

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte JAMES J. TURK

Appeal No. 2006-2083
Patent No. 5,983,207
(Reexamination Control Number 90/006,352)

HEARD August 7, 2006
Decided: 29 December 2006

Before BARRETT, LEE and MEDLEY, Administrative Patent Judges.

LEE, Administrative Patent Judge.

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. ' 134 and ' 306 from the examiner=s final rejection of the patentee=s claims 1-11.

References relied on by the examiner

Ohta et al. ("Ohta")	4,977,595	December 11, 1990
Storch et al. ("Storch")	5,448,110	September 5, 1995
United States Silver Certificate ("silver certificate")		1923

The rejections on appeal

Claims 1-5 stand rejected under 35 U.S.C. ' 103 as being unpatentable over the silver certificate and Ohta.

Claims 6-11 stand rejected under 35 U.S.C. § 103 as being unpatentable over the silver certificate and Ohta and Storch.

The invention

The invention is a system for conducting financial transactions by use of commodity-based electronic coins. Electronic coins are created by a computer, which comprises electronic data identifying a serial number and a specified amount of a corresponding valuable commodity held in storage at a secure facility, and a digital signature for verifying that the electronic coins are created by the computer. The coins are transmitted over a communication system to a user who may use it to make payments. The computer receives the electronic coins back from a payee over a communication system and confirms that the coins have not been previously spent. The total amount of electronic coins created is less than or equal to the value of the inventory of the commodity in storage. According to the patentee, the invention eliminates payment risks.

Relying on a declaration of co-inventor James J. Turk, the patentee in its appeal brief describes several types of payment risks associated with conventional non-asset-based instruments. First, there is payment risk caused by fractional banking, which happens when banks keep on deposit only a fraction of the assets it is holding for the account of its depositors and lend out or invest the remainder. If the banks make bad loans or suffer losses in their investments, they may not have enough assets to cover payment checks drawn by its depositors. Second, there is payment risk arising from the fluctuating value of national currencies relative to each other. For instance, payment made in one currency may change in value before it has been converted to a different currency for the payee. Third, there is a payment risk commonly known as “settlement risk” or “Herstatt risk.” It occurs when one party pays out the currency it has sold but does not immediately receive the currency it has bought. The risk lasts from the time a unilateral rescission of the currency sold is not possible any more until the time the currency

received is received irrevocably. The patentee's specification discusses risks from fractional banking and from national currency fluctuation.¹

Claim 1 is the only independent claim and reads as follows:

1. An asset based electronic cash system comprising:
 - at least one storage site having secure facilities for storage of a valuable commodity;
 - an inventory of a valuable commodity stored in said secure facilities at a said storage site;
 - a computer system having:
 - means for maintaining records of the amount of said inventory of a valuable commodity stored in said secure facility;
 - means for creating electronic coins, said electronic coins comprising electronic data identifying a unique serial number and a specified amount of said valuable commodity, and having a digital signature for verifying that the electronic coins were created by said computer system;
 - means for transmitting said electronic coins to a system user;
 - means for receiving said electronic coins from a payee of said system user;
 - means for confirming that said electronic coins have not been previously spent;
 - the total of the amounts of said electronic coins issued by said computer system being less than or equal to the amount of said inventory of a valuable commodity stored in said secure facility;
 - said asset based electronic cash system permitting entities to conduct financial transactions by transfer of said electronic coins, whereby payment risk is eliminated.

¹ Patent No. 5,983,207 of the underlying reexamination proceeding is a continuation-in-part of application 08/465,430, now Patent 5,671,364, and incorporates by reference the disclosure of application 08/465,430.

Discussion

In the appeal brief the patent owner does not separately argue the merits of any claim apart from that of claim 1 whose text is quoted in the appeal brief. In its reply brief, however, the patent owner specifically argues the merits of the features of dependent claims 6-10. We decline to consider the belated arguments in the reply brief directed to dependent claims 6-10. It is axiomatic that issues not raised in an appellant's opening brief are considered waived.

Beckton Dickinson & Co. v. C.R. Bard, Inc., 922 F.2d 792, 800, 17 USPQ2d 1097, 1103 (Fed. Cir. 1990); see also Cross Medical Products v. Medtronic Sofamor Danek, 424 F.3d 1293, 1321 n.3, 76 USPQ2d 1662, 1683 n.3 (Fed. Cir. 2005)(the court declining to address new arguments raised for the first time in a reply brief); Fuji Photo Film Co., Ltd. v. Jazz Photo Corp., 394 F.3d 1368, 1375 n.4, 73 USPQ2d 1678, 1685 n.4 (Fed. Cir. 2005)(the court declined to address arguments not raised in the appellant's opening brief). Accordingly, we will consider the rejection of claim 1 over the silver certificate and Ohta. The rejection of all other claims shall stand or fall with the rejection of claim 1.

Per 35 U.S.C. § 112, sixth paragraph, means-plus-function recitations in a claim must be construed as covering the corresponding structure, material, or act disclosed in the specification for performing the specified function. Claim 1 is the only independent claim and recites a computer system which includes these means-plus-function elements: (1) a means for maintaining records of the amount of said inventory of a valuable commodity stored in a secure facility (hereinafter "maintaining means"), (2) a means for creating electronic coins (hereinafter "creating means"), (3) a means for transmitting electronic coins to a system user (hereinafter "transmitting means"), (4) a means for receiving electronic coins from a payee (hereinafter

“receiving means”), and (5) a means for confirming that the electronic coins have not been previously spent (hereinafter “confirming means”).

The “emint” described in the specification implements the creating means, the transmitting means, the receiving means, and the confirming means. In column 4, lines 45-49, of Patent 5,983,207, it is stated:

The “emint” is a computer and communications system which creates, distributes and verifies the authenticity of ecoins, and which receives information from the storage sites regarding gold held there for storage and specifically identified for use in the digital cash system.

An “ecoin” is defined in the specification in column 3, lines 42-50, as follows:

As used herein, “ecoin” is the electronic representation of a valuable commodity, preferably, a precious metal such as gold, platinum, palladium, or silver, which is held for safekeeping at a storage site. Each ecoin comprises a unique serial number, a measure of the valuable commodity (for example, grams or ounces, and fractions thereof) that it represents, the name of a specific storage site where the valuable commodity is stored, and a date/time stamp of when the ecoin was created. Each ecoin may appear as a string of alphanumeric characters which may also be encrypted and/or digitally signed for security.

In the context of the above-quoted disclosure, ecoins are the electronic coins in claim 1.

Claim 1 explicitly defines electronic coins as comprising electronic data identifying a unique serial number and a specified amount of the valuable commodity, and having a digital signature for verifying that the electronic coins were created by the recited computer system. It appears that a computer also implements the maintaining means.

Ohta discloses a system that implements electronic cash. It is not disputed by the patentee that in Ohta’s system the electronic cash is created by a computer, transmitted to a user through a communication system, received by the computer from a payee through a communication system, and verified for its authenticity by the computer. In that connection, note Figure 1 of Ohta which illustrates the bank 100, users 200, and shops

300 all interconnected via telecommunication lines (column 6, lines 4-6). It is also not disputed by the patentee that in Ohta's system the electronic cash comprises data that includes a unique serial number and a digital signature for verification purposes.

The requirements of the claimed creating means, transmitting means, receiving means, and confirming means are all considered met except for the features (1) that in Ohta's system the electronic cash is not commodity-based on an inventory of commodity held in storage in a secure facility, and (2) that Ohta's electronic cash does not identify a specified amount of the valuable commodity in storage.

Because Ohta's electronic cash is not commodity-based, the features of claim 1 regarding a secure facility for storing a valuable commodity, an inventory of stored commodity, a means for maintaining records of the amount of inventory of the stored commodity, and the requirement that the amount of electronic cash is less than or equal to the amount of inventory of stored commodity are not satisfied.

According to the examiner, the combination of Ohta and the silver certificate makes up for all of the above-noted deficiencies of Ohta. We agree.

The silver certificate is a bearer instrument and is also a paper certificate. As is recognized by the appellant, the certificate states:

This certifies that there have been deposited in the Treasury of

The United States of America
Five Silver Dollars
payable to the bearer on demand

This certificate is receivable
for all public dues and when
so received may be reissued

The paper certificate includes a serial number (A1680048B) and a printed signature of the Treasurer of the United States. Insofar as the examiner did not expressly state, we take official notice that the serial number is for identification purposes and the printed signature is at least in part for authentication purposes. The examiner relied on the silver certificate to show a commodity-based cash system including an inventory of silver at a storage site, presumably secure, silver certificates denominated and payable on demand in a specified amount of the stored silver, where the amount covered by the certificates is less than or equal to the amount in storage and whereby financial transactions are conducted by transferring possession of the paper certificates. The examiner has made out a prima facie case for those determinations. We take official notice that the United States Treasury has a secure facility to store silver on deposit with the United States. And because the silver certificate itself states that the deposited silver is payable to the bearer on demand, that is sufficient to establish at least a prima facie case that the outstanding amount of silver redeemable by the silver certificates is less than or equal to the amount of silver held in storage at the United States Treasury. The prima facie case is rebuttable by the patentee. But as explained below, the patentee's argument is unpersuasive.

The patentee argues (Brief at 8-9):

Moreover, the 1923 Silver certificate was not a deposit currency that was 100% asset backed as required by the present invention. The 1923 Silver certificate itself was ultimately susceptible to the problems of fractional banking. As explained by the Supreme Court in *U.S. v. Bankers' Trust Co.*, 294 U.S. 240 (1935):

“The Joint resolution of June 5, 1933, was one of a series of measures relating to the currency. These measures disclose not only the purpose of the Congress but also the situations which existed at the time the Joint Resolution was adopted and when the payments under the ‘gold clauses’ were sought. On March 6, 1933, the President, stating that there had been ‘heavy and unwarranted withdrawals of gold and currency from our banking institutions for the purpose of hoarding’ and ‘extensive speculative

activity abroad in foreign exchange' which had resulted 'in severe drains on the Nation's stocks of gold,' and reciting the authority conferred by section 5(b) of the Act of October 6, 1917 (40 Stat. 411 (50 USCA Appendix 5 note)), declared a 'bank holiday' until March 9, 1933. On the same date, the Secretary of the Treasury, with the president's approval, issued instructions to the Treasurer of the United States to make payments in gold in any form only under license issued by the Secretary. On March 9, 1933, the Congress passed the Emergency Banking Relief Act, 48 Stat. 1. All orders issued by the President or the Secretary of the Treasury since March 4, 1933, under the authority conferred by section 5(b) of the Act of October 6, 1917, were confirmed. That section was amended (12 USCA 95a) so as to provide that, during any period of national emergency declared by the President, he might 'investigate, regulate, or prohibit,' by means of licenses or otherwise, 'any transactions in foreign exchange, transfers of credit between or payments by banking institutions as defined by the President, and export, hoarding, melting, or earmarking of gold or silver coin or bullion or currency, by any person within the United States or any place subject to the jurisdiction thereof.' The act also amended section 11 of the Federal Reserve Act (39 Stat. 752, 12 USCA 248(n) so as to authorize the Secretary of the Treasury to [294 U.S. 240, 296] require all persons to deliver to the Treasurer of the United states 'any or all gold coin, gold bullion, and gold certificates' owned by them, and that the Secretary should pay therefor 'an equivalent amount of any other form of coin or currency coined or issued under the laws of the United States.' By Executive Order of March 10, 1933 (No. 6073), 12 USCA 95 note, the President authorized banks to be reopened, as stated, but prohibited the removal from the United States, or any place subject to its jurisdiction, of 'any gold coin, gold bullion, or gold certificates, except in accordance with regulations prescribed by or under license issued by the Secretary of the Treasury.' By further Executive Order of April 5, 1933 (No. 6102), 12 USCA 248 note, forbidding hoarding, all persons were required to deliver, on or before May 1, 1933, to stated banks, 'all gold coin, gold bullion, and gold certificates,' with certain exceptions, the holder to receive 'an equivalent amount of any other form of coin or currency coined or issued under the laws of the United States.' Another Order of April 20, 1933 (No. 6111), 12 USCA 95 note, contained further requirements with respect to the acquisition and export of gold and to transactions in foreign exchange."

(Declaration of James J. Turk, Exhibit D).

The significance of the above-quoted text from the Supreme Court's opinion in United States v. Bankers' Trust Co., 294 U.S. 240 (1935), with respect to the patentee's arguments, is lost in the indiscriminant and lengthy quotation. As noted by the examiner (Answer, page 9, line 17), the patentee does not specifically point out what or how something in the quoted text supports the patentee's arguments. Thus, the arguments derive no persuasion from the quoted opinion unless the support is manifestly evident. It is not. We do not see anything in the above-quoted text that reasonably supports a conclusion that there was concern that the nation's stock pile of gold was insufficient for redeeming outstanding gold certificates. Rather, the concern was on the entirety of the nation's gold reserve regardless of whether outstanding gold certificates were 100% backed. A concern about maintaining the level of gold held by the Treasury above a certain level for the general well being of the nation is not the same as and cannot be equated to a concern over whether there were as much gold held in storage as there were outstanding gold certificates. Having only just enough gold and silver to cover all outstanding gold and silver certificates, and no more, still may have been a dire situation for the U.S. Treasury. In any event, the examiner relied on a silver certificate, not a gold certificate.

The patentee further argues (Brief at 9):

The presidential proclamation of March 6, 1933 prohibited redemption of both gold and silver certificates with metal. It stated: "no such banking institution or branch shall pay out, export, earmark, or permit the withdrawal or transfer in any manner or by any device whatsoever, of any gold or silver coin or bullion or currency." (Declaration of James J. Turk, Exhibit E). The limitations on silver coin redemptions were lifted on March 10, 1933, but the limitations on owning gold coin continued. (Declaration of James J. Turk, Exhibit F). The reason for such actions was a run on banks by depositors seeking to redeem their certificates for gold or silver and the banks did not have sufficient precious metal reserves to meet those demands.

The patentee does not cite to anything to support the assertion appearing in the last sentence of the above-quoted text, i.e., that the banks did not have sufficient precious metal reserves to meet

the demands of holders of gold and silver certificates who wanted to redeem the certificates.

The assertion constitutes mere argument of counsel and cannot take the place of evidence lacking in the record. Meitzner v. Mindick, 549 F.2d 775, 782, 193 USPQ 17, 22 (CCPA 1977); In re Pearson, 494 F.2d 1399, 1405, 181 USPQ 641, 646 (CCPA 1974) (“Attorney’s argument in a brief cannot take the place of evidence.”). The unsupported assertion does not establish a fact. In any event, even assuming that some local or commercial banks did not have sufficient gold or silver coin and bullion on hand to meet demand, that does not mean the U.S. Treasury as a whole did not. The silver certificate was issued by the U.S. Treasury, not a local or commercial bank. Even though the presidential proclamation did prohibit the redemption of gold and silver certificates for some time, it is speculative to conclude on that basis that the U.S. Treasury did not have enough gold or silver on reserve to cover outstanding certificates. And even further assuming that to have been the case in 1933, it does not mean the same circumstance existed in 1923, the date of the silver certificate.

On page 12 of patentee’s brief, it is argued that “[t]he Congressional Acts, Presidential Executive Orders and Supreme Court opinion cited above all show that the United States Treasury did not in fact keep an inventory of precious metals equal to the number of issued certificates.” But none of the cited evidence supports such a conclusion, as explained above. The patentee’s conclusion is unexplained and speculative. The patentee nowhere addresses the point that even with more than enough reserve to cover all outstanding certificates, it still might not have been in the best interest of the nation to have all certificates redeemed. Also on page 12 of the brief, the patentee argues that the silver certificate has a payment risk and thus would not meet the requirement of patentee’s claims. But elimination of payment risk is recited in a whereby clause which derives significance from the claim feature of limiting the amount of

electronic coins to less than or equal to the amount of the inventory of valuable commodity. As discussed above, the patentee has not rebutted the prima facie case made out by the examiner that the Treasury had sufficient silver in its inventory to cover the silver certificates.

Moreover, claims terms before the United States Patent and Trademark Office are properly construed according to their broadest reasonable interpretation consistent with the specification. In re Yamamoto, 740 F.2d 1569, 1571, 222 USPQ 934, 936 (Fed. Cir. 1984); In re Sneed, 710 F.2d 1544, 1548, 218 USPQ 385, 388 (Fed. Cir. 1983). In this case, “payment risk” in the context of the patentee’s specification is not so broad as to cover potential government policy that prohibits redemption of gold and silver certificates or the private ownership of gold and silver. Even the patentee’s disclosed invention does not eliminate that kind of payment risk.

The examiner regarded the silver certificate as commodity-based paper cash freely transferable from person to person. We agree. The differences between it and the invention of patentee’s claim 1 are, as the examiner put it (Answer at 4, lines 13-14), the paper certificate as cash does not have the electronic elements of electronic cash. We agree. Insofar as the examiner did not expressly so state, official notice is taken that in 1923 some non-electronic means of maintaining records of the amount of silver held by the U.S Treasury existed. The examiner relied on Ohta for its disclosure of an electronic cash payment system, albeit the electronic cash of Ohta is not commodity-based, i.e., backed by an inventory of valuable commodity. We find nothing inappropriate in that reliance for applying Ohta’s teachings about electronic processing and communication to the silver certificate which is commodity-based cash, because whether cash is commodity-based and linked to an inventory of valuable commodity at a secure facility has little, if anything, to do with the electronic processing and communication aspects of a system working with an electronic representation of that cash.

Since the advent of modern electronics, financial systems implementing electronic cash, i.e., electronic representations of paper cash, have been known. Ohta is one such example. In light of Ohta and the silver certificate, one with ordinary skill in the art would have recognized the silver certificate as paper cash and would have been motivated to apply Ohta's teachings on electronic cash to implement an electronic version of the silver certificate as electronic cash. That means one with ordinary skill in the art would have been motivated to generate an electronic representation of the silver certificate and to conduct associated processing and record keeping by means of a computer and a communication system like Ohta does with respect to ordinary paper cash. As is stated by the examiner in the answer on page 10, line 23-24, the incentive or motivation would have been to provide rapid and efficient money transfer made possible by computers and electrical communications. In that regard, the level of ordinary skill in the art is reflected by the prior art references cited by the examiner in support of the rejections on appeal as well as all the prior art references the patentee has provided to the USPTO and made of record in the underlying reexamination proceeding.

While motivation is necessary to combine teachings, the motivation need not be expressly stated in any prior art reference. In re Kahn, 441 F.3d 977, 989, 78 USPQ2d 1329, 1338 (Fed. Cir. 2006). One with ordinary skill in the art is presumed to have skills apart from what the prior art references explicitly say. See In re Sovish, 769 F.2d 738, 743, 226 USPQ 771, 774 (Fed. Cir. 1985). There need only be an articulated reasoning with rational underpinnings to support a motivation to combine teachings. In re Kahn, 441 F.3d at 988, 78 USPQ2d at 1337. The standard was clearly met in this case. Ohta discloses an electronic cash system that implements an electronic version of ordinary paper cash. The silver certificate is a paper instrument as good as and usable as ordinary cash. One with ordinary skill in the art would

readily have been motivated to implement an electronic version of the silver certificate because the silver certificate works as paper cash and Ohta implements an electronic version of paper cash. As indicated by the examiner, the goals for implementing an electronic version of ordinary paper cash, i.e., to take advantage of rapid and efficient money transfer made possible by electronics, also apply to the silver certificate as cash.

On page 10 of patentee's brief, it is argued that Ohta does not provide any direction on how to design a system and method for payment. The argument is not accompanied by any explanation and is not understood. It is manifestly evident and not subject to reasonable dispute that Ohta provides all the disclosure necessary to implement a payment system using electronic cash. We assume that what the patentee meant is that Ohta's disclosure does not provide any direction on how to design a system and method for payment using "commodity-based" cash. The argument is misplaced and thus rejected. As is already explained above, whether or not the underlying cash is backed by a stored inventory of valuable commodity does not affect the electronic processing and record keeping aspects of Ohta's teachings. The same electronic processing and communications work whether or not the cash is a five dollar bill represented electronically or a five dollar silver certificate represented electronically. Whether there is an inventory of commodity stored at a secure facility to cover for the electronic cash has no impact on the electronic operations in Ohta's system. Ohta's disclosure is more than sufficient to meet the electronic aspects of the patentee's claim 10.

Ohta's electronic cash is created by a computer, which satisfies the creating means of claim 1 when used to generate an electronic representation of a silver certificate. Ohta's electronic cash includes a digital signature for verifying the authenticity of the electronic cash, as is required by claim 1. Ohta's electronic cash is transmitted to a user through a communication

system. That satisfies the requirements of the transmitting means when the silver certificate is represented electronically. Ohta's electronic cash is received back from a payee of the initial user through a communication system. That satisfies the requirements of the receiving means when the silver certificate is represented electronically. Ohta uses a computer to confirm that its electronic cash has not been previously spent. That satisfies the requirements of the confirming means when the silver certificate is represented electronically. With regard to the maintaining means, the patentee does not dispute that at the time the invention was made one with ordinary skill in the art would have known to use a computer rather than non-computer means to keep records of the amount of silver in storage.

On page 4 of the brief, in summarizing its invention the patentee states that for its invention the precious metal is stored in safekeeping "in a custodial account" and "not in a deposit account." Supposedly, ownership of the stored precious metal remain in the hands of the depositor and does not pass to the institution holding the precious metal in exchange for a liability owed by the institution. But the patentee does not point out or explain where such a limitation is included in its claims. We see nothing in the claims that requires legal title to the deposited commodity to remain in the hands of the depositor, notwithstanding that a transaction cost is recited in claim 9 as including a storage fee. A storage fee is not inconsistent with the notion of a deposit account. The commodity has to be stored and available on demand no matter who owns it. With respect to the alleged "custodial" rather than "deposited" nature of stored commodity, the patentee is arguing a limitation that is not a feature of the claimed invention.

Citing U.S. Patent No. 5,420,405, filed February 26, 1993, the patentee argues (Brief at 13) that at the time of the invention "such electronic payment systems were considered non-obvious and patentable." It is not understood what the patentee means by "such." The argument

is without merit because the fact that other electronic payment systems have been patented does not mean the patentee's claimed electronic payment system is patentable. The patentee has not shown that the same claimed invention had been considered patentable over the same cited prior art. In any event, any such prior decision of another examiner would not have been binding on the examiner who made the final rejection in this case and is also not binding on the board.

Finally, the patentee argues (Brief at 13) that the examiner ignored objective indicia of nonobviousness in the form of "commercial success, long felt but unresolved needs, failure of others, etc." The patentee states (Brief at 13):

[T]here have been a number of spectacular bank failures giving rise to payment risks such as the Herstatt risk. There was thus a long felt but unresolved need for a commercial payment system which was not subject to payment risk. This need was not solved by any system prior to the invention of the patent in reexamination, and certainly the cited Ohta and Silver certificate references do not solve this problem.

The declaration of James J. Turk, a co-inventor, refers to a 1974 failure of a small foreign exchange trading bank in Germany, Bankhaus Herstatt, a 1990 failure of Drexel Burnham Lambert, a 1991 failure of the Bank of Credit and Commerce International (BCCI), and a 1995 failure of the Barings Bank. Four bank failures in a period of approximately thirty (30) years does not seem to present a substantial problem. Moreover, the patentee provides no factual detail about the operation and failure of each of the referenced banks. It is not known whether the banks failed simply because of poor investments within the range of permissible investments established by rules governing the operation of those banks or because of intentional or criminal mischief in violation of the applicable rules. If it were the latter, the bank failures are not pertinent, for even the patentee's invention cannot guard against intentional or criminal mischief. For instance, despite all operating procedures to the contrary, personnel running the secure facility for storing the commodity may nonetheless still make use of the commodity and subject

depositors to a payment risk. Note further than the declaration of James J. Turk refers to the failure of the Bank of Credit and Commerce International (BCCI) as a “scandal.” That suggests something sinister and out of the ordinary insofar as the operation of BCCI is concerned.

Furthermore, the declaration of James J. Turk does not refer to, document, or otherwise discuss any failed attempt by those in the banking industry to solve the alleged long felt problem. On this record, the patentee has not established that payment risk of payments made through banks represents a long felt but unresolved need in the banking industry or that others in the banking industry have made genuine efforts to solve the alleged problem, but without success. The patentee has not even revealed what was attempted that failed to provide an adequate solution.

As for commercial success, the Court of Appeals for the Federal Circuit stated, In re Huang, 100 F.3d 135, 139-140, 40 USPQ2d 1685, 1689 (Fed. Cir. 1996):

In the ex parte process of examining a patent application, however, the PTO lacks the means or resources to gather evidence which supports or refutes the applicant's assertion that the sales constitute commercial success. Consequently, the PTO must rely upon the applicant to provide hard evidence of commercial success.

The patent owner proffers the declaration of James J. Turk, a co-inventor, dated April 30, 2004, as supporting evidence for the alleged commercial success. In that regard, paragraph 6 of the declaration states:

6. The original patented invention has been implemented as a working commercial payment system accessible via an online website found at <http://www.goldmoney.com/> (see printouts attached as Exhibit B). This system has been in continuous operation since February 2001 and presently holds 1,255,672 grams of gold on deposit (see printout of <http://goldmoney.com/en/bar-count.html> (copy attached as Exhibit C)), representing over US\$16 million of asset-based electronic currency in circulation. The amount of currency in circulation in this system has been steadily increasing.

Commercial success is not proved simply by sales figures. "This court has noted in the past that evidence related solely to the number of units sold provides a very weak showing of

commercial success, if any." Huang, 100 F.3d at 140, 40 USPQ2d at 1689; Kansas Jack, Inc. v. Kuhn, 719 F.2d 1144, 1151, 219 USPQ 857, 861 (Fed. Cir. 1983) (determination of obviousness not erroneous where: "The evidence of commercial success consisted solely of the number of units sold. There was no evidence of market share, of growth in market share, of replacing earlier units sold by others or of dollar amounts, and no evidence of a nexus between sales and the merits of the invention."). The amount of gold grams held in the patentee's payment system, even if steadily increasing, does not demonstrate commercial success. It is unknown whether the numbers are big or small in the market for such electronic currency. It is also not known how such numbers compare with the extent silver or other commodity certificates were or have been in use for payments, in market share and variations in market share. Moreover, it would appear that the proper comparison should be with respect to the total amount of currency in circulation, whether commodity-based or not, and the patent owner has not provided such data.

Also, it is not certain whether the patentee's sales numbers are due to price, advertising, availability, or other factors unrelated to the merits of the claimed invention. A "nexus" is required between the merits of the claimed invention and the evidence of secondary considerations in order for the evidence to be given substantial weight in an obviousness decision. See Stratoflex, 713 F.2d at 1539, 218 USPQ at 879. "Nexus" is a legally and factually sufficient connection between the objective evidence and the claimed invention, such that the objective evidence should be considered in the determination of nonobviousness. See Demaco Corp. v. F. Von Langsdorff Licensing Ltd., 851 F.2d 1387, 1392, 7 USPQ2d 1222, 1226 (Fed. Cir. 1988). The burden of showing nexus is on the applicant or the patent owner. In that connection, it is noted that the printout submitted by the patentee for the "goldmoney.com" website contains the following description:

Goldmoney is based upon 3 patents awarded for its concepts and breakthrough technology. Managed by former Morgan Stanley and Chase Manhattan Executives, Goldmoney works closely with partners to ensure reliability and security for your gold. [Emphasis in original]

Insofar as the commercial system is based on the invention of three different patents, the patentee has failed to establish the necessary nexus between the alleged commercial success and the subject matter of claim 1 of the underlying patent in this appeal. The patentee does not describe the specifics of the payment system provided through the internet website at goldmoney.com. Nexus cannot be presumed but must be established. Even a mere conclusory assertion that there is nexus between the merits of the claimed invention and the alleged commercial success would not be persuasive. See Huang, 100 F.3d at 140, 40 USPQ2d at 1690 ("Huang's affidavit contains a conclusory assertion that, in his opinion, the sales of the grips derive from the increased thickness of the polyurethane layer and the alignment of the pores. This merely represents the inventor's opinion as to the purchaser's reason for buying the product, and, alone is insufficient. Instead, the applicant must submit some factual evidence that demonstrates the nexus between the sales and the claimed invention - for example, an affidavit from the purchaser explaining that the product was purchased due to the claimed features.").

For the foregoing reasons, the patentee's arguments based on secondary considerations as objective indicia of nonobviousness are not persuasive and are insufficient to rebut the prima facie case of obviousness.

In addition to all of the foregoing, a separate basis exists for sustaining the rejections on appeal. The patentee's argument against a conclusion of obviousness is based on the assertion that the cited prior art provides no teaching for eliminating payment risk by having at least as much commodity on reserve in secure storage as there are outstanding commodity-based cash. Even assuming that no prima facie case could have been made by the examiner that that is how

the system according to the prior art worked, it is inconceivable that one with ordinary skill in the banking art, to whom potential payment risks arising from fractional banking would not have been unknown, would not have known to prohibit fractional banking to eliminate payment risk.

In the background section of the patentee's specification (column 2, lines 8-17), it is stated:

A particular problem is the payment risk now inherent in existing payment mechanisms, and the problem of "float." Payment risk arises in conventional banking systems where a financial institution accepts deposits, then in turn loans out that money to others. This is known as "fractional banking," in that the financial institution only keeps on hand a fraction of the actual assets it is holding for the account of its depositors. If the financial institution fails due to bad loans or fraud, the financial institution lacks sufficient assets to pay off its depositors.

As has been discussed above, the required motivation or suggestion to arrive at the claimed invention need not be expressly stated in any cited prior art references. One with ordinary skill in the art is presumed to be skilled. In re Sovish, 769 F.2d at 743, 226 USPQ at 774 ("[Applicant's] argument presumes stupidity rather than skill"). A conclusion of obviousness may be made from common knowledge and common sense of the person of ordinary skill in the art without any specific hint or suggestion in a particular reference. In re Bozek, 416 F.2d 1385, 1390, 163 USPQ 545, 549 (CCPA 1969). Here, if the payment risk is known to have arisen from fractional banking, it defies common sense and logic for one of ordinary skill in the art to not have known that it can be eliminated by prohibiting fractional banking, such as by requiring that the amount of digital cash outstanding be less than or equal to the amount of commodity on reserve in secure storage. We find that at the time of the patentee's invention, one with ordinary skill in the art would have known to prohibit fractional banking to eliminate payment risk.

It is noted that even the unclaimed "custodial" nature of the patentee's deposited commodity would not have been unknown to one with ordinary skill in the art when it comes to gold deposited at a bank. The federal reserve system has a gold vault in the Federal Reserve

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Bank of New York in Manhattan. The bank does not own the gold but serves as custodian for the deposited gold of foreign central banks and international monetary organizations. Gold transfers or payments between customer nations can be made easily, quickly, and inexpensively, by moving gold bars from the compartment of one country to that of another country. See Federal Reserve Bank of Minneapolis, The Region: The World's Goldkeeper (1991), available at <http://minneapolisfed.org/pubs/region/91-12/reg9112b.cfm> (last visited Nov. 30, 2006).

Conclusion

The rejection of claims 1-5 as unpatentable under 35 U.S.C. § 103 for obviousness over the silver certificate and Ohta is **affirmed**.

The rejection of claims 6-11 as unpatentable under 35 U.S.C. § 103 for obviousness over the silver certificate, Ohta, and Storch is **affirmed**.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 CFR § 1.136(a). See 37 CFR § 1.136(a)(1)(iv).

AFFIRMED

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LEE E. BARRETT)
Administrative Patent Judge)
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_____) BOARD OF PATENT
JAMESON LEE) APPEALS AND
Administrative Patent Judge) INTERFERENCES
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SALLY C. MEDLEY)
Administrative Patent Judge)

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By Federal Express

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