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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte JOHN W. LABUSZEWSKI and RICHARD CO

Appeal 2017-001025
Application 14/248,092¹
Technology Center 3600

Before JUSTIN BUSCH, CARL L. SILVERMAN, and JASON M. REPKO,
Administrative Patent Judges.

REPKO, *Administrative Patent Judge.*

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellants appeal under 35 U.S.C. § 134(a) from the Examiner’s rejection of claims 21–40. App. Br. 2.² Claims 1–20 were canceled. We have jurisdiction under 35 U.S.C. § 6(b).

We affirm.

¹ Appellants identify the real party in interest as Chicago Mercantile Exchange Inc. App. Br. 2.

² Throughout this opinion, we refer to the Final Rejection (“Final Act.”) mailed December 9, 2015; the Appeal Brief (“App. Br.”) filed May 18, 2016; the Examiner’s Answer (“Ans.”) mailed August 15, 2016; and the Reply Brief (“Reply Br.”) filed October 14, 2016.

THE INVENTION

Appellants' invention relates to collateralized lending using a central counterparty. Spec. ¶ 9. Lenders place orders to enter into long contracts with an intermediary—i.e., central counterparty—that obligate them to lend an asset. *Id.* Borrowers place orders to enter into short contracts with the intermediary that obligate them to borrow an asset or a substantial equivalent. *Id.* The intermediary then matches and settles the appropriate orders. *Id.* The net effect is a lending transaction between the lender and borrower. *Id.* But the risk of borrower's default is undertaken by the intermediary instead of the lender. *Id.* Appellants' system matches buy/sell or lending/borrowing transactions, clears and settles those transactions, and manages risk. *Id.* ¶ 37. The system also administers loans between delivery and redemption. *Id.* In one embodiment, the intermediary is an exchange, such as the Chicago Mercantile Exchange (CME). *Id.* ¶ 48.

Claim 21 is reproduced below:

21. An apparatus, comprising:

a communications device configured to:

receive a first request for a first loan transaction relating to a loan of an asset for a specified duration, the first loan transaction including a long or a short Special Repo Futures (SRF) contract where a supply of the asset is below a supply threshold, otherwise the first loan transaction including a long or a short General Repo Futures (GRF) contract, wherein the GRF contract includes a long position paying a notional value in cash and a short position securing borrowing by posting a general collateral equal in value to the notional value, wherein the first request is from a first entity; and

receive a second request for a second loan transaction at least partially counter to the first loan

transaction, wherein the second request is from a second entity;

a matching device communicatively coupled to the communications device, the matching device configured to match the first request with the second request; and

a trader device communicatively coupled to the matching device, the trader device configured to:

perform the first loan transaction between the first entity and an intermediary; and

perform the second loan transaction between the second entity and the intermediary.

THE REJECTION

Claims 21–40 stand rejected under 35 U.S.C. § 101 as directed to patent-ineligible subject matter. Final Act. 2–5.

ANALYSIS

The Examiner rejected representative³ claim 21 under 35 U.S.C. § 101 because the claim as a whole (1) is directed to an “abstract idea” and (2) does not contain an “inventive concept” sufficient to transform the claimed “abstract idea” into a patent-eligible application. Final Act. 2–5. For the reasons discussed below, Appellants have not persuaded us of error.

I

The Supreme Court’s two-step framework guides the patent-eligibility analysis. *See Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2355 (2014). Step one involves determining “whether the claims at issue are directed to a patent-ineligible concept,” such as an abstract idea. *Id.*

³ Appellants argue claims 21–40 together. *See* App. Br. 4–7. We select independent claim 21 as representative of claims 21–40. *See* 37 C.F.R. § 41.37(c)(1)(iv).

Appellants argue that the claims are directed to a system for indirectly moving monetary value between traders. App. Br. 4; Reply Br. 2. According to Appellants, the system operates within a central counter-party-based trading system. App. Br. 4. Appellants explain that the claimed invention efficiently matches lenders with borrowers, moves collateral to indirectly effect the transfer, and maintains anonymity between the transacting parties. *Id.* at 5. According to Appellants, the claims are directed to a novel system for accomplishing these tasks—not merely the algorithms themselves or instructions to apply such algorithms. *Id.*

The Examiner concludes that claim 21 is directed to a “fundamental economic practice.” Final Act. 2. We note the Manual of Patent Examining Procedure (MPEP) instructs Examiners that “courts have used the phrases ‘fundamental economic practices’ or ‘fundamental economic concepts’ to describe concepts relating to the economy and commerce.” MPEP § 2106.04(a)(2) I. (9th ed. Rev. 08.2017, Jan. 2018). We note the MPEP further instructs Examiners that “[t]he term ‘fundamental’ is used in the sense of being foundational or basic, and not in the sense of necessarily being ‘old’ or ‘well-known.’” *Id.* (citing *In re Smith*, 815 F.3d 816, 818–19 (Fed. Cir. 2016)). We agree with the Examiner. *See* Final Act. 2.

Here, the claimed apparatus comprises a device for receiving two loan-transaction requests from two entities, a device for matching the requests, and a trader device for performing the requested loan transactions between the entities and an intermediary. The second recited loan-transaction request is partially counter to the first. In this arrangement, the risk of the borrower’s default is undertaken by the intermediary instead of the lender. Spec. ¶ 9. So, as a whole, the claims are drawn to the concept of

matching opposing transactions and performing them with an intermediary, thereby mitigating risk. *See id.*; *accord* App. Br. 5.

In this regard, we agree with the Examiner that the claimed system here is similar to the claimed system in *Alice*. Final Act. 2. The claims at issue in *Alice* were to a computer system used as a third-party intermediary. *Alice*, 134 S. Ct. at 2352. The computer mitigated settlement risk by allowing only those transactions in which the parties had sufficient resources to satisfy their obligations. *Id.* The Supreme Court, however, held that these claims were directed to the “abstract idea of intermediated settlement,” which is a “fundamental economic practice.” *Id.* at 2355–56.

Likewise, the claims here are directed to a system that facilitates a transaction that mitigates risk. Although the claims recite devices, we are unpersuaded that the claims are rooted in computer technology. App. Br. 4–5. Indeed, Appellants claim the devices predominantly using broad functional terms—i.e., receiving requests, matching requests and performing transactions. Appellants have not cited any persuasive evidence in the Specification that the claimed invention improves the way the computer carries out these functions. Here, like the claims in *Alice* and other cases cited by the Examiner, claim 21 is directed to a foundational or basic concept concerning the economy and commerce, as the Examiner concludes. Final Act. 2–3 (citing *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359 (Fed. Cir. 2015); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d. 1350 (Fed. Cir. 2014); *Bilski v. Kappos*, 561 U.S. 593 (2010)).

On this record, we are unpersuaded that the Examiner erred in concluding that claim 21 is directed to an abstract idea.

II

Because the claims are “directed to an abstract idea,” we analyze the claims to determine if the limitations, when considered both “individually and ‘as an ordered combination’” contain an inventive concept sufficient to transform the claimed abstract idea into a patent-eligible application. *Alice*, 134 S. Ct. at 2355–58.

Appellants argue the request matching and separate performance with an intermediary, instead of between the requestors, amount to more than mere computer implementation of matching orders. App. Br. 5. According to Appellants, the combination of recited functions shows that the claims are not to the idea of matching opposing transactions. *Id.*

In Appellants’ view, the combination of steps imposes meaningful limitations and improves a computer’s functioning. *Id.* Appellants contend, for example, that the claimed system maintains anonymity between the transacting parties. *Id.* at 6–7. According to Appellants, the claims solve a “transaction/data processing-centric problem.” *Id.* at 7. In this regard, Appellants explain that the claimed system is rooted in technology like the system in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014).

But here, there is no indication that the recited computing devices produce “a result that overrides [their] routine and conventional” use. *Id.* at 1258. Rather, we agree with the Examiner that the claims involve generically recited computer components. Ans. 5.

Specifically, the claimed apparatus uses a communication device to receive requests. Appellants point to paragraph 49 of the Specification, among other paragraphs, as describing this feature. App. Br. 2 (citing

Spec. ¶¶ 9, 49, 63, Figs. 6, 7). In paragraph 49, the Specification discloses that a processor can include “any general or special purpose[s] . . . processor *as is known*” to receive the requests. Spec. ¶ 49 (emphasis added). For example, the processor may use a computer program to receive via a network interface the request. *Id.* This conventional role for a general-purpose processor, however, is insufficient to supply an inventive concept. *See buySAFE*, 765 F.3d at 1355 (explaining that “computers in *Alice* were receiving and sending information over networks connecting the intermediary to the other institutions involved, and the Court found the claimed role of the computers insufficient.”).

Claim 21 further recites “a matching device.” But this device is broadly and abstractly recited as being “configured to match the first request with the second request.” The relevant portion of the Specification discloses that a processor executing logic matches the requests. Spec. ¶ 51. According to the Specification, what constitutes a match “may be implementation dependent and may be defined by the exchange 608, market participants 604, 606 and/or governmental or regulatory organizations, or combinations thereof.” *Id.* ¶ 52, *cited in* App. Br. 2. Typically, the transactions are matched in the clearing process. Spec. ¶ 38. Moreover, the other paragraphs Appellants cite do not describe any unconventional matching device. *See id.* ¶¶ 37, 47, 64. Instead, the system uses a conventional database to maintain the matched transactions. *Id.* ¶ 54.

Claim 21 further recites “a trader device.” The recited trader device performs the requested transactions. Like the above recited components, the device can be a processor executing programs or specialized hardware. *See, e.g., id.* ¶¶ 47–49. Notably, claim 21 defines the trader device, as well as the

other devices, by their result. And the Specification discloses generic devices to perform the recited functions. In this way, the claims are like those that abstractly cover results where “it matters not by what process or machinery the result is accomplished,” which is the type of claim that the abstract idea exception is intended to prevent from being patented. *McRO, Inc. v. Bandai Namco Games America Inc.*, 837 F.3d 1299, 1314 (Fed. Cir. 2016) (quoting *O’Reilly v. Morse*, 56 U.S. 62, 113 (1853)).

Appellants explain that, although anonymity is not explicitly claimed, it is the specific technical improvement achieved by operating the claimed invention. Reply Br. 3. This argument is based, in part, on the novation by the central counter party. *See id.* at 3, 5–6. That is, the clearing house assumes responsibility for protecting buyers and sellers from financial loss by assuring performance. *See, e.g.*, Spec. ¶¶ 38–39. The exchange, as the intermediary, novates itself into the transactions between the entities. *Id.* ¶ 54. In this way, the intermediary anonymizes the transactions between the entities. *Id.* ¶ 53.

Similar uses of an intermediary system to handle information have been recognized as well-understood, routine, and conventional. For example, the Federal Circuit, has recognized that using a computer to forward information is conventional. *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1321–22 (Fed. Cir. 2016); *see also buySAFE*, 765 F.3d at 1355 (Fed. Cir. 2014) (discussing the intermediary computers in *Alice*). Here, Appellants’ purported improvement is not to the intermediary computers themselves. As discussed above, the computers in the recited system are generic, and the anonymization follows from their conventional use.

To be sure, the above-discussed generic computer processors alone do not render the claims ineligible, as Appellants note (*see* Reply Br. 3–6). We, however, disagree that claim 21 involves some inventive distribution of function among the recited components. *See, e.g., BASCOM Global Internet Servs. v. AT&T Mobility LLC*, 827 F.3d 1341, 1348 (Fed. Cir. 2016), *cited in* Reply Br. 5. Considering the limitations as an ordered combination, the recited devices are used in their ordinary capacity—i.e., to communicate, to match, and to perform a transaction—in carrying out the abstract idea. Essentially, claim 21 recites an abstract idea “while adding the words ‘apply it with a computer,’” which does not render the claims patent eligible. *See Alice*, 134 S. Ct. at 2358.

Therefore, Appellants have not persuaded us of error in the rejection of representative claim 21 and the rejection of claims 22–40, which are not separately argued (App. Br. 4–7; Reply Br. 2–6).

DECISION

We affirm the Examiner’s rejection of claims 21–40.

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).

AFFIRMED