 1–20

Based on the record before us, Appellant has not persuaded us that the Examiner erred in rejecting claims 1–20 as directed to patent ineligible subject matter.

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. *Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208, 216 (2014) (citation omitted).

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, 67 (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. (15 How.) 252, 267–68 (1854))); 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 (citation 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.* (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 PTO recently published revised guidance on the application of section 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* MANUAL OF PATENT EXAMINING PROCEDURE (“MPEP”) § 2106.05(a)-(c), (e)-(h) (9th ed. 2018)).

See Memorandum 52, 55–56. 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 56.

Analysis – Revised Step 2A

Under the Memorandum, in prong one of step 2A we look to whether the claims recite a judicial exception. The claimed invention includes "providing at least two independent smart devices, wherein said devices are simultaneously accessible by a user;" "independently and simultaneously connecting each of said devices to a common account server by a secure connection between each device and said account server;" "responsive to said at least two devices substantially simultaneously connecting thereto, said account server generating unique information for exchange between said at least two devices and transmitting said unique information to each of said devices;" "said at least two devices receiving said unique information from said common server;" "said at least two devices exchanging said unique information with each other to establish conclusive, mutual verification of said at least two devices with and to each other, once said at least two devices are connected to said account server;" "said account server confirming conclusive, mutual verification of said at least two devices with and to each other;" and "once conclusive, mutual verification of said at least two devices with each other is confirmed, one of said devices communicating with a third-party server to exchange information for

conducting a transaction between said user and said third party server." In other words, the claimed invention recites at least two devices receiving unique information from a common server and the devices exchanging information to mutually verify each device for conducting a transaction.

The Examiner determines that the claimed invention is directed to mitigating risk, a fundamental economic practice. In particular, the Examiner explains that

> Here the independent claims describe a method of carrying out a transaction only if mutual verification between two or more transaction devices is maintained. Since, every financial transaction involves the risk of fraud, any method of authentication serves to mitigate financial risk and hence constitutes fundamental economic practice. Thus, the claims describe nothing more than carrying out human activities and fundamental economic practices with computing devices. Hence, the claims are directed to an abstract idea.

Final Act. 3–4; *see also* Ans. 4 (noting that the "claims are ultimately directed to minimizing risk of fraud. Hence, they are directed to a fundamental economic practice and method of organizing human activities that the courts have deemed abstract.").

On the other hand, Appellant contends that the Examiner's reasoning is misplaced. Specifically, Appellant asserts "[a]lthough it could be reasonable to conclude that a method of authentication per se is an abstract idea, this does not mean that 'any method of authentication' constitutes an abstract idea." App. Br. 6–7. According to Appellant, the claimed invention "is directed to a particular implementation - a specific technological process for authorizing a computer system to conduct a transaction between a user and a third party, not just the abstract idea of authentication." App. Br. 7.

Therefore, according to Appellant, the claimed invention is not directed to an abstract idea.

We are persuaded of error in the Examiner's rejection. The claimed invention, here, recites independent devices connecting to and exchanging information with a server and the independent devices exchanging information to mutually verify the independent devices. While the claimed invention refers to performing the recited steps "for conducting a transaction," the steps themselves recite a *particular* authentication process. *See Enfish LLC v. Microsoft Corp.*, 822 F. 3d 1327, 1336, 1355 (Fed. Cir. 2016) (noting that "[t]he 'directed to' inquiry, therefore, cannot simply ask whether the claims involve a patent-ineligible concept, because essentially every routinely patent-eligible claim involving physical products and actions involves a law of nature and/or natural phenomenon. . . ."). Moreover, merely reciting that the claims steps *could possibly* be performed for conducting a transaction does not render the claimed invention as directed to a fundamental economic practice and, thus, directed to an abstract idea. As such, based on the record before us, we are persuaded that the Examiner erred in determining that the claimed invention is directed to patent ineligible subject matter.

Accordingly, we reverse the Examiner's decision to reject claims 1–14 as directed to patent ineligible subject matter.

THE § 103 REJECTION BASED ON STONE AND KARGMAN

Claims 1–14

Based on the record before us, we are persuaded that the Examiner erred in finding that claims 1, 2, 4, 11, 12, and 14 are unpatentable over Stone and Kargman.

Appellant also argues that the combination fails to teach or suggest "said at least two devices exchanging said unique information with each other to establish conclusive, mutual verification of said at least two devices with and to each other, once said at least two devices are connected to said account server." App. Br. 4. In particular, Appellant asserts "by definition, an exchange requires giving one thing and receiving another thing by each of two devices. In contrast, the cited art teaches sequentially passing the same token along different devices." Reply Br. 6.

Stone teaches a payment processor generating a unique transaction identifier (ID) and transmitting that transaction ID from the payment processor to the first device. Stone ¶¶ 20–21. The first device transmits the transaction ID from the first device to the second device. Stone ¶ 22. The second device, then, transmits the transaction ID, along with its own device or user ID, back to the payment processor. Stone ¶ 24. The payment processor will use the received transaction ID and user ID for authentication. Stone ¶ 26. While the Examiner identifies that one device sends information to the other connected device (Ans. 15), the Examiner fails to sufficiently explain how Stone teaches or suggests the first and second devices *exchanging the transaction ID*. As such, based on the record before us, we are persuaded that the Examiner erred in rejecting claims 1–14 as unpatentable over Stone and Kargman.

Accordingly, we reverse the Examiner's decision to reject claims 1–14 as unpatentable over Stone and Kargman.

DECISION

We reverse the Examiner's decision to reject claims 1–14 as ineligible and reverse the Examiner's decision to reject claims 1–14 as unpatentable in view of Stone and Kargman.

REVERSED