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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
11/455,556	06/19/2006	Richard B. Himmelstoin	68940-22	3842
86318	7590	04/24/2015	EXAMINER	
Lech Law, LLC P.O. Box 3473 Dublin, OH 43016			HEWITT II, CALVIN L	
			ART UNIT	PAPER NUMBER
			3685	
			MAIL DATE	DELIVERY MODE
			04/24/2015	PAPER

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte RICHARD B. HIMMELSTOIN

Appeal 2012-012370
Application 11/455,556
Technology Center 3600

Before JOSEPH A. FISCHETTI, SCOTT C. MOORE, and
BRADLEY B. BAYAT, *Administrative Patent Judges*.

MOORE, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellant appeals under 35 U.S.C. § 134 from the final rejection of claims 2–15 and 21–26, which are all of the pending claims.¹ We have jurisdiction under 35 U.S.C. § 6.

We REVERSE and enter a NEW GROUND OF REJECTION in accordance with 37 C.F.R. § 41.50(b).

¹ Appellant, Richard B. Himmelstoin, states that he is the real party in interest. Appeal Br. 4.

Claimed Subject Matter

The claims are directed to an electronic real estate bartering system. Spec. 1. Claims 2 and 3 are the independent claims on appeal. Claim 2, reproduced below, is illustrative of the claimed subject matter:

2. A computerized system for exchanging a first real estate item for a second real estate item, the system comprising:
 - a processor; and
 - a memory storing instructions controlling the operation of the processor, the instructions directing the processor to:
 - identify a first real estate item on the computerized system, by a user;
 - exchange by the computerized system the first real estate item for an amount of a system's own currency;
 - select on the computerized system by the user criteria to display a list of at least one matching real estate item;
 - select on the computerized system by the user a second real estate item from the list of at least one matching real estate item; and
 - process by the computerized system an exchange of the second real estate item for the system's own currency, whereby a deferred exchange of the first real estate item for the second real estate item is completed.

Rejections

Claims 2–15 and 21–26 stand rejected under 35 U.S.C. § 102(b) as being anticipated by Mini (U.S. 6,684,196 B1, iss. Jan. 27, 2004). Ans. 5.

Claims 2–15 and 21–26 also stand rejected under 35 U.S.C. §103(a) as being unpatentable over Mini. Ans. 6.

ANALYSIS

Rejection of Claims 2–15 and 21–26 under 35 U.S.C. § 102(b)

The Examiner’s rejection of claims 2–15 and 21–26 under 35 U.S.C. § 102(b) relies on a determination that the following limitations of claim 2, and the similar limitations of claim 3, are non-functional descriptive material that is not entitled to weight in the patentability analysis:

instructions controlling the operation of the processor, the instructions directing the processor to:

- identify a first real estate item on the computerized system, by a user;
- exchange by the computerized system the first real estate item for an amount of a system’s own currency;
- select on the computerized system by the user criteria to display a list of at least one matching real estate item;
- select on the computerized system by the user a second real estate item from the list of at least one matching real estate item; and
- process by the computerized system an exchange of the second real estate item for the system’s own currency, whereby a deferred exchange of the first real estate item for the second real estate item is completed.

See Ans. 5–6. The Examiner bases this finding on the fact that claims 2 and 3 do not positively recite that the instructions are “executed” by the

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processor. *Id.* Appellant contends that the above limitations are functional in nature, and should thus be accorded weight in the patentability analysis.

Appeal Br. 8. Appellant's argument is persuasive.

Even though claims 2 and 3 do not explicitly recite that the instructions are "executed" by the processor, these claims do require "a memory storing instructions," "controlling the operation of the processor" and "directing the processor" to perform certain functions. Thus, we find that the instructions do properly exist in a non-transitory state and correctly direct the processor to perform the recited steps. Therefore, we find that these claim recitations are limitations of a method which need to be addressed by the Examiner in the rejection. If the Examiner sees the instructions as constituting nonfunctional descriptive material, then such a finding should be based on the weight of what is being conducted by the instructions, rather than simply because they are written in memory and not recited as executed in the claims.

For the foregoing reasons, we do not sustain the Examiner's rejection of claims 2–15 and 21–26 under 35 U.S.C. § 102(b).

Rejection of Claims 2–15 and 21–26 under 35 U.S.C. § 103(a)

The Examiner's single-reference obviousness rejection of claims 2–15 and 21–26 under 35 U.S.C. § 103(a) is based on the Mini reference. Ans. 6. Appellant argues, *inter alia*, that the Examiner erred in finding that Mini teaches or suggests identification/selection of both a first and second real estate items by the same user such that a deferred exchange of the first real estate item for the second real estate item is completed, as required by all claims on appeal. Appeal Br. 14. Appellant's Specification defines "deferred exchange" as a bartering transaction in which a security or

financial interest is bartered away, and a bartered-for security or financial interest is received at a different time. *See* Spec. 31, 62. Thus, the claim language “deferred exchange of the first real estate item for the second real estate item” requires that one real estate item be bartered away, and that a different real estate item is received at a different time.

The Examiner concedes that Mini only teaches selection or identification of a single real estate item. Ans. 17. The Examiner finds that Mini is nevertheless sufficient to support a rejection because the claim merely requires “repeating previously recited steps” and because “it has been held that mere duplication of parts has no patentable significance unless [a] new and unexpected result is produced.” *Id.* (citing *In re Harza*, 274 F.2d 669, 671 (CCPA 1960)). We are persuaded that the Examiner erred in rejecting Appellant’s claims on this basis.

In re Harza dealt with a situation in which the only difference between the relevant patent claim and the prior art was that the claim required a plurality of ribs, while the prior art only disclosed a single rib. 274 F.2d at 671. The Court of Customs and Patent Appeals held that the claim limitation requiring duplication of this prior art rib had no patentable significance because no new and unexpected result was produced. *Id.* In contrast, in this case, Appellant is not merely attempting to claim a repetition of the selection operation disclosed in Mini.

The portion of Mini cited by the Examiner discloses allowing the buyer to identify a single piece of real estate for purchase. *See* Mini 2:49–55 (cited by Ans. 6). Mini does not disclose bartering transactions, much less deferred exchanges in which two separate real estate items are bartered for one another. Simply duplicating the selection operation of Mini might allow

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a user to purchase two separate properties, but the Examiner has not provided any rationale that such a duplicate selection would result in a deferred exchange of one property for the other in the manner required by Appellant's claims. Thus, the Examiner's rejection of claims 2–15 and 21–26 under 35 U.S.C. § 103(a) is not adequately supported.

For the foregoing reasons, we do not sustain the Examiner's rejection of claims 2–15 and 21–26 under 35 U.S.C. § 103(a).

NEW GROUND OF REJECTION

Pursuant to our authority under 37 C.F.R. § 41.50(b), we reject claims 2–15 and 21–26 under 35 U.S.C. § 101 as being directed to non-statutory subject matter.

In *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), the Supreme Court reiterated the framework set out in *Mayo Collaborative Servs. v. Prometheus Labs Inc.*, 132 S.Ct. 1289 (2012), for “distinguishing patents that claim . . . abstract ideas from those that claim patent-eligible applications from those concepts.” *Alice*, 134 S.Ct. at 2355. The first step in the analysis is to determine if the claim is directed toward a patent-ineligible concept and, if so, the second step is to determine whether there are additional elements that transform the nature of the claim into a patent eligible application. The second step searches for an inventive concept that is sufficient to ensure that the patent amounts to significantly more than a patent on the patent-ineligible concept.

Applying the first step of the *Alice* analysis, we find that independent claims 2 and 3 are directed to the abstract idea of performing a deferred exchange in which currency is used to account for differences in value

between the items that are exchanged. As Appellant describes in the Specification, Appellant's system effectuates a tax-deferred exchange of barter items, such as real estate. Spec. 3. Deferred exchanges are a tax strategy that is designed to permit a property owner to trade one property for another without incurring federal income tax liability. *See id.* Thus, like the claims that were held to be invalid in *Alice*, claims 2 and 3 of Appellant's Application are directed to the abstract idea of a performing a well-known type of business transaction which involves the mental exercise of barter, a mental process which has been known to humankind since our beginning. Claims 2 and 3 are, therefore, directed to subject matter that is not patent-eligible under 35 U.S.C. § 101.

Applying the second step of the *Alice* analysis, we find that independent claims 2 and 3 do not contain subject matter sufficient to transform the abstract idea of a deferred exchange of real estate into a patent-eligible invention. While Appellant's claims require a processor and memory, these are merely generic computing elements that perform generic computer functions. Such limitations, specified at a high level of generality, do not make the abstract idea of performing a deferred exchange of real estate items patentable. *Mayo*, 132 S.Ct. at 1300; *see also Alice*, 132 S.Ct. at 2358 (“[I]f a patent's recitation of a computer amounts to a mere instruction to ‘implemen[t]’ an abstract idea ‘on ... a computer’ that addition cannot impart patent eligibility.”) (citations omitted). Thus, claims 2 and 3 do not recite additional elements sufficient to transform the claims in a manner that would render them patentable under 35 U.S.C. § 101.

We similarly find that dependent claims 4–15 and 21–26 do not contain subject matter sufficient to transform the abstract ideas of

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independent claims 2 and 3 into patent-eligible inventions. Claims 4–15, 21, and 25 merely specify conventional limitations on the types of properties that are exchanged, the criteria used to select properties, the manner in which differences in property values are accounted for, and the manner in which transaction fees are computed. Claims 22–24 and 26 specify other types of conventional limitations, i.e., providing telephone access to a real estate agent, providing virtual property tours, specifying the time at which an exchange occurs, and using an intermediary to complete a transaction. Simply adding these types of conventional limitations, at a high level of generality, is “not enough to supply an inventive concept.” *Alice*, 134 S.Ct. at 2357 (citing *Mayo*, 132 S.Ct. at 1300, 1297, 1294) (emphasis omitted); *see also, In re Schrader*, 22 F. 3d 290, 294 (Fed. Cir. 1994) (step of recording bids in a “record” was not sufficient to impart patentability under 35 U.S.C. § 101 to a claim involving the solving of a mathematical algorithm.). Thus, claims 4–15 and 21–26 are also directed to subject matter that is not patentable under 35 U.S.C. § 101.

DECISION

For the above reasons, we REVERSE the Examiner’s decision rejecting claims 2–15 and 21–26 under 35 U.S.C. § 102(b) and 35 U.S.C. § 103(a).

We enter a NEW GROUND OF REJECTION of claims 2–15 and 21–26 under 35 U.S.C. § 101.

This decision contains a new ground of rejection pursuant to 37 C.F.R. § 41.50(b). 37 C.F.R. § 41.50(b) provides “[a] new ground of rejection pursuant to this paragraph shall not be considered final for judicial

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review.” 37 C.F.R. § 41.50(b) also provides that Appellant, WITHIN TWO MONTHS FROM THE DATE OF THE DECISION, must exercise one of the following two options with respect to the new grounds of rejection to avoid termination of the appeal as to the rejected claims:

- (1) Reopen prosecution. Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the proceeding will be remanded to the examiner
- (2) Request rehearing. Request that the proceeding be reheard under § 41.52 by the Board upon the same record

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).

REVERSED
37 C.F.R. § 41.50(b)

rvb