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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte JOSEPH M. ASHER, DOMINIC CROSTHWAITE,
and HOWARD W. LUTNICK

Appeal 2017-002008¹
Application 12/906,381²
Technology Center 3600

Before NINA L. MEDLOCK, AMEE A. SHAH, and
MATTHEW S. MEYERS, *Administrative Patent Judges*.

MEDLOCK, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellants appeal under 35 U.S.C. § 134(a) from the Examiner’s final rejection of claims 1, 3, 4, 6, 7, 10, 12, 14–17, 25–28, 30, 31, 35–37, 39–42, 45, 55–59, 61, and 62. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

¹ Our decision references Appellants’ Appeal Brief (“App. Br.,” filed February 23, 2016) and Reply Brief (“Reply Br.,” filed November 28, 2016), and the Examiner’s Answer (“Ans.,” mailed September 27, 2016), Advisory Action (“Adv. Act.,” mailed March 7, 2016), and Final Office Action (“Final Act.,” mailed March 23, 2015).

² Appellants identify Cantor Index, LLC as the real party in interest. App. Br. 2.

CLAIMED INVENTION

Appellants' claimed invention relates to "an exchange system and method according to which interests in entries in an activity may b[e] transferred between users" (Spec. 3, ll. 2–4).

Claims 1, 61, and 62 are the independent claims on appeal. Claim 1, reproduced below with bracketed notations added, is illustrative of the claimed subject matter:

1. A method for conducting an exchange, comprising:

[(a)] distributing, by at least one processor in electronic communication with at least one memory, a first set of entries in at least one first activity, the at least one activity having at least one winner;

[(b)] conducting trading of at least one of the entries between at least one buyer and at least one seller, in which conducting trading of at least one of the entries between at least one buyer and at least one seller comprises:

[(b1)] receiving, by the at least one processor, from a first user comprising a buyer, at least one buy request associated with at least one entry of the first set of entries, the at least one entry comprising a first entry that identifies at least one participant to be a winning participant;

[(b2)] receiving, by the at least one processor, from a second user comprising a seller, at least one sell request associated with the at least one entry of the first set of entries;

[(b3)] matching, by the at least one processor, the at least one buy request with the at least one sell request; and

[(b4)] responsive to matching the at least one buy request with the at least one sell request, causing, by the at least one processor, the at least one entry of the first set of entries to be transferred from the second user to the first user.

REJECTIONS³

Claims 1, 3, 4, 6, 7, 10, 12, 14–17, 25–28, 30, 31, 35–37, 39–42, 45, 55–59, 61, and 62 are rejected under 35 U.S.C. § 101 as directed to non-statutory subject matter.

Claims 1, 61, and 62 are rejected under 35 U.S.C. § 103(a) as unpatentable over Stronach (US 2002/0142816 A1, pub. Oct. 3, 2002) and Gebb (US 6,067,532, iss. May 23, 2000).

Claim 3 is rejected under 35 U.S.C. § 103(a) as unpatentable over Stronach, Gebb, and Tell et al. (US 7,567,935 B2, iss. July 28, 2009) (“Tell”).

Claims 4, 6, 7, 10, 12, 14–17, 25–28, 30, 31, 35–37, 39–42, 45, and 55–57 are rejected under 35 U.S.C. § 103(a) as unpatentable over Stronach, Gebb, Tell, and O’Keeffe et al. (US 2002/0082969 A1, pub. June 27, 2002) (“O’Keeffe”).

Claims 58 and 59 are rejected under 35 U.S.C. § 103(a) as unpatentable over Stronach, Gebb, Tell, O’Keeffe, and Wall et al. (US 2002/0156715 A1, pub. Oct. 24, 2002) (“Wall”).

ANALYSIS

Patent-Ineligible Subject Matter

Under 35 U.S.C. § 101, an invention is patent-eligible if it claims a “new and useful process, machine, manufacture, or composition of matter.” 35 U.S.C. § 101. The Supreme Court, however, has long interpreted § 101 to include an implicit exception: “[l]aws of nature, natural phenomena, and

³ Claim 63 has been canceled. *See* Adv. Act. 2.

abstract ideas” are not patentable. *Alice Corp. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014).

The Supreme Court, in *Alice*, reiterated the two-step framework previously set forth in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012), “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice Corp.*, 573 U.S. at 217. The first step in that analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If the claims are not directed to a patent-ineligible concept, e.g., an abstract idea, the inquiry ends. Otherwise, the inquiry proceeds to the second step where the elements of the claims are considered “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 566 U.S. at 79, 78).

The Court acknowledged in *Mayo*, that “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. Therefore, the Federal Circuit has instructed that claims are to be considered in their entirety to determine “whether their character as a whole is directed to excluded subject matter.” *McRO, Inc. v. Bandai Namco Games Am., Inc.*, 837 F.3d 1299, 1312 (Fed. Cir. 2016) (quoting *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015)).

We are not persuaded, as an initial matter, that the Examiner erred in determining that the claims are directed to an abstract idea (App. Br. 6–9) or that the Examiner otherwise overgeneralized the concept to which the claims

are directed without taking the actual claim language into account (Reply Br. 4–5). There is no requirement that the Examiner’s formulation of the abstract idea copy the claim language. And, as described below, the Examiner’s characterization of the claims here is fully consistent with the Specification.⁴

The Federal Circuit has explained that “the ‘directed to’ inquiry applies a stage-one filter to claims, considered in light of the [S]pecification, based on whether ‘their character as a whole is directed to excluded subject matter.’” *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016) (quoting *Internet Patents Corp.*, 790 F.3d at 1346). It asks whether the focus of the claims is on a specific improvement in relevant technology or on a process that itself qualifies as an “abstract idea” for which computers are invoked merely as a tool. *See id.* at 1335–36. Here, it is clear from the Specification, including the claim language, that the claims focus on an abstract idea, and not on any improvement to technology and/or a technical field.

⁴ An abstract idea, moreover, can be expressed at various levels of abstraction. *See Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240–41 (Fed. Cir. 2016) (“An abstract idea can generally be described at different levels of abstraction. As the Board has done, the claimed abstract idea could be described as generating menus on a computer, or generating a second menu from a first menu and sending the second menu to another location. It could be described in other ways, including, as indicated in the specification, taking orders from restaurant customers on a computer.”). That the claim language includes more words than the phrase the Examiner used to articulate the abstract idea, and that the Examiner, thus, articulates the abstract idea at a higher level of abstraction than would Appellants is an insufficient basis for determining that the claims are not directed to an abstract idea.

The Specification is titled “SYSTEM AND METHOD FOR A LOTTERY AND AUCTION BASED TOURNAMENT ENTRY EXCHANGE PLATFORM,” and discloses that the invention relates, in particular, to “a system and method for an exchange platform for trading entries in a tournament” (Spec. 1). The Background section of the Specification describes that exchange systems exist for trading assets, including platforms for trading shares of stock, and that betting on sports competitions, e.g., the NCAA basketball tournament, also is popular where individuals attempt to select the winners of each game played throughout the tournament and points are awarded depending on the stage of the tournament (*id.* at 2). The Specification discloses that “the present invention” provides an exchange system and method in which interests in entries in an activity may be transferred between individual users, and describes that an advantage of the invention is the ability to transfer interests in entries in an activity between users in a market exchange environment (*id.* at 3). “Another advantage is to enable an electronic trading platform for the exchange of entries (or interests therein) in activities” (*id.*). Understood in light of the Specification, claim 1 is directed to distributing entries in an activity (step (a)) and conducting trading of the entries between users in an exchange system (step (b)), where buyers and sellers make and accept requests to sell and/or requests to buy entries from each other (steps (b1) – (b4)). Simply put, we agree with the Examiner that the claims are directed to transferring interests in entries in an activity between users in an exchange system (Ans. 2) — a fundamental economic practice, i.e., a method of organizing human activity and, therefore, an abstract idea.

We find no indication in the Specification, nor do Appellants direct us to any indication, that the operations recited in claim 1, for example, invoke any assertedly inventive programming, require any specialized computer hardware or other inventive computer components, i.e., a particular machine, or that the claimed invention is implemented using other than generic computer components to perform generic computer functions. *See DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1256 (Fed. Cir. 2014) (“[A]fter *Alice*, there can remain no doubt: recitation of generic computer limitations does not make an otherwise ineligible claim patent-eligible.”). In fact, the Specification suggests just the opposite, i.e., that the claimed invention may be implemented using only generic computer components (*see, e.g.*, Spec. 16–19).

We also find no indication in the Specification that the claimed invention effects a transformation or reduction of a particular article to a different state or thing or an improvement in computer functionality. Nor do we find anything in the Specification that attributes an improvement in other technology or technical field to the claimed invention or otherwise indicates that the claimed invention integrates the abstract idea into a “practical application,” as that phrase is used in the USPTO’s *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50, 55 (January 7, 2019).⁵

⁵ In accordance with the USPTO’s revised guidance, a claim will be considered “directed to” an abstract idea if (1) the claim recites subject matter falling within one of the following groupings of abstract ideas: (a) mathematical concepts; (b) certain methods of organizing human interactions, e.g., fundamental economic principles or practices, commercial or legal interactions; and (c) mental processes, and (2) the claim does not integrate the abstract idea into a practical application. *See Revised Guidance*, 84 Fed. Reg. at 54–55.

Appellants summarily assert that, similar to the claims at issue in *DDR Holdings*, the present claims “solve a problem rooted in computer technology to improve the functionality of computer-implemented trading systems by enabling trading of a set of entries in an activity having a winner” (App. Br. 12). But Appellants do not identify the problem that the claims allegedly solve. Nor do Appellants otherwise explain how “enabling trading of a set of entries in an activity having a winner” improves computer functionality.

We also are not persuaded by Appellants’ argument that the § 101 rejection cannot be sustained because the Examiner has failed to provide evidence that the alleged abstract idea is, in fact, abstract (App. Br. 8; *see also* Reply Br. 3–4). Appellants note that the Supreme Court, in both *Alice* and *Bilski*,⁶ supported its finding that the alleged abstract idea was a fundamental economic practice with tangible evidence (App. Br. 8–9), and that the Federal Circuit, in *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014), similarly provided tangible evidence to show that “transaction performance guaranty” is a long-familiar commercial transaction (*id.* at 9). Appellants ostensibly maintain that the Examiner is likewise required to cite authority here in order to establish a prima facie case of patent-ineligibility under § 101 (*id.*). Yet, we find nothing, whether in *Alice*, *Bilski*, or *buySAFE*, that requires the Office to identify specific references to support a finding that a claim is directed to an abstract idea.

Evidence may be helpful, e.g., where facts are in dispute, but, there is no requirement that an Examiner provide evidentiary support in every case

⁶ *Bilski v. Kappos*, 561 U.S. 593 (2010).

before a conclusion can be made that a claim is directed to an abstract idea. *See Mortgage Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1325–26 (Fed. Cir. 2016) (“[I]t is also possible, as numerous cases have recognized, that a § 101 analysis may sometimes be undertaken without resolving fact issues.”). Appellants’ bare assertion here that evidence is needed, without any supporting reasoning as to why, is insufficient to require the Examiner to provide evidentiary support.⁷

Appellants further argue that the Examiner failed to comply with USPTO guidelines by failing to provide a separate analysis of each claim (App. Br. 10). That argument is, likewise, unpersuasive.

There is no dispute that the USPTO’s 2014 Interim Guidance⁸ directs examiners to examine each claim individually. But consideration of each claim individually does not require a separate written analysis for each individual claim. We decline to find error here in the Examiner’s decision to not address the patent-eligibility of each of claims 1, 3, 4, 6, 7, 10, 12, 14–17, 25–28, 30, 31, 35–37, 39–42, 45, 55–59, 61, and 62, individually, where, as the Examiner observes (Ans. 4–5), the claims are all directed to the same abstract idea, i.e., transferring interests in entries in an activity between users in an exchange system. *See Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat. Ass’n*, 776 F.3d 1343, 1348 (Fed. Cir. 2014) (explaining that when all claims are directed to the same abstract idea, “addressing each claim of the asserted patents [is] unnecessary”).

⁷ We note that the Appellants have put forward no rebuttal evidence showing the claims are not directed to an abstract idea.

⁸ *2014 Interim Guidance on Patent Subject Matter Eligibility*, 79 Fed. Reg. 74618 (Dec. 16, 2014).

We also are not persuaded of Examiner error to the extent Appellants maintain that the claims are patent-eligible because the claims would not “tie up” or preempt others from using the alleged abstract idea (App. Br. 11). Although the Supreme Court has described “the concern that drives [the exclusion of abstract ideas from patent eligible subject matter] as one of preemption,” *Alice Corp.*, 573 U.S. at 216, characterizing preemption as a driving concern for patent eligibility is not the same as characterizing preemption as the sole test for patent eligibility. “The Supreme Court has made clear that the principle of preemption is the basis for the judicial exceptions to patentability” and “[f]or this reason, questions on preemption are inherent in and resolved by the § 101 analysis.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015) (citing *Alice Corp.*, 134 S. Ct. at 2354). “[P]reemption may signal patent ineligible subject matter, [but] the absence of complete preemption does not demonstrate patent eligibility.” *Id.*

Turning to step two of the *Mayo/Alice* framework, Appellants argue that even if the claims are directed to an abstract idea, the claims are nonetheless patent-eligible because the claims “recite elements that alone and/or in combination are significantly more than any alleged abstract idea” (App. Br. 10). Pointing to dependent claim 3, for example, Appellants argue that claim 3’s recitations of “receiving, from a first user, a buy order associated with at least one entry of the first set of entries”; “receiving, from a second user, a short sale order associated with the at least one entry of the first set of entries”; “matching the buy order with the at least one short sale order to create a short sale”; and “settling, at a predetermined time, the short sale” constitute “significantly more” than the alleged abstract idea (*id.* at 10–

11 (emphasis omitted)). Yet, the difficulty with Appellants’ argument is that these limitations are part of the abstract idea itself, i.e., transferring interests in entries in an activity between users in an exchange system; they are not additional elements to be considered when determining whether the claims include additional elements or a combination elements that is sufficient to amount to significantly more than the judicial exception.

It could not be clearer from *Alice*, that under step two of the *Mayo/Alice* framework, the elements of each claim are considered both individually and “as an ordered combination” to determine whether the additional elements, i.e., the elements *other* than the abstract idea itself, “transform the nature of the claim” into a patent-eligible application. *Alice Corp.*, 573 U.S. at 217; *see Mayo*, 566 U.S. at 72–73 (requiring that “a process that focuses upon the use of a natural law also contain *other* elements or a combination of elements, sometimes referred to as an ‘inventive concept,’ sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the natural law itself” (emphasis added)). In other words, the inventive concept under step two of the *Mayo/Alice* test cannot be the abstract idea itself:

It is clear from *Mayo* that the “inventive concept” cannot be the abstract idea itself, and *Berkheimer* . . . leave[s] untouched the numerous cases from this court which have held claims ineligible because the only alleged “inventive concept” is the abstract idea. *Berkheimer v. HP, Inc.*, 890 F.3d 1369, 1374 (Fed. Cir. 2018) (Moore, J., concurring); *see also BSG Tech. LLC v. BuySeasons, Inc.*, 899 F.3d 1281, 1290 (Fed. Cir. 2018) (“It has been clear since *Alice* that a claimed invention’s use of the ineligible concept to which it is directed cannot supply

the inventive concept that renders the invention ‘significantly more’ than that ineligible concept.”).

The Examiner determined here, and we agree, that the only claim elements beyond the abstract idea are the claimed “at least one processor in electronic communication with at least one memory,” i.e., generic computer components used to perform generic computer functions (*see* Ans. 3–4) — a determination amply supported by, and fully consistent with the Specification (*see, e.g.*, Spec. 17–18).⁹

Appellants cannot reasonably contend, nor do they, that there is a genuine issue of material fact regarding whether operation of the claimed computer processor is well-understood, routine, or conventional, where, as here, there is nothing in the Specification to indicate that the operations recited in the claims require any specialized hardware or inventive computer components or that the claimed invention is implemented using other than generic computer components to perform generic computer functions, e.g., receiving, matching, and transmitting information. Indeed, the Federal Circuit, in accordance with *Alice*, has “repeatedly recognized the absence of a genuine dispute as to eligibility” where claims have been defended as

⁹ The Office’s April 19, 2018 Memorandum to the Examining Corps from Deputy Commissioner for Patent Examination Policy, Robert W. Bahr, entitled, Changes in Examination Procedure Pertaining to Subject Matter Eligibility, Recent Subject Matter Eligibility Decision (*Berkheimer v. HP, Inc.*),” available at <https://www.uspto.gov/sites/default/files/documents/memo-berkheimer-20180419.pdf>, expressly directs that an examiner may support the position that an additional element (or combination of elements) is not well-understood, routine or conventional with “[a] citation to an express statement in the specification . . . that demonstrates the well-understood, routine, conventional nature of the additional element(s)” (*id.* at 3).

involving an inventive concept based “merely on the idea of using existing computers or the Internet to carry out conventional processes, with no alteration of computer functionality.” *Berkheimer*, 890 F.3d at 1373 (Moore, J., concurring) (citations omitted); *see also BSG Tech.*, 899 F.3d at 1291 (“BSG Tech does not argue that other, non-abstract features of the claimed inventions, alone or in combination, are not well-understood, routine and conventional database structures and activities. Accordingly, the district court did not err in determining that the asserted claims lack an inventive concept.”).

We are not persuaded, on the present record, that the Examiner erred in rejecting claims 1, 3, 4, 6, 7, 10, 12, 14–17, 25–28, 30, 31, 35–37, 39–42, 45, 55–59, 61, and 62 under 35 U.S.C. § 101. Therefore, we sustain the Examiner’s rejection.

Obviousness

Independent Claims 1, 61, and 62

Appellants argue that the Examiner erred in rejecting independent claims 1, 61, and 62 under 35 U.S.C. § 103(a) at least because Stronach, on which the Examiner relies, does not disclose or suggest

receiving . . . from a first user comprising a buyer, at least one buy request associated with at least one entry [in at least one first activity] of the first set of [distributed] entries, the at least one entry comprising a first entry that identifies at least one participant to be a winning participant,

or “receiving. . . from a second user comprising a seller, at least one sell request associated with the at least one entry of the first set of entries,” as recited in claim 1, and similarly recited in claims 61 and 62 (App. Br. 16–20).

Stronach is directed to a wagering system comprising a race providing system that facilitates wagering on race events (Stronach, Abstract), and discloses, with reference to Figure 3, an embodiment including at least one wagering terminal 120 for presenting information regarding race events received from the race providing system, a user interface 305 for placing wagers on race events, a card read/write device 310 for receiving an electronic or magnetic-strip code encoded with a user's account information, and a ticket dispensing device for providing a ticket comprising wager information for an elected race event (*id.* ¶¶ 31–33).

The Examiner cites paragraphs 29–33 of Stronach as disclosing the first of the argued limitations (*see* Final Act. 7, 31). And the Examiner explains that a “buy request,” as called for in claims 1, 61, and 62, is interpreted as corresponding to a “wager,” as disclosed in Stronach (*id.* at 31).

The Examiner also relies on Stronach as disclosing “receiving . . . from a second user comprising a seller, at least one sell request associated with the at least one entry of the first set of entries,” as recited in claims 1, 61, and 62, citing Stronach at paragraphs 21, 36, and 38 (Final Act. 7). There, Stronach further details the race providing system and wagering terminal, with reference to Figures 2 and 3, respectively, and discloses that in one embodiment, the ticket dispensing device, in addition to issuing wager tickets to provide tangible evidence of a placed wager, also provides a means to obtain a payout of the winning wager.

Appellants argue, and we agree, that betting or requesting to make a bet is not the same as a “buy request associated with at least one entry of the first set of [distributed] entries [in at least one first activity]” at least because

betting on a race does not disclose or suggest a request to buy a *previously-distributed entry* in an activity, i.e., the particular race (App. Br. 18). Moreover, even if a wager were properly construed to disclose a “buy request,” as called in the claims, we find nothing in the cited portions of Stronach that discloses or suggests a “sell request” associated with the *same entry* (i.e., the claimed “first entry”) associated with the “buy request,” as the Examiner has interpreted that term.

In view of the foregoing, we do not sustain the Examiner’s rejection of independent claims 1, 61, and 62 under 35 U.S.C. § 103(a).

Dependent Claims 3, 4, 6, 7, 10, 12, 14–17, 25–28, 30, 31, 35–37, 39–42, 45, and 55–59

The rejections of dependent claims 3, 4, 6, 7, 10, 12, 14–17, 25–28, 30, 31, 35–37, 39–42, 45, and 55–59 do not cure the deficiency in the Examiner’s rejection of independent claim 1, from which they depend. Therefore, we do not sustain the Examiner’s rejections of these dependent claims for the same reasons set forth above with respect to claim 1.

DECISION

The Examiner’s rejection of claims 1, 3, 4, 6, 7, 10, 12, 14–17, 25–28, 30, 31, 35–37, 39–42, 45, 55–59, 61, and 62 under 35 U.S.C. § 101 is affirmed.

The Examiner’s rejections of claims 1, 3, 4, 6, 7, 10, 12, 14–17, 25–28, 30, 31, 35–37, 39–42, 45, 55–59, 61, and 62 under 35 U.S.C. § 103(a) are reversed.

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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