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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* KIRK BEACH and CHRISTOPHER A. PESCH

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Appeal 2016-001050  
Application 11/230,310<sup>1</sup>  
Technology Center 3600

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Before MICHAEL C. ASTORINO, BRADLEY B. BAYAT, and  
AMEE A. SHAH, *Administrative Patent Judges*.

ASTORINO, *Administrative Patent Judge*.

DECISION ON APPEAL

The Appellants appeal under 35 U.S.C. § 134(a) from the Examiner's decision rejecting claims 43–61, 63–73, and 91–109. We have jurisdiction over the appeal under 35 U.S.C. § 6(b).

We AFFIRM-IN-PART.

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<sup>1</sup> According to the Appellants, the real party in interest is Outerwall, Inc. Br. 2.

STATEMENT OF THE CASE

*Claimed Subject Matter*

Claims 43, 51, 57, 58, 63, 69, 70, 91, and 99 are the independent claims on appeal. Claim 58, reproduced below, is illustrative of the subject matter on appeal.

58. A method for processing coins, the method comprising:  
receiving a plurality of randomly oriented coins in a coin counting machine;  
dispensing a financial instrument from the coin counting machine in exchange for at least a portion of the coins;  
receiving the financial instrument from a customer;  
reading a code off the financial instrument with a machine;  
sending at least a portion of the code to a database in a query for information to determine if the financial instrument is valid;  
receiving the information from the database; and  
redeeming the financial instrument for at least one of cash and merchandize [sic merchandise] when the information received from the database indicates the financial instrument is valid.

*Rejections<sup>2</sup>*

I. Claims 58–61 and 69 stand rejected under 35 U.S.C. § 101 because the claimed invention lacks patentable utility.

II. Claims 43–61, 63–73, and 91–109 stand rejected under 35 U.S.C. § 101 because the claimed invention is directed to non-statutory subject matter.

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<sup>2</sup> The Examiner withdraws the rejection of claims 43–50 under 35 U.S.C. § 112, second paragraph, as indefinite. Ans. 2.

III. Claims 100 and 101 stand rejected under 35 U.S.C. § 112, first paragraph, as failing to comply with the written description requirement.

IV. Claim 91 stands rejected under 35 U.S.C. § 102(e) as anticipated by Mennie et al. (US 2003/0081824 A1, pub. May 1, 2003) (“Mennie”).

V. Claims 43–56, 58–61, 63–69, 91–94, and 99 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak (US 5,620,079, iss. Apr. 15, 1997), and Biffar (US 5,903,880, iss. May 11, 1999).

VI. Claims 95 and 96 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, and Woynoski et al. (US 6,370,240 B1, iss. Apr. 9, 2002) (“Woynoski”).

VII. Claims 95, 96, and 98 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, and Kolls (US 5,619,024, iss. Apr. 8, 1997).

VIII. Claim 97 stands rejected under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, and Walker et al. (US 6,193,155 B1, iss. Feb. 27, 2001) (“Walker”).

IX. Claims 57, 70–73, 99–105, and 109 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, and Swaine et al. (US 6,167,381, iss. Dec. 26, 2000) (“Swaine”).

X. Claim 106 stands rejected under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, Swaine, and Woynoski.

XI. Claims 105 and 108 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, Swaine, and Kolls.

XII. Claim 107 stands rejected under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, Swaine, and Walker.

XIII. Claims 58–61 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Molbak and Biffar.

## ANALYSIS

### *Rejection I (Utility)*

The Examiner’s rejection of claims 58–61 and 69 under 35 U.S.C. § 101 because the claimed invention lacks patentable utility. Non-Final Act. 3–4 (mailed Aug. 8, 2014). However, in the Non-Final Office Action, and the Examiner’s Answer, the Examiner fails to provide any reason to doubt the utility of the invention of claims 58–61 and 69. For example, the Examiner does not address whether the Appellants fail to identify a specific and substantial utility. *See In re Fisher*, 421 F.3d 1365, 1371 (Fed. Cir. 2005). We determine that the Examiner fails to meet “the initial burden of challenging a presumptively correct assertion of utility in the disclosure.” *In re Brana*, 51 F.3d 1560, 1566 (Fed. Cir. 1995). As such, the Examiner has failed to establish a prima facie case of lack of utility of claims 58–61 and 69. Thus, we do not sustain the Examiner’s rejection of claims 58–61 and 69 under 35 U.S.C. § 101 because the claimed invention lacks patentable utility.<sup>3</sup>

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<sup>3</sup> The reasons provided in the Non-Final Office Action for the rejection of claims 58–61 and 69 under 35 U.S.C. § 101 as lacking utility concern patent eligibility. Non-Final Act. 3–4. In Rejection II, the Examiner rejects claims 58–61 and 69 under 35 U.S.C. § 101 because the claimed invention is directed to non-statutory subject matter (i.e., patent eligibility). As such, the issue of patent eligibility of claims 58–61 and 69 is discussed in Rejection II.

*Rejection II (Non-Statutory Subject Matter)*

Under 35 U.S.C. § 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. The Supreme Court, however, has long interpreted § 101 to include an implicit exception: “[L]aws of nature, natural phenomena, and abstract ideas are not patentable.” *See, e.g., Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014) (internal quotations and citation omitted).

The Supreme Court, in *Alice*, reiterated the two-step framework previously set forth in *Mayo Collaborative Services v. Prometheus Labs., Inc.*, 566 U.S. 66, 82–84 (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 Corp.*, 134 S. Ct. at 2355. The first step in that analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts” (*id.*), e.g., to an abstract idea. If the claims are not directed to a patent-ineligible concept, the inquiry ends. Otherwise, the inquiry proceeds to the second step where the elements of the claims are considered “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 566 U.S. at 79, 78). This is a search for an “inventive concept” — an element or combination of elements sufficient to ensure that the claim amounts to “significantly more” than the abstract idea itself. *Id.*

The Court acknowledged in *Mayo* that “all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena,

or abstract ideas.” *Mayo*, 566 U.S. at 71. Therefore, the Federal Circuit has instructed that claims are to be considered in their entirety to determine “. . . whether their character as a whole is directed to excluded subject matter.” *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1312 (Fed. Cir. 2016) (quoting *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015)).

*Method Claims 58–61, 63–73, and 99–109*

*Independent Claims 58 and 69*

The Appellants argued claims 58 and 69 as a group. *See* Br. 8–10. We select claim 58 as the representative claim for this group. Claim 69 stands or falls with claim 58. 37 C.F.R. § 41.37(c)(1)(iv).

Claim 58 is drawn to “[a] method for processing coins” (Br. 58 (Claims App.)) and “allows verification of a voucher [(i.e., financial instrument)] or token prior to redemption.” Spec. ¶ 10; *see also* Br. 20 (the Appellants point out that a voucher is an example of a financial instrument); Spec ¶ 40 (“Although, some the of discussion has been related to store credit vouchers or tokens, the verification methods are equally applicable to event or travel tickets, mass transit passes, financial instruments, etc.”).

As for the first step of *Alice*, the Examiner determines that claim 58 is an “abstract idea of redeeming a [financial instrument], which is a fundamental economic practice.” Non-Final Act. 5.

The Appellants argue that claim 58 is not directed to “fundamental economic practices.” Br. 20. The Appellants refer to the Supreme Court’s statement in *Alice*, “that fundamental economic practices . . . *include* those practices ‘long prevalent in our system of commerce.’” *Id.* (emphasis

added) (internal citation omitted). The Appellants contend that the method of claim 58 “is not an abstract idea, much less a fundamental economic practice ‘long prevalent’ in our system of commerce.” *Id.* (internal citation omitted). The Appellants submit that the method of “dispensing a voucher from a coin counting machine with a printed code which is used to validate the voucher at another machine is not an abstract idea.” *Id.* The Appellants’ argument is not persuasive of Examiner error.

Claim 58 is directed to redeeming a financial instrument upon verification, i.e., payment processing, which is a fundamental economic practice and method of organizing human activity.<sup>4</sup> The claim recites the steps of receiving coins, dispensing, receiving, and reading a financial instrument, sending and receiving data associated with the financial instrument, and redeeming the financial instrument if valid. Br. 58. The claim is generally similar to ones our reviewing courts have determined patent ineligible abstract ideas, like *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1372–73 (Fed. Cir. 2011) (verifying the validity of credit card transactions over the Internet), *buySAFE, Inc. v. Google, Inc.*, 765 F. 3d 1350, 1355 (Fed. Cir. 2014) (guaranteeing transactions), and *Smart Systems Innovation, Inc. v. Chicago Transit Authority*, 873 F.3d 1364, 1371–72 (Fed. Cir. 2017) (forming and collecting data for financial transactions in a certain field). Thus, independent claim 58 is directed to a patent-ineligible abstract idea.

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<sup>4</sup> We note that “[a]n abstract idea can generally be described at different levels of abstraction.” *Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240 (Fed. Cir. 2016). The Board’s “slight revision of its abstract idea analysis does not impact the patentability analysis.” *Id.* at 1241.



As for the second step of *Alice*, the Appellants argue that claim 58 “amount[s] to ‘significantly more’ than the judicial exception recognized for abstract ideas under Section 101” because it improves an existing technological process. Br. 21. In particular, the Appellants submit that claim 58 “improve[s] processes associated with validating vouchers and other financial instruments dispensed from coin counting machines” by reducing the risk of fraudulent redemption at cashier stations (especially those operated by inadequately trained cashiers) and adding a security feature for cases of cross redemption (i.e., a voucher redeemed at multiple locations). *Id.* The Appellants’ argument is not persuasive of Examiner error.

We determine that Appellants do not provide adequate evidence or technical reasoning that claim 58 improves some existing *technological* process or solves some *technological problem* in conventional industry practice. *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1334 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 2510, 195 L. Ed. 2d 841 (2016) (finding that the “claims recit[ed] a commonplace business method aimed at processing business information despite being applied on a general purpose computer”). Receiving coins, dispensing an instrument, receiving an instrument, reading data, sending a data query to a database, receiving data, and redeeming the instrument based on the received data are well-understood, routine, and conventional functions of a generic coin counting machine, generic printer, and generic computer. *See* Ans. 2; *see also* Spec. ¶¶ 4, 5, 21, 22. As the Federal Circuit has made clear “the basic character of a process claim drawn to an abstract idea is not changed by claiming only its performance by computers, or by claiming the process

embodied in program instructions on a computer readable medium.” *See CyberSource*, 654 F.3d at 1375–76 (citing *In re Abele*, 684 F.2d 902 (CCPA 1982)).

Because claim 58 is directed to an abstract idea, and nothing in the claim adds an inventive concept, we are unpersuaded the Examiner erred in determining that the claim is not patent-eligible under § 101. Thus, we sustain the Examiner’s rejection of claim 58, and claim 69, which falls with claim 58.

*Independent Claims 63, 70, and 99 and Dependent Claims 100 and 101*

The Appellants argue that the Examiner’s rejection of independent claim 63 under 35 U.S.C. § 101 is in error. The Appellants assert that it is not fundamentally economic in nature (i.e., abstract) to use a verification code in the manner set forth in claim 63, which includes “reading a code off the instrument with a machine remote from the first coin counting machine,” “redeeming the financial instrument if the code indicates that the instrument has not been redeemed yet,” and “sending at least a portion of the code to a database via a second coin counting machine remote from the first coin counting machine to verify that the voucher has not yet been redeemed.” Br. 22. We disagree with the Appellants’ argument and assertion for reasons similar to those discussed above with respect to claim 58. The asserted steps merely narrow the manner in which the verification of a voucher or token is performed prior to redemption. Thus, we sustain the Examiner’s rejection of independent claim 63 under 35 U.S.C. § 101.

After carefully considering the Appellants’ arguments for independent claims 70, and 99, and dependent claims 100 and 101, we do not find them

persuasive. Similar to claim 63, the Appellants assert that it is not fundamentally economic in nature (i.e., abstract) to use a verification code — e.g., send a verification code — in the manner set forth these claims. However, as discussed above, steps of these claims merely narrow the manner in which the verification of a voucher or token is performed prior to redemption. Thus, we sustain the Examiner’s rejection of independent claims 70 and 99, including dependent claims 100 and 101, under 35 U.S.C. § 101.

*Dependent Claims 59–61, 64–68, 71–73, and 102–109*

The Appellants provide separate headings but not separate arguments for claims 59–61, 64–68, 71–73, and 102–109. Br. 21, 24. Thus, for similar reasons, we sustain the Examiner’s rejection of claims 59–61, 64–68, 71–73, and 102–109 under 35 U.S.C. § 101.

*System Claims 43–57 and 91–98*

The Appellants point out that independent “claim 43 is directed to statutory subject matter at least because it is directed to a machine having various hardware components. Br. 18. We agree. Claim 43 recites an apparatus, i.e, a “system for processing coins,” which, among other things, includes the structural elements of a coin counting machine having “a coin input region configured to receive a plurality of randomly oriented coins from a user,” “a coin discriminator configured to count the coins,” “a printer configured to print a machine-readable code and a value on a voucher,” and “a dispenser configured to dispense the voucher.” *Id.* These structural elements do not simply implement an abstract idea. *See id.* Thus, we do not

sustain the Examiner's rejection of independent claim 43, and dependent claims 44–50 and 52–56, under 35 U.S.C. § 101. For similar reasons, we do not sustain the rejection of independent claims 51, 57, and 91, and dependent claims 92–98, under 35 U.S.C. § 101.

*Rejection III (Written Description)*

The Appellants argue that claims 100 and 101 comply with the written description requirement of 35 U.S.C. § 112, first paragraph, and explain how the Specification at paragraph 39 supports the subject matter of claims 100 and 101. Br. 24–26 (citing Spec. ¶ 39). The Appellants' argument persuades us of Examiner error. Thus, we do not sustain the Examiner's rejection of claims 100 and 101 under 35 U.S.C. § 112, first paragraph.

*Rejection IV (Anticipation)*

The Appellants argue that the Examiner erred in finding Mennie discloses “a recognition subsystem configured to . . . send a related query to the database for information related to the financial instrument,” as recited in independent claim 91. Br. 30. The Examiner's response to this argument is that Mennie's transmission of scanned information to an outside accounting system that conducts transfers is “construed as ‘a related query’ to the financial instruments,” when considering the broadest reasonable interpretation of the term “query.” Ans. 5, 7; *see also* Non-Final Act. 8–13. Notably, the Examiner does not provide a dictionary definition of the term “query” and we fail to understand how one of ordinary skill in the art would understand a *transmission* of information as a query, i.e., a *request* for information. *Query definition* 1, FOLDOC.COM, <http://foldoc.org/query>

(last visited Mar. 22, 2018) (“A user’s (or agent’s) request for information, generally as a formal request to a database or search engine.”). As such, we determine that the Appellants’ argument is persuasive of Examiner error. Thus, we do not sustain the Examiner’s rejection of claim 91 as anticipated by Mennie.

*Rejections V–XII (Obviousness)*

The Appellants argue that the Examiner’s use of Biffar’s teachings in the rejection of claim 43 does not comport with the requirements of a proper rejection under 35 U.S.C. § 103, which “requires clear articulation of the reasons why the claimed invention would have been obvious.” *See* Br. 34 (citing *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007)). Additionally, the Appellants submit that they are “left to guess which features in the applied references the Examiner believes to teach or suggest the features of claim 43.” Br. 34. After carefully considering the rejection of claim 43 in the Non-Final Office Action and the response to arguments in the Examiner’s Answer, we agree with the Appellants. We fail to understand how the Examiner combined the teachings of the references to result in the subject matter of claim 43. We also fail to understand what comprises the Examiner’s articulated reasoning with some rational underpinning to support the legal conclusion of obviousness. *See In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006) (“[R]ejections on obviousness grounds . . . [require] some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness”) (cited with approval in *KSR*, 550 U.S. at 418 (2007)). Therefore, we do not sustain the rejection of independent claim 43. Further, the rejection of each remaining claim under Rejections V–XII relies

on the same or substantially similar reasoning as provided for the rejection of claim 43. Thus, we do not sustain the Examiner's rejections of claims 44–61, 63–73, and 91–109 (Rejections V–XII).

*Rejection XIII (Obviousness)*

The Appellants rely on arguments presented for the rejection of claim 43 for the rejection of claim 58. *See* Br. 50. For the rejection of claim 43, the Appellants argue that the Examiner's rejection fails to clearly articulate reasons why the claimed invention would have been obvious. *See id.* at 34. The Appellants persuade us that the Examiner's rejection of method claim 58 includes a similar error.

Independent claim 58 recites a method of processing coins and includes seven steps. Br. 58 (Claims App.). Generally, the first four steps concern exchanging coins for a financial instrument with a code and the last three steps concern checking the validity of the financial instrument's code by sending a portion of the code to a database and redeeming the financial instrument for value when the financial instrument is valid. The Examiner relies on Molbak to teach the first four steps and perhaps some of the last three steps. *See* Non-Final Act. 37–38. The Examiner appears to rely on Biffar to teach at least some or all of the last three steps. *Id.* at 38–39. The Examiner concludes:

it would have been obvious to one of ordinary skill in the art to have provided details of the remote system and its relationship with the many coin counting kiosks as well as the details of redemption and verification along with algorithms associated with tracking and verifying said vouchers throughout Molbak's system, since Molbak discloses the basic system of printing a

voucher for deposited bulk coins and Biffar discloses the analogous nature of both digital and printed vouchers.

Ans. 39 (citing Biffar, col. 14, ll. 40–51). At the very least, we fail to understand how the Examiner’s conclusion of obviousness is adequately supported. Here, the reason articulated by the Examiner for combining the teachings of Molbak and Biffar appears to concern the alleged analogous nature of digital and printed vouchers. But, whether digital and printed vouchers are analogous does not *by itself* explain why a skilled artisan would modify the steps of verification and redemption of Molbak’s voucher. *See also* Br. 35–36. Thus, we do not sustain the Examiner’s rejection of claims 58–61 as unpatentable over Molbak and Biffar.

#### DECISION

We AFFIRM the Examiner’s rejection of claims 58–61, 63–73, and 99–109 under 35 U.S.C. § 101 because the claimed invention is directed to non-statutory subject matter.

We REVERSE the Examiner’s rejections of:

claims 58–61 and 69 under 35 U.S.C. § 101 because the claimed invention lacks patentable utility;

claims 43–61, 63–73, and 91–109 under 35 U.S.C. § 101 because the claimed invention is directed to non-statutory subject matter;

claims 100 and 101 under 35 U.S.C. § 112, first paragraph, as failing to comply with the written description requirement;

claim 91 under 35 U.S.C. § 102(e) as anticipated by Mennie;

claims 43–56, 58–61, 63–69, 91–94, and 99 under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, and Biffar;

Appeal 2016-001050  
Application 11/230,310

claims 95 and 96 under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, and Woynoski;

claims 95, 96, and 98 under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, and Kolls;

claim 97 under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, and Walker;

claims 57, 70–73, 99–105, and 109 under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, and Swaine;

claim 106 under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, Swaine, and Woynoski;

claims 105 and 108 under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, Swaine, and Kolls;

claim 107 under 35 U.S.C. § 103(a) as unpatentable over Mennie, Molbak, Biffar, Swaine, and Walker; and

claims 58–61 under 35 U.S.C. § 103(a) as unpatentable over Molbak and Biffar.

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-IN-PART