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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* GREGORY W. HARVEY, SAMUEL N. BROWN,  
DAVID S. SINK, AARON WILKINSON, MICHAEL MENEFE,EE,  
MARK S. SAUM, COLM BERGIN, BRUCE PARKER,  
RALF ERICH SCHULZ, JON BUELL, and JASON FISHER

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Appeal 2018-008092  
Application 14/299,653  
Technology Center 3600

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Before JOSEPH A. FISCHETTI, BRUCE T. WIEDER, and  
KENNETH G. SCHOPFER, *Administrative Patent Judges*.

WIEDER, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellant<sup>1</sup> seeks review under 35 U.S.C. § 134 from the Examiner's  
final rejection of claims 1–17. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

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<sup>1</sup> We use the word “Appellant” to refer to “applicant” as defined in  
37 C.F.R. § 1.42. Appellant identifies the real party in interest as  
Modopayments, LLC. (Appeal Br. 1.)

### CLAIMED SUBJECT MATTER

Appellant's "invention relates to electronic payment processing and offer systems, and more specifically to a system and method for making and redeeming offers in conjunction with a secure, mobile, electronic payment processing system." (Spec. ¶ 2.)

Claims 1 and 11 are the independent claims on appeal. Claim 1 is illustrative. It recites (paragraph numbering added):

1. A system for allowing a consumer to complete a payment transaction with a merchant at a merchant location using a mobile device of the consumer and a point of sale terminal of the merchant, the system comprising:

[(1)] a remote server in communication with the mobile device, the mobile device associated with the consumer and registered with the system, the mobile device configured to detect a presence of the consumer at the merchant location, the remote server configured to verify an identity of the consumer using identifying characteristics of the mobile device and to form a virtual payment account number, the virtual payment account number formed by merging a checkout code with a merchant code, wherein the checkout code is selected from a range of available numbers determined by the merchant code assigned to the merchant location, and wherein the checkout code sent to the consumer changes with each visit to the merchant location and is specific to the payment transaction, the remote server further configured to send the checkout code to the consumer using the mobile device; and

[(2)] wherein the point of sale terminal is configured to process the payment transaction at the request of the consumer, and wherein the checkout code is merged with the merchant code, the merchant code provided to the merchant prior to the payment transaction, wherein the merged checkout code and merchant code form the virtual payment account number, and wherein the system processes the payment transaction using the virtual payment account number as a mechanism for payment using the merchant's existing payment processing system.

## REJECTIONS

Claims 1–17 are rejected under 35 U.S.C. § 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which the inventors regard as the invention.

Claims 1–17 are rejected under 35 U.S.C. § 101 as directed to a judicial exception without significantly more.

## ANALYSIS

### The § 112, second paragraph, rejection

Appellant does not separately argue the rejected claims. We select claim 1 as representative. Claims 2–17 will stand or fall with claim 1. *See* 37 C.F.R. § 41.37(c)(1)(iv).

The Examiner determines that claim 1 is indefinite. Specifically, the Examiner determines that “[i]t is unclear if the mobile device and point of sale terminal are part of the systems or are just devices that the server is in contact with.” (Final Action 12.)

Appellant argues that “Applicant has recited the mobile device of the consumer and a point of sale terminal of the merchant in the preamble and specifically claimed only the system’s interaction with those devices.” (Appeal Br. 6.) But Appellant also argues that “[t]he claims may recite a remote server, mobile device, or a point of sale terminal. But these elements are part of a whole system or method that solves several challenges.” (*Id.* at 9.)

A claim must “particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention.” 35 U.S.C. § 112, ¶ 2. Specifically,

the second paragraph of § 112 contains two requirements: “first, [the claim] must set forth what ‘the applicant regards as his invention,’ and second, it must do so with sufficient particularity and distinctness, i.e., the claim must be sufficiently ‘definite.’” In determining whether the claim is sufficiently definite, we must analyze whether “one skilled in the art would understand the bounds of the claim when read in light of the specification.”

*Allen Eng’g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, 1348 (Fed. Cir. 2002). The Federal Circuit has stated that

when the USPTO has initially issued a well-grounded rejection that identifies ways in which language in a claim is ambiguous, vague, incoherent, opaque, or otherwise unclear in describing and defining the claimed invention, and thereafter the applicant fails to provide a satisfactory response, the USPTO can properly reject the claim as failing to meet the statutory requirements of § 112(b).

*In re Packard*, 751 F.3d 1307, 1311 (Fed. Cir. 2014).

In this case, paragraph (1) of claim 1 recites “the system comprising: a remote server in communication with the mobile device.” In other words, the claimed system requires both a remote server and a mobile device, and that the server be in communication with the mobile device. Absent the mobile device, it is unclear with what the server would be in communication. Therefore, we disagree with the Examiner that it is unclear whether the mobile device is part of the claimed system.

Paragraph (2) of claim 1 recites “wherein the point of sale terminal is configured to process the payment transaction” and “wherein the system processes the payment transaction.” This suggests that the point of sale terminal is part of the claimed system. However, as noted above, Appellant argues that the point of sale terminal itself is not a part of the claimed system. (*See* Appeal Br. 6.) As also noted above, Appellant also argues that

the elements (remote server, mobile device, and point of sale terminal) are part of a whole system. (Appeal Br. 9.)

“We employ a lower threshold of ambiguity when reviewing a pending claim for indefiniteness than those used by post-issuance reviewing courts.” *Ex parte Miyazaki*, 89 USPQ2d 1207, 1211 (BPAI 2008) (precedential). Specifically, “if a claim is amenable to two or more plausible claim constructions, the USPTO is justified in requiring the applicant to more precisely define the metes and bounds of the claimed invention by holding the claim unpatentable under 35 U.S.C. § 112, second paragraph, as indefinite.” *Id.*; *see also In re Packard*, 751 F.3d at 1311.

In view of the above, we agree with the Examiner that it is unclear whether the point of sale terminal itself is part of the claimed system. In short, the Examiner has presented a well-grounded rejection identifying why paragraph (2) of claim 1 is unclear in this context. Claims 2–17 fall with claim 1.<sup>2</sup> *See* 37 C.F.R. § 41.37(c)(1)(iv).

### *The § 101 rejection*

“Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” 35 U.S.C. § 101. Section 101, however,

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<sup>2</sup> We note that independent claim 11 refers to a “payment processing terminal of the merchant” rather than a “point of sale terminal of the merchant,” as recited in claim 1. But, particularly in view of Appellant’s arguments discussed above (*see* Appeal Br. 6, 9), we agree with the Examiner that it is unclear whether the payment processing terminal itself is part of the claimed system. (*See* Final Action 12.)

“contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014) (quoting *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 589 (2013)).

*Alice* applies a two-step framework, earlier set out in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012), “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 573 U.S. at 217.

Under the two-step framework, it must first be determined if “the claims at issue are directed to a patent-ineligible concept.” *Id.* at 218. If the claims are determined to be directed to a patent-ineligible concept, e.g., an abstract idea, then the second step of the framework is applied to determine if “the elements of the claim . . . contain[] an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *Id.* at 221 (citing *Mayo*, 566 U.S. at 72–73, 79).

With regard to step one of the *Alice* framework, we apply a “directed to” two prong test to: 1) evaluate whether the claim recites a judicial exception, and 2) if the claim recites a judicial exception, evaluate whether the claim “appl[ies], rel[ies] on, or use[s] the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception.” *See* USPTO, 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50, 54 (Jan. 7, 2019) (hereinafter “2019 Guidance”).

Here, the Examiner determines that claim 1 is “directed towards the abstract idea of systems for conducting a payment transaction,” and, in

particular, “directed towards a method of organizing human activity because [it] describe[s] concepts relating to interpersonal and intrapersonal activities.” (Final Action 3.)

Appellant disagrees and argues that claim 1 recites “a system for allowing a consumer to complete a payment transaction with a merchant at a merchant location using a mobile device of the consumer and a point of sale terminal of the merchant.” (Appeal Br. 9.)

Under step one of the *Alice* framework, we “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 Texas, LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1257 (Fed. Cir. 2016) (quoting *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016)).

The ‘directed to’ inquiry . . . 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 . . . . Rather, the ‘directed to’ inquiry applies a stage-one filter to claims, considered in light of the specification, based on whether ‘their character as a whole is directed to excluded subject matter.’ *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015).

*Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016). In other words, the first step of the *Alice* framework “asks whether the focus of the claims is on the specific asserted improvement in [the relevant technology] or, instead, on a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool.” *Id.* at 1335–36; *see also* 2019 Guidance at 54–55.

The Specification provides evidence as to what the claimed invention is directed. In this case, the Specification describes the invention as relating

“to electronic payment processing and offer systems, and more specifically to a system and method for making and redeeming offers in conjunction with a secure, mobile, electronic payment processing system.” (Spec. ¶ 2.) Claim 1 provides further evidence. Claim 1 recites “[a] system for allowing a consumer to complete a payment transaction with a merchant at a merchant location using a mobile device of the consumer and a point of sale terminal of the merchant . . . comprising: a remote server in communication with the mobile device,” “the mobile device configured to detect the presence of the consumer at the merchant location, the remote server configured to verify an identity of the consumer . . . and to form a virtual payment account number.” Claim 1 further recites that “the point of sale terminal is configured to process the payment transaction,” “and . . . the system processes the payment transaction using the virtual payment account number . . . using the merchant’s existing payment processing system.”

Regardless of whether the point of sale terminal is part of the claimed system, this evidence shows that claim 1 is directed to conducting a payment transaction. This is in accord with the Examiner’s determination. (*See* Final Action 3.) The Federal Circuit has found claims directed to similar subject matter to be directed to abstract ideas. *See, e.g., Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372 (Fed. Cir. 2017) (Determining claims directed to “pay[ing] for items ordered from a remote seller at a third-party’s local establishment” to be directed to an abstract idea.), *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1374 (Fed. Cir. 2011) (Determining claims directed to “a method for detecting credit card fraud” to be directed to an abstract idea.), *Smart Sys. Innovations, LLC v. Chicago Transit Auth.*, 873 F.3d 1364, 1372 (Fed. Cir. 2017) (Determining claims

“directed to the formation of financial transactions in a particular field . . . and data collection related to such transactions” to be directed to an abstract idea.).

Claim 1 recites that the remote server is in communication with the mobile device, but the claim does not specify how this communication is accomplished. Claim 1 recites that the mobile device is configured to detect a presence of the consumer at the merchant, but the claim does not specify how this detection is accomplished or what is done with the result. Claim 1 recites that the remote server is configured to verify an identity of the consumer using identifying characteristics of the mobile device, but the claim does not specify what characteristics of the mobile device are used or how they are used to verify the consumer’s identity. With regard to the point of sale terminal, claim 1 recites that the point of sale terminal is configured to process the payment transaction, but the claim does not specify how this processing is accomplished. In short, regardless of whether we consider the point of sale terminal to be part of the claimed system, claim 1 recites functional results to be achieved by any means. These recited functional results are directed to “commercial or legal interactions (including agreements in the form of contracts; legal obligations; advertising, marketing or sales activities or behaviors; business relations),” i.e., certain methods of organizing human activity. (*See* Guidance at 52.) Thus, under prong one of the two prong test in the 2019 Guidance, claim 1 recites an abstract idea.

With regard to prong two, we are asked to determine if additional elements in claim 1 “apply, rely on, or use the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim

is more than a drafting effort designed to monopolize the judicial exception.” But here we are hindered in our analysis by the indefiniteness of the claim. Specifically, as discussed above, it is unclear if the point of sale terminal is part of the claimed system.

This is particularly problematic because it is unclear what functions are performed by the point of sale terminal. Paragraph (2) of claim 1 recites that “the point of sale terminal is configured to process the payment transaction,” but, as noted above, the claim does not specify how this is accomplished. Paragraph (2) recites that “the checkout code is merged with the merchant code,” but it does not indicate that this is performed by the point of sale terminal, or how this is otherwise accomplished.<sup>3</sup> Paragraph (2) recites that “the system processes the payment transaction using the virtual payment account number . . . using the merchant’s existing payment processing system.” But the claim does not indicate whether the point of sale terminal is part of the system that processes the transaction, nor does it indicate how the system communicates with the merchant’s existing

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<sup>3</sup> Claim 1 recites that “the remote server [is] configured . . . to form a virtual payment account number, the virtual payment account number formed by merging a checkout code with a merchant code.” But claim 1 also recites that

the point of sale terminal is configured to process the payment transaction . . . and wherein the checkout code is merged with the merchant code, . . . , wherein the merged checkout code and merchant code form the virtual payment account number, and wherein the system processes the payment transaction using the virtual payment account number.

It is unclear if the recitation “wherein the checkout code is merged with the merchant code” is merely describing the merger that is performed by the remote server in paragraph (1), or if a merger is also performed by the point of sale terminal in paragraph (2).

payment processing system if the point of sale system is part of the system processing the payment transaction. Because we are unable to interpret the claim, e.g., to determine what function(s) are performed by the point of sale terminal and whether it is part of the claimed system, we determine that the rejection under § 101 is necessarily based on speculative assumptions about the meaning of the claims. *See In re Steele*, 305 F.2d 859, 862–63 (CCPA 1962). Therefore, we will not sustain the rejection of claim 1 under § 101. It must be understood, however, that our decision regarding this rejection of claim 1 is based solely on the ambiguity and indefiniteness of the claim.

With regard to independent claim 11, and as noted above, claim 11 refers to a “payment processing terminal of the merchant” rather than a “point of sale terminal of the merchant,” as recited in claim 1. Claim 11 recites “wherein the payment processing terminal at the merchant is configured to initiate the payment transaction at the request of the consumer.” But, particularly in view of Appellant’s arguments discussed above (*see* Appeal Br. 6, 9), it is unclear whether the payment processing terminal itself is part of the claimed system.

Moreover, Appellant seeks to analogize the pending claims to the claims in *BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016). (Appeal Br. 13.) Specifically, Appellant argues that “the patent application describes a particular arrangement of elements to bring technical and business improvements over the prior art.”

(*Id.*)<sup>4</sup> In *BASCOM*, the court determined that “an inventive concept can be found in the non-conventional and non-generic arrangement of known, conventional pieces.” *BASCOM*, 827 F.3d at 1350. Specifically, *BASCOM*’s content filter could be “installed remotely in a single location” and “this particular arrangement of elements is a technical improvement over the prior art ways of filtering.” *Id.* Here, however, not only is it unclear how the point of sale terminal/payment processing terminal is arranged in the claimed system, it is not even clear that the terminal is part of the claimed system. (*See supra.*)

In sum, “our analysis of the claims leaves us in a quandary as to what in fact is covered by them.” *See In re Steele*, 305 F.2d at 862. Therefore, we do not sustain the rejection under § 101 of independent claims 1 and 11, or dependent claims 2–10 and 12–17, because the rejection is necessarily based on speculative assumptions as to the meaning of the claims. *See id.* at 862–63; *see also* 37 C.F.R. § 41.37(c)(1)(iv). As noted above, it must be understood that our decision regarding this rejection is based solely on the ambiguity of the claims.

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<sup>4</sup> We acknowledge that some of these considerations may be more properly evaluated under step two of the *Alice* framework. However, for purposes of maintaining consistent treatment within the USPTO, we evaluate it under step one. (*See* 2019 Guidance.)

## CONCLUSION

The Examiner's rejection of claims 1–17 under 35 U.S.C. § 112, second paragraph, is affirmed.

The Examiner's rejection of claims 1–17 under 35 U.S.C. § 101 is reversed.

Specifically:

| <b>Claims Rejected</b> | <b>35 U.S.C. §</b>    | <b>Reference(s)/Basis</b> | <b>Affirmed</b> | <b>Reversed</b> |
|------------------------|-----------------------|---------------------------|-----------------|-----------------|
| 1–17                   | 112, second paragraph | indefiniteness            | 1–17            |                 |
| 1–17                   | 101                   | eligibility <sup>5</sup>  |                 | 1–17            |
| <b>Overall Outcome</b> |                       |                           | 1–17            |                 |

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**

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<sup>5</sup> As explained above, our decision regarding this rejection is based solely on the ambiguity of the claims.