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Welsh & Katz, Ltd. Jon P. Christensen 22nd Floor 120 South Riverside Plaza Chicago, IL 60606			WEISBERGER, RICHARD C	
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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* EDWARD RICHTER

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Appeal 2012-006404  
Application 11/475,573  
Technology Center 3600

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Before ANTON W. FETTING, MICHAEL W. KIM, and  
BRUCE T. WIEDER, *Administrative Patent Judges*.  
FETTING, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE<sup>1</sup>

Edward Richter (Appellant) seeks review under 35 U.S.C. § 134 of a final rejection of claims 1-10, the only claims pending in the application on appeal. We have jurisdiction over the appeal pursuant to 35 U.S.C. § 6(b).

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<sup>1</sup> Our decision will make reference to the Appellant's Appeal Brief ("Br.," filed September 1, 2011) and the Examiner's Answer ("Ans.," mailed December 8, 2011).

The Appellant invented “a sporting league in which athletes are compensated based on the price of shares of stock issued in the names of each of the athletes” (Specification 1:2–4).

An understanding of the invention can be derived from a reading of exemplary claim 1, which is reproduced below [bracketed matter and some paragraphing added].

1. A method, using computer means, for investing in players of a sporting league, comprising:

[1] a sports team of the sporting league employing a plurality of players;

[2] a trustee of the sporting league issuing a plurality of shares of stock for each of the players

where the stock is not issued to the player and is not intended to be owned by the player in whose name the stock is issued;

[3] a plurality of individuals each investing in and owning at least one of the plurality of shares of stock of at least one of the plurality of players

where the investing and owning does not give the owner any voting rights in any entity and where the only rights accruing to the owner of stock is a right to monetary income;

[4] providing trading of shares using the computer means through a global computer network

wherein the price at which a player's stock trades is a factor in calculating each player's compensation;

[5] dividing at least a portion of an income of the sporting league among the plurality of individuals based upon the number of shares owned by each of the plurality of individuals;

and

[6] allowing the individuals to buy and sell the shares.

Claims 1-10 stand rejected under 35 U.S.C. § 101 as directed to non-statutory subject matter.<sup>2</sup>

## ISSUES

The issues of statutory subject matter turn primarily on whether the claims recite more than the abstract idea of creating stock and tying compensation to the stock price.

## FACTS PERTINENT TO THE ISSUES

The following enumerated Findings of Fact (FF) are believed to be supported by a preponderance of the evidence.

01. The law of stock companies is at least as old as 1862. Cox, *The Law and Practice of Joint Stock Companies and Other Associations As Regulated By The Companies Act, 1862*, 1862.<sup>3</sup>

## ANALYSIS

These claims are to methods of issuing stock. Claim 1 is independent. Claim 1 recites steps including employing employees, issuing, investing and trading in stock, and issuing dividends.

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<sup>2</sup> The Examiner withdrew rejections under 35 U.S.C. § 112 and 103. Ans. 3.

<sup>3</sup> <https://books.google.com/books?id=t48DAAAQAAJ>

### The Supreme Court

set forth a framework for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts. First . . . determine whether the claims at issue are directed to one of those patent-ineligible concepts. . . . If so, we then ask, “[w]hat else is there in the claims. . . . To answer that question, [] consider the elements of each claim both individually and “as an ordered combination” to determine whether the additional elements “transform the nature of the claim” into a patent-eligible application. [The Court] described step two of this analysis as a search for an “inventive concept”—*i.e.*, an element or combination of elements that is “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.”

*Alice Corp.Pty. Ltd. v CLS Bank Intl.*, 134 S.Ct. 2347, 2355 (2014), (*citing Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S.Ct. 1289 (2012) (citation omitted).

We must first determine whether the claims at issue are directed to a patent-ineligible concept. We conclude that they are. These claims are drawn to the abstract idea of creating and trading financial security shares. It follows from our prior cases, and *Bilski* in particular, that the claims at issue here are directed to an abstract idea. On their face, the claims before us are drawn to the concept of creating and trading shares. Like the risk hedging in *Bilski*, the concept of security trading is a fundamental economic practice long prevalent in our system of commerce. FF 01. The use of shares in financial securities is also a building block of the modern economy. Thus, trading securities, like hedging, is an “abstract idea” beyond the scope of §101.

The Court found that it need not labor to delimit the precise contours of the “abstract ideas” category in a case such as this. It is enough to recognize that there is no meaningful distinction between the conceptual abstraction of risk hedging in *Bilski* and the concept of securities trading at issue here. Both are squarely within the realm of “abstract ideas” as the Court has used that term. *See Alice Corp.* Although the Field of Invention characterizes the invention as relating to sporting leagues and compensating athletes (Spec. 1), actual descriptions of the invention focus on the issuance and trading of stock. The first sentence under Summary of the Invention says the invention is a method for investing. The next sentence says the method includes issuing a plurality of shares.

The introduction of a computer into the claims does not alter the analysis at *Mayo* step two. Method claims, which merely require generic computer implementation, fail to transform that abstract idea into a patent-eligible invention.

[T]he mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention. Stating an abstract idea “while adding the words ‘apply it’” is not enough for patent eligibility. Nor is limiting the use of an abstract idea “to a particular technological environment.” Stating an abstract idea while adding the words “apply it with a computer” simply combines those two steps, with the same deficient result. Thus, if a patent’s recitation of a computer amounts to a mere instruction to “implement[t]” an abstract idea “on . . . a computer,” that addition cannot impart patent eligibility. This conclusion accords with the preemption concern that undergirds our §101 jurisprudence. Given the ubiquity of computers, wholly generic computer implementation is not generally the sort of “additional feature[e]” that provides any “practical assurance that the

process is more than a drafting effort designed to monopolize the [abstract idea] itself.”

*Alice Corp.* at 2358 (citations omitted).

The relevant question is whether the claims here do more than simply instruct the practitioner to implement the abstract idea of issuing and trading stock on a generic computer. They do not.

Taking the claim elements separately, the function performed by the computer at each step of the process is purely conventional. Using a computer to issue and trade shares amounts to electronic paper work—one of the most basic functions of a computer. All of these computer functions are well-understood, routine, conventional activities previously known to the industry. In short, each step does no more than require a generic computer to perform generic computer functions.

Considered as an ordered combination, no computer components are recited in Appellant’s methods and so add nothing that is not already present when the steps are considered separately. Viewed as a whole, Appellant’s method claims simply recite the concept of issuing and trading stock as performed by a generic computer. The method claims do not, for example, purport to improve the functioning of the computer itself. Nor do they effect an improvement in any other technology or technical field. Instead, the claims at issue amount to nothing significantly more than an instruction to apply the abstract idea of issuing and trading stock using some unspecified, generic computer. Under our precedents, that is not enough to transform an abstract idea into a patent-eligible invention.

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Claims 2 and 4 further recite providing compensation, but providing compensation per se is an even older and more abstract concept than stock issuance.

#### CONCLUSIONS OF LAW

The rejection of claims 1-10 under 35 U.S.C. § 101 as directed to non-statutory subject matter is proper.

#### DECISION

The rejection of claims 1-10 is affirmed.

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) (2011).

AFFIRMED

pgc