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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte R. MARTIN CHAVEZ
and WILLIS BOYCE

Appeal 2016-008633[1]
Application 10/162,705
Technology Center 3600

Before JOHN A. JEFFERY, LARRY J. HUME, and
MATTHEW J. McNEILL, *Administrative Patent Judges*.

HUME, *Administrative Patent Judge*.

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. § 134(a) of the Final Rejection of claims 1–8 and 11–15, which are all claims pending in the application. Appellants have canceled claims 9 and 10. App. Br. 4. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

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[1] According to Appellants Goldman, Sachs & Co., is the real party in interest. App. Br. 2.

STATEMENT OF THE CASE[2]

The Invention

Appellants' disclosed embodiments and claimed "invention relate[] to systems and methods for managing risk associated with transactions (traded online or not), for executing trades using a transaction system and for automatically providing delayed or live trade data and market data feeds between a transaction system and a risk management system." Spec. ¶ 1.

Exemplary Claims

Claim 1, reproduced below, is representative of the subject matter on appeal:

> 1. A processor-implemented method for providing risk management services to a requester, comprising:
>
> electronically storing market data for a plurality of financial instruments;
>
> electronically storing trade execution data for a plurality of financial instrument transactions executed by a plurality of users, wherein the plurality of users are not associated with an organization of the requester;
>
> electronically storing access rights;
>
> electronically receiving a request over a distributed network from the requester for a risk report on a management portfolio that is associated with the stored financial instrument transactions;

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[2] Our decision relies upon Appellants' Appeal Brief ("App. Br.," filed Jan. 18, 2016); Reply Brief ("Reply Br.," filed Sept. 19, 2016); Examiner's Answer ("Ans.," mailed July 18, 2016); Final Office Action ("Final Act.," mailed Aug. 17, 2015); and the original Specification ("Spec.," filed June 6, 2002).

granting the requester access to the trade execution data based on the stored access rights;

using at least some of the market data and at least some of the trade execution data to perform, using a processor, portfolio risk calculations for the requested risk report;

producing the requested risk report; and

electronically transmitting the risk report over the distributed network.

Rejection on Appeal

Claims 1–8 and 11–15 stand rejected under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter. Final Act. 2; Ans. 3.

CLAIM GROUPING

Based on Appellants' arguments (App. Br. 10 *et seq.*), we decide the appeal of the patent-ineligible subject matter rejection of claims 1–8 and 11–15 on the basis of representative claim 1.[3]

ISSUE

Appellants argue (App. Br. 10–18; Reply Br. 2–9) the Examiner's rejection of claim 1 under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter is in error. These contentions present us with the following issue:

[3] While Appellants purport to proffer separate, substantive arguments with respect to independent method claims 11 and 12, (*see* App. Br. 29), a review of the arguments presented show arguments presented in connection with independent claims 11 and 12 (App. Br. 18–28) are of the same form and substance as those presented with respect to independent method claim 1. *Compare* App. Br. 10–18, *with* App. Br. 18–28.

Did the Examiner err in concluding claim 1 is patent-ineligible because the claim is directed to a judicial exception, i.e., an abstract idea, without significantly more?

ANALYSIS

In reaching this decision, we consider all evidence presented and all arguments actually made by Appellants. We do not consider arguments Appellants could have made but chose not to make in the Briefs, and we deem any such arguments waived. 37 C.F.R. § 41.37(c)(1)(iv).

We disagree with Appellants' arguments with respect to claims 1–8 and 11–15 and, unless otherwise noted, we incorporate by reference herein and adopt as our own: (1) the findings and reasons set forth by the Examiner in the action from which this appeal is taken, and (2) the reasons and rebuttals set forth in the Examiner's Answer in response to Appellants' arguments. We highlight and address specific findings and arguments regarding claim 1 for emphasis as follows.

Alice Framework

Section 101 provides that anyone who "invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof" may obtain a patent. 35 U.S.C. § 101. The Supreme Court has repeatedly emphasized that patent protection should not extend to claims that monopolize "the basic tools of scientific and technological work." *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 71 (2012); *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014).

Accordingly, laws of nature, natural phenomena, and abstract ideas are not patent-eligible subject matter. *Id.*

The Supreme Court's two-part *Mayo/Alice* framework guides us in distinguishing between patent claims that impermissibly claim the "building blocks of human ingenuity" and those that "integrate the building blocks into something more." *Alice*, 134 S. Ct. at 2354. First, we "determine whether the claims at issue are directed to a patent-ineligible concept." *Id.* at 2355. If so, we "examine the elements of the claim to determine whether it contains an 'inventive concept' sufficient to 'transform' the claimed abstract idea into a patent-eligible application." *Id.* at 2357 (quoting *Mayo*, 566 U.S. at 72, 79). While the two steps of the *Alice* framework are related, [4] the "Supreme Court's formulation makes clear that the first-stage filter is a meaningful one, sometimes ending the § 101 inquiry." *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016). We note the Supreme Court "has not established a definitive rule to determine what constitutes an 'abstract idea'" for the purposes of step one. *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1334 (Fed. Cir. 2016) (citing *Alice*, 134 S. Ct. at 2357).

Alice Step 1 — Abstract Idea

Our reviewing court has held claims ineligible as being directed to an abstract idea when they merely collect electronic information, display information, or embody mental processes that could be performed by

[4] Applying this two-step process to claims challenged under the abstract idea exception, the courts typically refer to step one as the "abstract idea" step and step two as the "inventive concept" step. *Affinity Labs of Tex., LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1257 (Fed. Cir. 2016).

humans. *Electric Power Group*, 830 F.3d at 1353–54 (collecting cases). At the same time, "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. Under this guidance, we must therefore ensure at step one that we articulate what the claims are directed to with enough specificity to ensure the step one inquiry is meaningful. *Alice*, 134 S. Ct. at 2354 ("[W]e tread carefully in construing this exclusionary principle lest it swallow all of patent law.").

The Examiner concludes, "[c]laim 1 is directed to an abstract idea of providing risk management to a requester [that] can be performed manually or by using a 'processor' and is similar to the kind of 'organizing human activity' at issue in Alice."[5] Final Act. 4.

In response, Appellants contend, "it is unquestionable that Claim 1 contains elements beyond simply 'providing risk management to a requester.' Stated another way, the claims at issue here do not merely recite the steps one would ordinarily perform to providing risk management to a requester." App. Br. 11. Appellants further argue:

> While Claim 1 *relates* to providing risk management to a requester, Claim 1 does not *claim* the mere concept of providing risk management to a requester. Rather, Claim 1 recites a specific process that (among other things) receives a request, grants access to data based on stored access rights, and uses data to perform risk calculations for a report.
>
> These operations represent more than just an abstract idea. These operations do not represent a scenario where a fundamental and long prevalent idea that existed before computers is now simply being implemented on a computer,

[5] *Alice Corp. Pty Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014).

> such as in *Bilski* and *Alice*. Rather, these types of operations represent a modem technology that is necessarily dependent on computer systems and an idea that did not exist before the time of computers. ([*See DDR Holdings,*[6]] ([N]oting that patent eligible "claims stand apart because they do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet. Instead, the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.")). The recitation of various data and operations, as well as the specific recitation of access rights, shows that Claim 1 is necessarily dependent on computer systems.

App. Br. 12.[7]

> In addition, Appellant contends:
>
> It is immediately evident that even if Claim 1 did recite a judicial exception, Claim 1 "is not attempting to tie up any such exception so that others cannot practice it." Claim 1 recites numerous elements that make it clear Claim 1 as a whole would not tie up "providing risk management to a requester" so that others cannot practice it. There are innumerable other ways one could "provide risk management to a requester" without falling under the scope of Claim 1. Thus, eligibility of the claim is self-evident in the streamlined analysis, without needing to perform the full eligibility analysis.
>
> As shown above, Claim 1 clearly recites more than the simple concept of providing risk management to a requester. Rather, Claim 1 is directed to a method that performs specific functions using specific data to generate specific results. The claims are not directed merely to a patent ineligible concept.

App. Br. 13.

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[6] *DDR Holdings, LLC v. Hotels.com*, L.P., 773 F.3d 1245 (Fed. Cir. 2014)(hereinafter "*DDR Holdings*").

[7] It appears Appellants are conflating *Alice* Step 1 ("abstract idea") analysis with *Alice* Step 2 ("significantly more") analysis by citing *DDR Holdings*.

Under the "abstract idea" step we must evaluate "the 'focus of the claimed advance over the prior art' to determine if the claim's 'character as a whole' is directed to excluded subject matter." *Affinity Labs*, 838 F.3d at 1257.

Turning to the claimed invention, claim 1 recites "[a] processor-implemented method for providing risk management services to a requester." Claim 1 (preamble). Method claim 1's limitations also require, in pertinent part, the steps of:

> storing market data for a plurality of financial instruments . . . storing trade execution data for . . . financial instrument transactions executed by a plurality of users . . . [who] are not associated with an organization of the requester . . . storing access rights . . . receiving a request . . . for a risk report on a management portfolio . . . associated with the stored financial instrument transactions; granting the requester access to the trade execution data based on the stored access rights; using at least some of the market data and at least some of the trade execution data to perform . . . portfolio risk calculations for the requested risk report; producing the requested risk report; and . . . transmitting the risk report.

Claim 1.

In response to Appellants' arguments, the Examiner maintains the conclusion that claim 1 is directed to a judicial exception, i.e., an abstract idea without significantly more (Ans. 4) because:

> Claim 1 is directed to an abstract idea of providing risk management to a requester. The concept of providing risk management as recited in the claim can be performed manually or by using a "processor" and is similar to the kind of 'organizing human activity' at issue in Alice Corp. Although the claims are not drawn to the same subject matter, the abstract idea of providing risk management to a requester is similar to

> the abstract idea of managing risk (hedging) during consumer transactions (Bilski) and mitigating settlement risk in financial transactions (Alice Corps. [sic]) Claim 1 therefore is directed to an abstract idea.

Ans. 5–6.

Under step one, we agree with the Examiner's conclusion that the invention claimed in independent claim 1 is directed to an abstract idea, i.e., providing financial instrument transaction risk management to a requester. More particularly, we conclude providing a risk management assessment report to a requester, as in claim 1, is a fundamental economic practice and method of organizing human activity with respect to financial instrument transactions.

As the Specification discloses, "[t]his invention relates to systems and methods for managing risk associated with transactions (traded online or not), for executing trades using a transaction system and for automatically providing delayed or live trade data and market data feeds between a transaction system and a risk management system." Spec. ¶ 1.[8] We find this type of activity, i.e., managing risk associated with financial transactions, for example, includes longstanding conduct that existed well before the advent

[8] *See also* Spec. 19 ("Abstract"):

> The present invention relates to a system for processing trade data and market data to produce risk management reports and delivering reports, simultaneously, to multiple related and unrelated users over a distributed network. In one aspect of the invention, the risk management analysis includes the assessment of risk through mark-to-market, profit and loss, "greek", FAS 133, and related reports. Further, market and trade data may be collected electronically from exchanges, information service provides, and other sources to be aggregated for use in the risk management analysis.

of computers and the Internet, and could be carried out by a human with pen and paper. *See CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1375 (Fed. Cir. 2011) ("That purely mental processes can be unpatentable, even when performed by a computer, was precisely the holding of the Supreme Court in *Gottschalk v. Benson*.").[9]

Our reviewing court has previously held other patent claims ineligible for reciting similar abstract concepts. For example, while the Supreme Court has enhanced the section 101 analysis since *CyberSource* in cases like *Mayo* and *Alice*, they continue to "treat[ ] analyzing information by steps people go through in their minds, or by mathematical algorithms, without more, as essentially mental processes within the abstract-idea category." *Synopsys, Inc. v. Mentor Graphics Corp.*, 839 F.3d 1138, 1146 (Fed. Cir. 2016) (quoting *Electric Power Group*, 830 F.3d at 1354).

In this regard, the claims are similar to claims our reviewing court has found patent ineligible in *Electric Power Group*, 830 F.3d at 1354 (Collecting information and "analyzing information by steps people go through in their minds, or by mathematical algorithms, without more, [are] essentially mental processes within the abstract-idea category").

In addition, Appellants' argument quoted above that the claims do not preempt all methods of providing risk management to a requester does not make them any less abstract. *See buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1355 (Fed. Cir. 2014) (collecting cases); *Accenture Global Services, GmbH v. Guidewire Software*, 728 F.3d 1336, 1345 (Fed. Cir. 2013); *Ariosa*

[9] *CyberSource* further guides that "a method that can be performed by human thought alone is merely an abstract idea and is not patent-eligible under § 101." *CyberSource*, 654 F.3d at 1373.

Diagnostics, Inc. v. Sequenom, Inc., 788 F.3d 1371, 1379 (Fed. Cir. 2015) ("While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility").

Therefore, in agreement with the Examiner, we conclude claim 1 involves nothing more than identifying, collecting, storing, comparing, and generating data, without any particular inventive technology — an abstract idea. *See Electric Power Group*, 830 F.3d at 1354. We further refer to *Content Extraction*, where the Federal Circuit has provided additional guidance on the issue of statutory subject matter by holding claims to collecting data, recognizing certain data within the collected data set, and storing that recognized data in memory were directed to an abstract idea and therefore unpatentable under section 101. *Content Extraction & Transmission LLC v. Wells Fargo Bank, N.A.*, 776 F.3d 1343 (Fed. Cir. 2014).

Accordingly, on this record, and under step one of *Alice*, we agree with the Examiner's conclusion the claims are directed to an abstract idea.

Alice Step 2—Inventive Concept

If the claims are directed to a patent-ineligible concept, as we conclude above, we proceed to the "inventive concept" step. For that step we must "look with more specificity at what the claim elements add, in order to determine 'whether they identify an "inventive concept" in the application of the ineligible subject matter' to which the claim is directed." *Affinity Labs*, 838 F.3d at 1258 (quoting *Elec. Power Grp.*, 830 F.3d at 1353).

In applying step two of the *Alice* analysis, our reviewing court guides we must "determine whether the claims do significantly more than simply

describe [the] abstract method" and thus transform the abstract idea into patentable subject matter. *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 715 (Fed. Cir. 2014). We look to see whether there are any "additional features" in the claims that constitute an "inventive concept," thereby rendering the claims eligible for patenting even if they are directed to an abstract idea. *Alice*, 134 S. Ct. at 2357. Those "additional features" must be more than "well-understood, routine, conventional activity." *Mayo*, 566 U.S. at 79.

Evaluating representative claim 1 under step 2 of the *Alice* analysis, we agree with the Examiner that it lacks an inventive concept that transforms the abstract idea of managing risk associated with financial transactions and generating risk reports into a patent-eligible application of that abstract idea. *See* Ans. 8.

Appellant merely alleges:

> Claim 1 clearly recites additional elements that add significantly more to the alleged abstract concept of providing risk management to a requester. The entire series of steps in Claim 1 is "substantially more" than the alleged abstract concept of providing risk management to a requester. For example, Claim 1 recites the use of specific data, such as market data for a plurality of financial instruments and trade execution data for a plurality of financial instrument transactions executed by a plurality of users. Claim 1 also recites the use of access rights, namely electronically storing access rights and granting a requester access to trade execution data based on the stored access rights. In addition, Claim 1 recites using at least some of the market data and at least some of the trade execution data to perform portfolio risk calculations and producing a requested risk report.

App. Br. 14.

Appellants additionally allege "there are no pending prior art rejections of Claim 1, meaning the Examiner has admitted the prior art does not disclose or suggest Claim 1. Something cannot possibly represent a commonplace business method or a known business process if it has never been done before." App. Br. 15.

We disagree with Appellants' assertion because, as the Supreme Court held, "[t]he 'novelty' of any element or steps in a process, or even of the process itself, is of no relevance in determining whether the subject matter of a claim falls within the [section] 101 categories of possibly patentable subject matter." *Diamond v. Diehr*, 450 U.S. 175, 188–89 (1981). Our reviewing court further indicates that "even assuming" that a particular claimed feature was novel does not "avoid the problem of abstractness." *Affinity Labs*, 838 F.3d at 1263.

In response to Appellants' contentions the claimed invention offers "significantly more," the Examiner concludes:

> The claim requires the additional limitations of one or more processors. The generic computer components are claimed to perform their basic functions of storing, receiving, granting, calculating, producing and transmitting the risk report. The recitation of the claimed limitations amounts to mere instructions to implement the abstract idea on a computer. Taking the additional elements individually and in combination, the computer components (one or more processors) at each step of the process perform purely generic computer functions. As such, there is no inventive concept sufficient to transform the claimed subject matter into a patent-eligible application. The claim does not amount to significantly more than the abstract idea itself. Accordingly, the claim is not patent eligible.

Final Act. 4–5; *see also* Ans. 6.

We agree with the Examiner because, as in *Alice*, we find the recitation of managing risk associated with transactions using "[a] processor-implemented method" (claims 1 and 11), and "[a] computer processor-implemented method (claim 12), is simply not enough to transform the patent-ineligible abstract idea here into a patent-eligible invention. *See Alice*, 134 S. Ct. at 2357 ("[C]laims, which merely require generic computer implementation, fail to transform [an] abstract idea into a patent-eligible invention.").

As evidence of the conventional nature of the claimed network components and processes, we note Appellants' Specification is short on any disclosure of any technical component/hardware that could reasonably be construed as representing an improvement to conventional computer and networking technology. For example, paragraph 33 of the Specification discloses, "[a]ccording to a preferred embodiment of the invention, the system includes a business objects processing module which serves as an organization engine." We have reviewed the Specification, and do not find any additional disclosure (aside from alleged functional aspects of conventional hardware) that would support Appellants' contention that "Claim 1 clearly recites additional elements that add significantly more to the alleged abstract concept of providing risk management to a requester." App. Br. 14.

Moreover, with respect to Appellants' citation to our reviewing court's holding in *DDR* (App. Br. 12), we find Appellants' claims do not address a similar problem and do not contain a similar inventive concept as the patent-eligible claims in *DDR*. As emphasized by the Federal Circuit: "*DDR Holdings* does not apply when . . . the asserted claims do not 'attempt to

solve a challenge particular to the Internet.'" *Smart Sys. Innovations, LLC v. Chi. Transit Auth.*, 873 F.3d 1364, 1375 (Fed. Cir. 2017) (quoting *In re TLI Commc'ns LLC Patent Litig.*, 823 F.3d 607, 613 (Fed. Cir. 2016)).[10]

Accordingly, based upon the findings above, on this record, we are not persuaded of error in the Examiner's conclusion that the appealed claims are directed to patent-ineligible subject matter. Therefore, we sustain the Examiner's section 101 rejection of independent claim 1, and grouped claims 2–8 and 11–15 which fall therewith. *See* Claim Grouping, *supra*.

REPLY BRIEF

To the extent Appellants *may* advance new arguments in the Reply Brief (Reply Br. 2–13) not in response to a shift in the Examiner's position in the Answer, we note arguments raised in a Reply Brief that were not raised in the Appeal Brief or are not responsive to arguments raised in the Examiner's Answer will not be considered except for good cause (*see* 37 C.F.R. § 41.41(b)(2)), which Appellants have not shown.

CONCLUSION

The Examiner did not err with respect to patent-ineligible subject matter Rejection R1 of claims 1under 35 U.S.C. § 101, and we sustain the rejection.

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[10] We note the question is not whether claims mention a computing environment but what they are "directed to." The "directed to" inquiry applies a stage-one filter to claims, considered in light of the specification, based on whether "their character as a whole is directed to excluded subject matter." *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015); *see Genetic Techs. Ltd. v. Merial L.L.C.*, 818 F.3d 1369, 1376, (Fed. Cir. 2016) (inquiring into "[t]he focus of the claimed advance over the prior art"); *see also Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (2016).

DECISION

We affirm the Examiner's decision rejecting claims 1–8 and 11–15.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a)(1)(iv). *See* 37 C.F.R. § 41.50(f).

AFFIRMED