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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 GOURAB BASU and MICHAEL MORI

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Appeal 2018-000158
Application 14/146,638
Technology Center 3600

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Before ERIC S. FRAHM, CATHERINE SHIANG, and JASON J. CHUNG, *Administrative Patent Judges*.

SHIANG, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellant[1] appeals under 35 U.S.C. § 134(a) from the Examiner's rejection of claims 1, 2, 5–12, and 15–24, which are all the claims pending and rejected in the application. We have jurisdiction under 35 U.S.C. § 6(b).

We reverse.

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[1] We use "Appellant" to refer to "applicant" as defined in 37 C.F.R. § 1.42. Appellant identifies Visa International Service Association as the real party in interest. App. Br. 2.

STATEMENT OF THE CASE

Introduction

The present invention relates to "successfully integrate and process transactions involving different payment systems and protocols." Spec. ¶ 5.

> According to some embodiments, a system and method may keep track of settlement with both a third-party (e.g., digital wallet provider, coupon or discount provider, shipping provider, etc.) and a payment card issuer. The system and method may send a comprehensive settlement to the acquirer. The system and method operate by receiving a settlement request (e.g., a clearing message) with a transaction identifier from an acquirer. A payment processor may split the request into two separate settlement requests, one sent to the third-party and the other to the issuer, both having unique transaction identifiers that are derived from the original transaction identifier. As a result of the system, acquirers and payment processors can better consolidate information and ensure that a payment is entirely settled when there are multiple paying entities involved in the transaction.

Spec. ¶ 8.

Claim 1 is exemplary:

> 1. A method for clearing a transaction, comprising:
> receiving, by a server computer, a first authorization request message comprising at least a transaction amount associated with the transaction;
> generating, by the server computer, a second authorization request message and transmitting the second authorization request message to a first computer, the second authorization request message comprising a first adjusted transaction amount;
> generating, by the server computer, a third authorization request message and
> transmitting the third authorization request message to a second computer, the third authorization request message comprising a second adjusted transaction amount;

receiving, by the server computer and from the first computer, a first authorization response message in response to the second authorization request message;

receiving, by the server computer and from the second computer, a second authorization response message in response to the third authorization request message;

transmitting, by the server computer and to an acquirer computer, a third authorization response message;

receiving, by the server computer, a first clearing request message, wherein the first clearing request message comprises a transaction identifier and the transaction amount;

deriving a first derived transaction identifier and a second derived transaction identifier from the transaction identifier;

splitting the first clearing request message into a second clearing request message and a third clearing request message, the second clearing request message comprising a first derived transaction identifier;

transmitting the second clearing request message to the first computer;
transmitting the third clearing request message to the second computer, wherein the second clearing request message comprises the first adjusted transaction amount and the third clearing request message comprises the second adjusted transaction amount; and

settling, by the server computer, the first adjusted transaction amount with the first computer and settling, by the server computer, the second adjusted transaction amount with the second computer.

App. Br. 18 (Claims Appendix).

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Rejection[2]

Claims 1, 2, 5–12, and 15–24 are rejected under 35 U.S.C. § 101 because they are directed to patent-ineligible subject matter. Final Act. 6–11.

ANALYSIS

35 U.S.C. § 101

We have reviewed the Examiner's rejection in light of Appellant's contentions and the evidence of record. We concur with Appellant's contention that the Examiner erred in this case.

Section 101 of the Patent Act provides "[w]hoever 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. 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. *E.g.*, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 216 (2014) (internal quotation marks and 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,

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[2] Throughout this opinion, we refer to the (1) Final Office Action dated October 26, 2017 ("Final Act."); (2) Appeal Brief dated March 26, 2018 ("App. Br."); (3) Examiner's Answer dated August 3, 2018 ("Ans."); and (4) Reply Brief dated October 3, 2018 ("Reply Br.").

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 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 (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.* (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 published revised guidance on the application of § 101. USPTO's 2019 REVISED PATENT SUBJECT MATTER ELIGIBILITY GUIDANCE, 84 Fed. Reg. 50 (Jan. 7, 2019) ("Guidance").[3] Under the guidance set forth in 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 activity such as a fundamental economic practice, or mental processes) (Step 2A, Prong 1); 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. rev. 08.2017 2018) (Step 2A, Prong 2).

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[3] The Guidance was updated in October 2019.

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. (Step 2B.)

See Guidance, 84 Fed. Reg. at 54–56.

Turning to Step 2B of the Guidance, "[t]he second step of the *Alice*

test is satisfied when the claim limitations 'involve more than performance

of []well-understood, routine, [and] conventional activities previously

known to the industry.'" *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1367 (Fed.

Cir. 2018) (quoting *Content Extraction & Transmission LLC v. Wells*

Fargo Bank, Nat'l Ass'n, 776 F.3d 1343, 1347–48 (Fed. Cir. 2014) and

Alice, 573 U.S. at 225). "Whether something is well-understood, routine,

and conventional to a skilled artisan at the time of the patent is a factual

determination." *Berkheimer*, 881 F.3d at 1369.

In this case, the Examiner determines:

> The additional elements involved in the recited process of all
> pending claims undertake their roles in performance of their
> functions (such as receiving data, generating messages from the
> received data and transmitting the messages to respective
> computers associated with respective entities) according to their
> generic functionalities (examples: routine data processing)
> which are well-understood, routine and conventional data
> processing activities.

Final Act. 10; *see also* Ans. 7.

As pointed out by Appellant, the Examiner has not provided the

evidence required by *Berkheimer* to support the above determination. *See*

App. Br. 14–15; Reply Br. 7; *Berkheimer*, 881 F.3d at 1369. In particular, the Examiner has not provided any of the four categories of information required by the Memorandum of Changes in Examination Procedure Pertaining to Subject Matter Eligibility, Recent Subject Matter Eligibility Decision (*Berkheimer v. HP, Inc.*) ("*Berkheimer* Memorandum"):

1. A citation to an express statement in the specification or to a statement made by an applicant during prosecution that demonstrates the well-understood, routine, conventional nature of the additional element(s). . . .
2. A citation to one or more of the court decisions discussed in MPEP § 2106.05(d)(II) as noting the well-understood, routine, conventional nature of the additional element(s).
3. A citation to a publication that demonstrates the well-understood, routine, conventional nature of the additional element(s). . . .
4. A statement that the examiner is taking official notice of the well-understood, routine, conventional nature of the additional element(s). . . .

Berkheimer Memorandum at 3–4. Further, the Examiner does not respond to Appellant's arguments about *Berkheimer*.

Therefore, the Examiner erred with respect to Step 2B of the Guidance, and we are constrained by the record to reverse the Examiner's rejection of claims 1, 2, 5–12, and 15–24 on procedural grounds.

CONCLUSION

We reverse the Examiner's decision rejecting claims 1, 2, 5–12, and 15–24 under 35 U.S.C. § 101.

In summary:

Claims Rejected	35 U.S.C. §	Basis	Affirmed	Reversed
1, 2, 5–12, 15–24	101	Eligibility		1, 2, 5–12, 15–24

REVERSED