UNITED STATES PATENT AND TRADEMARK OFFICE

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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 JASON MARSHALL and KARA KAZAZEAN

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Appeal 2019-003431
Application 13/632,491
Technology Center 3600

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Before CAROLYN D. THOMAS, JAMES B. ARPIN, and
IFTIKHAR AHMED, *Administrative Patent Judges*.

THOMAS, *Administrative Patent Judge*.

DECISION ON APPEAL

Pursuant to 35 U.S.C. § 134(a), Appellant[1] appeals from the
Examiner's decision to reject claims 1–7, 10–17, and 20. Claims 8, 9, 18,
and 19 are canceled. *See* Claim Appendix. We have jurisdiction over the
appeal under 35 U.S.C. § 6(b).

We AFFIRM.

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[1] 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 Walmart
Apollo, LLC. Appeal Br. 3.

The present invention relates generally to a universal substantiation system that allows or prevents a consumer to purchase products or services using a payment or identification device, such a gift card. *See* Abstract.

Independent claim 11, reproduced below, is representative of the appealed claims:

> 11.   A method comprising:
> transmitting, via a communications module including transceivers[,] and storing a graphical user interface, and display the graphical user interface (GUI) to a third party payer/partner system;
> receiving, via a communications module, input associated payer/partner identification information from a third party payer/partner system over a communication network, the payer/partner information being stored in a first database of the payer/partner module for association with a plurality of gift cards to be created;
> creating, via a computing system including a server and a database, the server being operatively coupled to the communications module, a payer/partner gift card substantiation account based at least in part on the payer/partner identification information received from the third party payer/partner system;
> receiving, via the computing system, programming information from the third party payer/partner system over the communication network to create one or more program profiles for the payer/partner substantiation account, the one or more program profiles being stored in a database of the programming module and used for creation of the plurality of gift cards;
> receiving, via the computing system, the one or more rules or conditions from the third party payer/partner system for the one or more program profiles and to be linked to the plurality of gift cards;
> causing, via the computing system, the creation of the plurality of gift cards using the programming information received from the third party payer/partner system, each of the plurality of gift cards created by the payment module including a unique, randomly generated identification number, wherein the one or more rules or conditions received from the third party payer/partner system are linked to the plurality of gift cards,

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accessing, via the third party payer/partner system, the computing system, using the GUI;

specifying, via the third party payer/partner system, an operation of a plurality of POS terminals using the rules/conditions linked to the plurality of gift cards such that a response of the plurality of POS terminals to reading the unique, random generated identifier of each of the plurality of gift cards is configurable by the third party payer/partner system and executed exclusively by a point-of-sale (POS) system, wherein the POS system includes at least one server and the plurality of POS terminals,

reading, via at least one POS terminal, the unique, random generated identifier of at least one of the plurality of gift cards,

accessing, via the at least one POS terminal, the rules/condition linked to the plurality of gift cards in the rules/condition module;

automatically performing, via the at least one POS terminal an operation specified by the rules/condition linked to the plurality of gift cards; and

automatically controlling, via the third party payer system, storage of the computing system to store data associated with the operation performed by the at least one POS terminal and a duration of storage of the data in the storage of the computing system.

Appellant appeals the following rejection:

Claims 1–7, 10–17, and 20 are rejected under 35 U.S.C. § 101 because the claimed invention is directed to patent-ineligible subject matter. Final Act. 2–8.

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

Rejection under § 101

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 U.S. 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. 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 the 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."). For example, 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, 69 (1972)).

The U.S. Patent and Trademark Office (USPTO) published revised guidance on the application of 35 U.S.C. § 101. USPTO's 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019)

("Revised Guidance"), *updated by* USPTO, *October 2019 Update: Subject Matter Eligibility* (available at https://www.uspto.gov/sites/default/files/ documents/peg_oct_2019_update.pdf) (jointly referred to as "Revised Guidance"); *see also* October 2019 Patent Eligibility Guidance Update, 84 Fed. Reg. 55942 (Oct. 18, 2019) (notifying the public of the availability of the October update).

Under the Revised Guidance "Step 2A," the Office first looks 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* MPEP § 2106.05(a)–(c), (e)–(h)). 84 Fed. Reg. at 51–52, 55.

Only if a claim (1) recites a judicial exception and (2) does not integrate that exception into a practical application, does the Office then (pursuant to the Revised Guidance "Step 2B") 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. 84 Fed. Reg. at 56.

Step 2A, Prong 1 (Does the Claim Recite a Judicial Exception?)

With respect to independent method claim 11, and similarly, system claim 1, the Examiner determines that the claims are directed to

"substantiating payments using a payment device such as a gift card, which is a fundamental economic practice" (Final Act. 3), which we agree with the Examiner recites "certain method[s] of organizing human activity" (*id.*), which is a type of abstract idea.

As noted in Appellant's Specification, "some embodiments of the present disclosure relate to the field of a universal substantiation system for a merchant that may enable or prevent the consumers to purchase products or services using a payment or identification device having predetermined rules or conditions." Spec. ¶ 1.

For example, claim 11 recites at least the following limitations: (1) "receiving . . . input associated payer/partner identification information from a third party payer/partner system . . . for association with a plurality of gift cards to be created," (2) "creating . . . a payer/partner gift card substantiation account," (3) "receiving . . . programming information from the third party payer/partner system . . . to create one or more program profiles . . . used for creation of the plurality of gift cards," (4) "receiving . . . the one or more rules or conditions . . . to be linked to the plurality of gift cards," (5) "causing . . . the creation of the plurality of gift cards using the programming information," (6) "reading . . . the unique, random generated identifier of at least one of the plurality of gift cards," (7) "accessing . . . the rules/condition linked to the plurality of gift cards," (8) "automatically performing . . . an operation specified by the rules/condition linked to the plurality of gift cards," and (9) "automatically controlling . . . storage . . . to store data associated with the operation performed . . . and a duration of storage of the data." These limitations, under their broadest reasonable interpretation, recite a fundamental economic practice akin to hedging and

mitigating risk because the limitations recite operations that would ordinarily take place in a commercial environment. *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); *id.* (describing the concept of risk hedging identified as an abstract idea in *Bilski* as "a method of organizing human activity"); *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.").

Appellant does not directly challenge whether the claims are directed to an abstract idea, but instead makes arguments more directly related to integrating the judicial exception into a practical application and whether specific limitations are not well-understood, routine, and conventional activity in the field. Such arguments will be address below.

At best, Appellant challenges the Examiner's determinations on the ground that the claims are "directed to . . . a retailer's system . . . controlling the storage of data associated with an operation performed by a POS terminal in the retailer's system." Appeal Br. 7. Appellant further contends that "[t]he system also allows the third party system to specify the duration of time that the retailer's system stores the data." *Id.* However, we find Appellant's contentions fail to persuasively explain how the identified claimed features are not themselves abstract concepts. Instead, we agree with the Examiner (*see* Ans. 3) that it appears that Appellant is conceding

that the claims recite an abstract concept related to economic practices, i.e., "Applicant submits that claim 1 (and claim 11) is directed to . . . a retailer's system . . . controlling the storage of data associated with an operation performed by a POS terminal in the retailer's system." *See* Appeal Br. 7.

Therefore, for at least the aforementioned reasons, we agree with the Examiner that claim 1 recites an abstract idea, which we conclude is a fundamental economic practice, i.e., certain methods of organizing human activity.

<u>Step 2A—Prong 2 (integration into Practical Application)[2]</u>

Under the Revised 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)).

Here, we consider the claim as a whole, i.e., "the limitations containing the judicial exception as well as the additional elements in the claim besides the judicial exception . . . evaluated together to determine whether the claim integrates the judicial exception into a practical application." October 2019 Patent Eligibility Guidance Update, at 12, available at http://www.uspto.gov/PatentEligibility.

We discern no additional element (or combination of elements) recited in Appellant's representative claim 11 that integrates the judicial exception into a practical application. *See* Revised Guidance, 84 Fed. Reg.

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[2] We acknowledge that some of the considerations at Step 2A, Prong 2, properly may be evaluated under Step 2 of *Alice/Mayo* framework (Step 2B of the Office revised guidance). For purposes of maintaining consistent treatment within the Office, we evaluate them under Step 1 of *Alice/Mayo* framework (Step 2A of the Office revised guidance). *See* Revised Guidance, 84 Fed. Reg. at 55 n.25, 27–32.

at 54–55 ("Prong 2"). For example, Appellant's claimed additional elements (e.g., "POS system," "server," "POS terminals," "communication module," "transceivers," "GUI," "third party payer/partner system," "gift cards," "computing system," "database," and "communications module") 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).

Although Appellant contends the claimed configuration "allows the third party system to control the retailer's system to store/or purge data efficiently . . . via the unified GUI . . . [that] improves operational efficiency of the system, while maintaining the security of the retailer's system vis-a-vi the third party system" (Appeal Br. 7–8), we agree with the Examiner that "[i]n regards to improved security, the claims and specification do not describe any specific improvement to security. . . . [merely] the use of the computer product as a tool and does not focus on an improvement to the computer product . . . itself." Ans. 5–6. Furthermore, we agree with the Examiner that the "[S]pecification similarly offer no specific improvement to the efficiency of the underlying computer products. Again, the efficiency comes from the use of the computer product as a tool." *Id.* at 6. Also, we agree with the Examiner that the Specification merely discloses "a data retention policy [that] does not constitute an improvement to the functioning of a computer, or to any other technology or technical field." *Id.*

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For example, Appellant's Specification merely discloses:

> The point-of-sale (POS) module 220 may include a computer
> processor or a database to process and store the transaction
> information. For example, the point-of-sale (POS) module 220 may
> identify products or services purchased at the point-of-sale (POS)
> terminal 108. The point-of-sale (POS) module 220 may also identify
> a time or a date of purchase at the point-of-sale (POS) terminal 108.
> The point-of-sale (POS) module 220 may further identify an
> identification information of the payment or identification device 112
> used to purchase the products or services. The point-of-sale (POS)
> module 220 may store the transaction information for a predetermined
> and/or programmable period of time. For example, the point-of-sale
> (POS) module 220 may store the transaction information for a
> duration specified by the payer/partner 106.

Spec. ¶ 42.

In other words, Appellant fails to provide sufficient evidence to support the aforementioned contentions. Mere attorney arguments and conclusory statements that are unsupported by evidence are entitled to little probative value. *In re Geisler*, 116 F.3d 1465, 1470 (Fed. Cir. 1997); *see also In re De Blauwe*, 736 F.2d 699, 705 (Fed. Cir. 1984); 37 C.F.R. § 1.111(b); and *Ex parte Belinne*, No. 2009-004693, slip op. at 7-8 (BPAI Aug. 10, 2009) (informative), *available at* http://www.uspto.gov/web/offices/dcom/bpai/its/fd09004693.pdf.

Furthermore, we are not persuaded by Appellant's contention that "the claims of the present application are similar to the claims in *Trading Technologies International Inc. v. CQG, Inc.*," 675 F. App'x 1001 (Fed. Cir. 2017) (nonprecedential). Appeal Br. 10. For example, in *Trading Technologies*, the U.S. Court of Appeals for the Federal Circuit accepted the lower court's findings, with respect to step two of the *Alice/Mayo* framework, that the claims provided "an inventive concept that allows

traders to more efficiently and accurately place trades using this electronic trading system." 675 F. App'x at 1004. In further discussing the lower court's opinion, the Federal Circuit noted "[t]he court distinguished this system from the routine or conventional use of computers or the Internet, and concluded that the specific structure and concordant functionality of the graphical user interface are removed from abstract ideas, as compared to conventional computer implementations of known procedures." *Id*. Accordingly, the distinguishing feature under *Alice/Mayo* framework step two for the claims in *Trading Technologies* was an advance in efficiency as compared to other computer processes. However, simply using a computer to gain efficiency over a manual process is not sufficient to distinguish a claim from a patent-ineligible abstract idea. *See OIP Techs. Inc. v. Amazon.com, INC.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015) ("[R]elying on a computer to perform routine tasks more quickly or more accurately is insufficient to render a claim patent eligible.").

Thus, contrary to Appellant's argument, the claims here are unlike those in *Trading Technologies* because Appellant has not provided persuasive evidence, i.e., in the Specification or elsewhere, or technical reasoning that the method of claim 11 produces an advance in efficiency or technological improvement to the technology underlying a universal substantiation system.

Here, we look to whether the claims 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. *See Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016).

We note that the present claims are also different from those at issue in *Enfish* because the focus of the claims here is not on an improvement in computers or upon an innovative way to use computers or other devices, but is focused on an abstract idea that uses generic and routine equipment as tools. That is, here, the arguably innovative technique of the appealed claims is inextricably a part of the abstract idea of "substantiating payments using a payment device such as a gift card." Moreover, nothing in the claims, understood in light of the Specification, requires anything other than an off-the-shelf conventional GUI used for inputting and displaying data, and a conventional computer for receiving and analyzing various data. Therefore, unlike *Enfish*, the pending claims are not directed to improvement in computer capabilities, but to the results of applying an abstract idea.

Further, the additional elements do not integrate the judicial exceptions described above into a patent-eligible practical application because, for example, transmitting information for display on the graphical user interface at a third party payer/partner system is no more than pre-solution activity. Also, storage of the data associated with one POS terminal represents nothing more than post-solution activity.

These pre- and post-solution steps—even when performed over a computer network via communications between a point-of-sale system and a third party payer/partner system—are insufficient to integrate the judicially excepted steps into a practical application. *See 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).

Although the claimed process does substantiate gift cards, the claimed process fails to improve the functioning of either the POS system, the communications module, or the computing system. Rather, such components merely link the underlying abstract idea (i.e., fundamental economic principles) to a particular technological environment.

For at least the reasons noted *supra*, we determine that claim 11 (1) recites a judicial exception and (2) does not integrate that exception into a practical application. Thus, representative claim 11 is directed to the aforementioned abstract idea.

<u>*Alice/Mayo—Step 2 (Inventive Concept)*</u>
<u>*Step 2B identified in the Revised Guidance*</u>

Turning to the second step of the *Alice/Mayo* framework inquiry, we now look to whether claim 11 contains any "inventive concept" or adds anything "significantly more" to transform the abstract concept into a patent-eligible application. *Alice*, 573 U.S. at 216. As recognized by the Revised Guidance, an "inventive concept" under *Alice/Mayo* framework step 2 can be evaluated based on whether an additional element or combination of elements:

> (1) adds a specific limitation or combination of limitations that are not well-understood, routine, conventional activity in the field, which is indicative that an inventive concept may be present; or
>
> (2) simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception, which is indicative that an inventive concept may not be present.

See Revised Guidance, 84 Fed. Reg. at 56; *see* MPEP § 2106.05(d).

We find no element or combination of elements recited in Appellant's claim 11 that contains any "inventive concept" or adds anything

"significantly more" to transform the abstract concept into a patent-eligible application. Appellant has not adequately explained how claim 11 is performed such that it is not a routine and conventional function of a generic computer. For instance, Appellant's Specification merely describes the components at a high level of generality. *See* Spec. ¶¶ 24–28. The Court in *Alice* noted that "'[s]imply appending conventional steps, specified at a high level of generality,' was not *'enough'* [in *Mayo*] to supply an 'inventive concept.'" *Alice*, 573 U.S. at 216 (quoting *Mayo*, 566 U.S. at 71).

Here, Appellant merely contends "[t]he claims as a whole are novel and non-obvious over the prior art and solve a technical problem using a technical solution." Appeal Br. 8. However, a finding of novelty or non-obviousness does not require the conclusion that the claimed subject matter is patent-eligible. Although the second step in the *Mayo/Alice* framework is termed a search for an "inventive concept," the analysis is not an evaluation of novelty or non-obviousness, but, rather, is a search for "an element or combination of elements that is 'sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.'" *Alice*, 573 U.S. at 216. "Groundbreaking, innovative, or even brilliant discovery does not by itself satisfy the § 101 inquiry." *Ass'n. for Molecular Pathology v. Myriad Genetics, Inc.,* 569 U.S. 576, 591 (2013). A novel and non-obvious claim directed to a purely abstract idea is, nonetheless, patent-ineligible. *See Mayo,* 566 U.S. at 90. *See also Diamond v. Diehr,* 450 U.S. 175, 188–89 (1981) ("The '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.").

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Because Appellant's independent claim 11 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 add a specific limitation beyond the judicial exception that is not "well-understood, routine, and conventional," we sustain the Examiner's rejection of the claims 1–7, 10–17, and 20 under 35 U.S.C. § 101 as being directed to non-statutory subject matter in light of *Alice*, its' progeny, and the Revised Guidance.

CONCLUSION

The Examiner's rejection of claims 1–7, 10–17, and 20 under 35 U.S.C. § 101 is affirmed.

In summary:

Claims Rejected	35 U.S.C. §	Reference(s)/Basis	Affirmed	Reversed
1–7, 10–17, 20	101	Eligibility	1–7, 10–17, 20	

No period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a).

AFFIRMED