Subject Matter Eligibility Workshop 2016: *Formulating a Subject Matter Eligibility Rejection and Evaluating the Applicant's Response to a Subject Matter Eligibility Rejection*

There are five sections to this workshop, along with an instructor guide.

Section I: Hypothetical Application – Partial Invention Background and Claims

Section II: Exemplary (Partial) Office Action with a written rejection under 35 U.S.C. 101

Section III: Discussion Worksheet for analyzing written rejection

Section IV: Exemplary (Partial) Applicant Responsive Remarks

Section V: Discussion Worksheet for evaluating applicant remarks and preparing reply

This workshop is designed to supplement the May 4, 2016 Memorandum issued to the Patent Examining Corps titled: *Formulating a Subject Matter Eligibility Rejection and Evaluating the Applicant's Response to a Subject Matter Eligibility Rejection*. It will assist examiners in applying the *2014 Interim Guidance on Patent Subject Matter Eligibility* (*Interim Eligibility Guidance*) and the *July 2015 Update: Subject Matter Eligibility* (*July 2015 Update*). The guidance and past training are available on the website.

The *Interim Eligibility Guidance* has been in effect since December 2014. It is expected that workshop participants are currently using the *Interim Eligibility Guidance* to determine subject matter eligibility under § 101 and are therefore familiar with the two-part analysis (from *Alice Corp.* and *Mayo*) for claims directed to laws of nature, natural phenomena, and abstract ideas. For the purpose of this workshop, it should be assumed that claim 1 is directed to ineligible subject matter and claim 2 is directed to eligible subject matter. The focus of this workshop is on evaluating the adequacy of the rejection and applicant's response.

To prepare for the workshop, participants should read Sections I, II and IV in advance. The workshop will feature a discussion on the adequacy of the hypothetical written rejection and how to evaluate an applicant's responsive arguments. Sections III and V will be conducted as an interactive discussion, using the worksheets as a guide.

The hypothetical Office action used herein represents a ***partial*** Office action. As always, under the principles of compact prosecution, it is expected that a full examination would be conducted on an actual application with an Office action that addresses all statutory requirements, as appropriate.

SECTION I: HYPOTHETICAL APPLICATION – PARTIAL INVENTION BACKGROUND AND CLAIMS

The following hypothetical claims and background are modeled after the technology in Retirement Capital Access Management Co. LLC v. U.S. Bancorp, Covered Business Method Case No. CBM 2013-00014 (August 22, 2014), but are revised to emphasize certain teaching points. The patent at issue was U.S. Patent No. 6,625,582 entitled "Method and system for converting a designated portion of future social security and other retirement payments to current benefits."

The invention provides a program for enabling recipients of retirement payments to convert a designated portion of future retirement payments into currently available financial resources. In particular, a computer system receives retirement benefits over a network from a source (*e.g.*, U.S. Social Security Administration) via electronic funds transfer. The retirement benefits are stored in an individual direct deposit account for the beneficiary. After the beneficiary enrolls in the program, the computer system authorizes the benefit provider (*e.g.*, bank) to provide advanced funds to the beneficiary. That is, the benefit provider is authorized to provide an amount of current capital to the beneficiary based in part upon the present value of a designated portion of the beneficiary's future retirement payments. The computer system will then automatically provide a periodic payment of a predetermined portion of the received retirement payments to the funding source. Therefore, the computer system acts as both a depository for the beneficiary's retirement payments and disbursement agent for such retirement payments.

The computer system utilizes well-known existing computer capabilities, both hardware and software, to advance funds to the beneficiary. In particular, the computer system comprises a memory for storing an account of the beneficiary, a processor for executing the method of advancing funds based upon future retirement benefits, a network interface for communicating with the beneficiary and benefit provider, and a controller to receive instructions from the beneficiary and output instructions. One of ordinary skill in programming is able to write computer code or identify appropriate hardware and/or circuits to implement the disclosed invention without difficulty based on the flow charts and associated description in this specification, for example. Therefore, disclosure of a particular set of program code instructions or detailed hardware devices is not considered necessary for an adequate understanding of how to make and use the invention.

In a preferred embodiment of the invention, the advanced funds are dispensed to beneficiaries at local smart debit card printing kiosks. Dispersing the advanced funds by smart debit card provides a convenience for the beneficiary by having the funds immediately available to the beneficiary. At the time of the invention, such dispersal is a departure from the routine and customary method of fund distribution, which is via electronic funds transfer to the beneficiary's personal bank account.

The kiosks are made up of computer hardware with secure connections over the Internet to the computer system and benefit provider. The kiosk includes an interactive display, network connecter, and smart card dispenser. In practice, the beneficiary uses the interactive display to enter their information and enroll in the program. After the beneficiary has been properly identified and enrolled, the computer system authorizes the benefit provider to establish an account containing the advanced funds. The benefit provider then communicates with the kiosk's network connector to provide information regarding the account (*e.g.*, account number)

to the smart card dispenser. The smart card dispenser includes a storage bin for storing a plurality of plastic cards with memory chips and integrated circuits, an ejector for ejecting smart cards out through a slot of the kiosk, and processing circuitry for processing beneficiary information, storing beneficiary information on a smart card and activating the smart card. The processing circuitry includes a read/write device which encodes and encrypts information on the memory chip of the smart card. During operation, the smart card dispenser receives the account information, encodes and encrypts that information onto the smart card and ejects the encoded smart card to the beneficiary through the slot in the kiosk. The beneficiary may then use the smart card to access the advanced funds in their account with the benefit provider.

Although selected aspects have been illustrated and described in detail, it will be understood that various substitutions and alterations may be made therein without departing from the spirit and scope of the present invention, as defined by the following claims.

<u>CLAIMS</u>

1. A system for creating a source of funds based on present value of future retirement payments, comprising:

   a memory for storing an account for a beneficiary to receive future retirement payments, by electronic funds transfer, payable to the beneficiary from a source of the retirement payments for a preselected period of time;

   a processor programmed to perform the steps of

   designating a benefit provider for providing a monetary benefit to the beneficiary;

   periodically disbursing a predetermined portion of the retirement payments deposited in the account to the benefit provider, by electronic funds transfer, during the preselected period of time; and

   authorizing the benefit provider to provide the monetary benefit to the beneficiary based at least in part on present value of a designated portion of the future retirement payments;

   a network interface for providing electronic communication with the benefit provider and the beneficiary; and,

   a controller in communication with the processor and coupled to the network interface that accepts input from the beneficiary and the benefit provider and outputs instructions for dispersal of the monetary benefit to the beneficiary.

2. The system of claim 1, in combination with a remote kiosk comprising:

   an interactive display for inputting information about the beneficiary;

   a network connector for communicating over the Internet with the network interface and receiving account information from the benefit provider based on the inputted beneficiary information; and

   a smart card dispenser comprising processing circuitry programmed to encode and encrypt the account information on the memory chip of a smart card based on the output instructions from the controller and an ejector for ejecting the encoded and encrypted smart card from the kiosk to the beneficiary.

SECTION II: EXEMPLARY PARTIAL OFFICE ACTION

Using form paragraphs 7.04.01, 7.05, and 7.05.015 and inserts as noted below:

DETAILED ACTION

[FP 7.04.01]

Claim Rejections – 35 USC § 101

35 USC 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture and composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

[FP 7.05 and 7.05.015 with explanation provided]

Claims 1-2 are rejected under 35 U.S.C. 101 because the claimed invention is directed to a judicial exception (i.e., a law of nature, a natural phenomenon, or an abstract idea) without significantly more. Claim(s) 1-2 are directed to the abstract idea of advancing funds based on future retirement payments, as explained in detail below. The claim(s) do not include additional elements that are sufficient to amount to significantly more than the judicial exception because the additional computer elements, which are recited at a high level of generality, provide conventional computer functions that do not add meaningful limits to practicing the abstract idea.

Claim 1 recites, in part, a system for performing the steps of storing an account for a beneficiary to receive future retirement payments, designating a benefit provider, periodically disbursing a portion of retirement payments, and authorizing the benefit provider to provide the benefit to the beneficiary based on present value of a portion of future retirement payments. These steps describe the concept of advancing funds based on future retirement payments, which corresponds to concepts identified as abstract ideas by the courts, such as intermediate settlement in *Alice*, risk hedging in *Bilski* or tax-free investing in *Fort Properties*. All of these concepts relate to economic practices in which monetary transactions between people are managed. The

concept described in claim 1 is not meaningfully different than those economic concepts found by the courts to be abstract ideas. As such, the description in claim 1 of advancing funds based on future retirement benefits is an abstract idea.

The claim does not include additional elements that are sufficient to amount to significantly more than the judicial exception because the additional elements when considered both individually and as an ordered combination do not amount to significantly more than the abstract idea. The claim recites the additional limitations of a "memory" for storing the account, a "processor" programmed to perform the designating, disbursing and authorizing steps, a "network interface" for providing electronic communication, and a "controller" that accepts inputs and outputs instructions. Claim 1 also indicates that the beneficiary is to receive payments by "electronic funds transfer." The "memory," "processor," "network interface" and "controller" are recited at a high level of generality and are recited as performing generic computer functions routinely used in computer applications. Generic computer components recited as performing generic computer functions that are well-understood, routine and conventional activities amount to no more than implementing the abstract idea with a computerized system. Next, "electronic funds transfer" is stated at a high level of generality and its broadest reasonable interpretation comprises only the transfer of money between two entities through the use of some unspecified generic computers and interface. The use of generic computer components to transmit information through an unspecified interface does not impose any meaningful limit on the computer implementation of the abstract idea. Thus, taken alone, the additional elements do not amount to significantly more than the above-identified judicial exception (the abstract idea). Looking at the limitations as an ordered combination adds nothing that is not already present when looking at the elements taken individually. There is no indication that the combination of

elements improves the functioning of a computer or improves any other technology. Their collective functions merely provide conventional computer implementation.

Claim 2 is dependent on claim 1 and includes all the limitations of claim 1. Therefore, claim 2 recites the same abstract idea of "advancing funds based on future retirement payments." The claim recites the additional limitations of a kiosk with an "interactive display," a "network connector" for communicating over the Internet with the network interface and benefit provider and a "smart card dispenser" for dispensing smart cards. The interactive display and network connector are each functional generic computer components that perform the generic functions of displaying and transmitting information, common to electronics and computer systems. Generic computer implementation does not provide significantly more than the abstract idea. The smart card dispenser is merely extra-solution activity and does not meaningfully limit the claim. The calculated advanced funds must be distributed to the beneficiary in some manner and doing so with smart cards is not an inventive concept that meaningfully limits the abstract idea.

Claims 1 and 2 are therefore not drawn to eligible subject matter as they are directed to an abstract idea without significantly more.

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SECTION III: DISCUSSION WORKSHEET FOR ANALYZING THE REJECTION

This worksheet will be used in the workshop to facilitate the discussion of the hypothetical subject matter eligibility rejection under 35 U.S.C. 101. A chart is provided below to permit workshop participants to step through the analysis and analyze whether the grounds of ineligibility are clearly presented in the action. Note that when making a rejection, the Office action must provide an explanation as to why the claim is ineligible, which must be sufficiently clear and specific to provide applicant sufficient notice of the reasons for ineligibility and enable the applicant to effectively respond.

Claim __			
SME Analysis in the Written Rejection	**Yes**	**No**	**Notes**
Step 2A			
Has a judicial exception been identified?	☐	☐	The judicial exception is:
Does the rejection point to words of the claim that recite (set forth or describe) the judicial exception?	☐	☐	The words are:
Is there an explanation of why those words are a judicial exception?	☐	☐	The reason is:

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Step 2B			
Are any additional elements identified?	☐	☐	The additional elements are:
Does the explanation address the significance of the additional elements individually?	☐	☐	Individually, the elements:
Does the explanation address the significance of the additional elements as a combination?	☐	☐	Taken as a combination, the elements:

SECTION IV: EXEMPLARY PARTIAL APPLICANT RESPONSIVE REMARKS

This is Applicant's response to the non-Final Office action dated March xx, 2016. Claims 1 and 2 have been rejected by the examiner under 35 U.S.C. 101 for being directed to non-statutory subject matter. Applicant respectfully disagrees and requests favorable reconsideration in view of the arguments submitted herein. As detailed below, the examiner has failed to set forth a *prima facie* case of patent ineligible subject matter under the *Mayo/Alice* framework.

I.   *__The Examiner has failed to provide any evidence that claims 1 and 2 encompass ineligible subject matter__*

The Examiner contends claim 1 is directed to the concept of "advancing funds based on future retirement payments." Yet, the Examiner failed to cite evidence to support that this concept can even be considered abstract under § 101. Instead, the Examiner contends the identified abstract concept "corresponds to concepts identified as abstract ideas by the courts, such as intermediate settlement in *Alice*, risk hedging in *Bilski*." Yet, the Supreme Court's observation in *Alice* and *Bilski* regarding long prevalent concepts were supported by evidence in the form of non-patent literature.

Similarly, the examiner did not provide any documentary evidence for the conclusion that the processor, memory, network interface and controller are generic computer components performing well-understood, routine and conventional activity. Instead, the examiner made a mere conclusory statement. Likewise, the examiner has not provided any evidence that the interactive display or network connector for displaying and transmitting information in claim 2 is common in electronics and computer systems. Applicant does not believe these limitations are routine or conventional and there is not a scintilla of evidence from which such a finding can be made.

The examiner has failed to establish a *prima facie* case of unpatentability by neglecting to provide any documentary evidence to support the rejection. Accordingly, the rejection should be withdrawn.

II.   *Claims 1 and 2 do not preempt all uses of the purported abstract idea*

The concern driving the abstract concept exception to subject matter eligibility is preemption. Patent claims that do not disproportionately tie up the use of the allegedly abstract idea—*i.e.*, patent claims posing no risk of pre-emption— remain eligible for patent protection. *Alice Corp. v. CLS Bank*, 134 S. Ct. 2347, 2354 (2014). Therefore, if there exist different techniques to apply the abstract idea than the claimed application, there is no risk of improperly tying up the future use of the abstract idea and the claim is patent eligible.

The Examiner contends that claim 1 is directed to the abstract idea of "advancing funds based on future retirement benefits." However, the claims do not preempt this abstract idea. Particularly, the claims recite a much narrower and specific concept of storing an account for a beneficiary to receive future retirement payments payable to the beneficiary from a source of the retirement payments for a preselected period of time; designating a benefit provider for providing a monetary benefit to the beneficiary; periodically disbursing a predetermined portion of the retirement payments deposited in the account to the benefit provider, by electronic funds transfer, during the preselected period of time; and authorizing the benefit provider to provide the monetary benefit to the beneficiary based at least in part on present value of a designated portion of the future retirement payments. Practicing these specific steps would not preempt the broad general idea of advancing funds based on future retirement benefits.

Further, one of ordinary skill could practice this alleged abstract concept without performing the claimed invention. For example, the provided monetary benefit could be

calculated without using the "*present value* of a designated portion of said future payments," and instead, could base the benefit amount on the prior month's value. Alternatively, the future retirement benefits could be received by the receipt of a physical check instead of "by electronic funds transfer." Accordingly, there are alternative uses of the abstract idea such that there is no risk of preempting the purported abstract idea.

III. *Claim 1 satisfies the Machine-or-Transformation test*

The Supreme Court has stated that the Machine-or-Transformation test is a "useful and important clue" for determining patent eligibility under 35 U.S.C. 101. *Bilski v. Kappos*, 130 S. Ct. 3218, 3227 (2010). Further, the court in *Alice* recognized that a generic computer recited at a high level of generality cannot provide significantly more than an abstract idea. However, the computer of claim 1 is not a generic general purpose computer but a particular machine that is integral to the claim. The claim specifically recites that the steps are performed by a system comprising a memory, processor, network interface and controller programmed to advance funds to a beneficiary via electronic funds transfer. The claim is not directed to a purely abstract mental process that could be performed without the use of a computer. Instead, the computer is necessary to cause the direct deposit of future retirement and Social Security payments and communicate with the benefit provider and beneficiary. The claim provides significantly more than any abstract idea with the particular computer implementation of the novel, nonobvious, not routine and not conventional substantive limitations on creating a source of funds based on future retirement or Social Security payments.

Further, the courts have explicitly recognized that a general purpose computer becomes a special purpose computer once it is programmed to perform particular functions pursuant to instructions from program software. *See In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994). As

explained above, the method is implemented by a computer programmed with software to effect electronic funds transfer and electronic communication. Therefore, the claimed computer is a not a generic computer but a special purpose computer because it is programmed with software to perform the particular claimed functions. Accordingly, the claim is clearly tied to a special purpose computer such that the claim meets the M-or-T test and recites patent eligible subject matter.

IV. *The examiner has not properly considered the invention's commercial success*

"[I]nventions with specific applications or improvements to technologies in the marketplace are not likely to be so abstract that they override the statutory language or framework of the Patent Act." *Research Corp. Tech. v. Microsoft Corp.*, 627 F.3d 859, 869 (Fed Cir. 2010). Accordingly, commercial success is an important consideration for determining eligibility under 35 U.S.C. § 101.

Applicants have achieved great commercial success for their claimed invention. In particular, customers have paid millions to upgrade their computer systems with applicant's hardware and software to enable recipients of Social Security payments to convert a designated portion of future payments into currently available financial resources. It is incomprehensible that customers will pay millions for a product that is nothing more than an abstraction. Similarly, it does not make sense that a product with such a significant market share merely performs well-understood, routine and conventional activity. The examiner has not properly taken into consideration the applicant's significant commercial success in determining that claims 1 and 2 are an ineligible abstract idea.

V. *The limitations of dependent claim 2 provide significantly more than the purported abstract idea*

Claim 2 recites the additional limitations of an interactive display for inputting information about the beneficiary, a network connector for communication with the network interface over the Internet and receive account information from the benefit provider and a smart card dispenser for encoding and encrypting the account information on the memory chip of a smart card based on the output instructions from the controller and ejecting the smart card from the kiosk to the beneficiary. When looking at these additional limitations as an ordered combination with the additional limitations of claim 1 it is clear they provide significantly more than "advancing funds based on future retirement benefits."

The additional limitations describe a distributed computing environment that receives input from a beneficiary at a remote kiosk and communicates that information over the Internet to a computer system that sets up an account for the beneficiary to receive future retirement payments via electronic funds transfer. The computer system then communicates with the benefit provider to disburse a portion of the future retirement benefits to the benefit provider and instruct the benefit provider to provide a monetary benefit to the beneficiary. The benefit provider then communicates account information for the monetary benefit with the remote kiosk and this information is encoded and encrypted on a memory chip of a smart card and dispensed to the beneficiary. This distributed computing environment is not merely limiting the use of concept to a particular technological environment. Instead, these limitations provide meaningful limitations that restrict the identified concept to a particular useful application.

It is noted that the examiner found several of these limitations to be well-understood, routine and conventional activity. Even assuming these limitations individually are well-understood, routine and conventional activity, "a new combination of steps in a process may be patentable even though all the constituents of the combination were well known and in common

use before the combination was made" (*Diamond v. Diehr*, 450 U.S. 175, 188 (1981)). In this case, the specific elements of claim 2 work in combination with the elements of claim 1 to produce an action, ejection of a debit card, that is not routine or conventional activity expected when a retirement benefit provider is instructed to issue monetary funds to a beneficiary. Therefore, where the combination of elements are not routine and they provide significantly more than the judicial exception, the claim is patent eligible.

For at least these reasons, the examiner failed to make a *prima facie* case of unpatentability. Applicant respectfully requests withdrawal of the rejections of claims 1 and 2.

SUBJECT MATTER ELIGIBILITY WORKSHEET
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SECTION V: DISCUSSION WORKSHEET FOR EVALUATING APPLICANT'S REMARKS AND PREPARING REPLY

This worksheet will be used in this workshop to assist in evaluating the hypothetical response to a subject matter eligibility rejection. The chart below is used to track the arguments and evaluate their persuasiveness. When evaluating a response, examiners should carefully consider all of applicant's amendments, arguments and evidence rebutting the subject matter eligibility rejection.

What is Applicant's Argument?		
Is Applicant's argument persuasive?	☐ Persuasive	☐ Not Persuasive
Explanation		