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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte JAMES R. DRISCOLL¹

Appeal 2017-004495
Application 13/613,446
Technology Center 3600

Before CAROLYN D. THOMAS, JOSEPH P. LENTIVECH, and
MICHAEL J. ENGLE, *Administrative Patent Judges*.

THOMAS, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellant seeks our review under 35 U.S.C. § 134(a) of the Examiner’s Final Rejection of claims 1–30, all the pending claims in the present application. *See* Claims Appendix. We have jurisdiction over the appeal under 35 U.S.C. § 6(b).

We AFFIRM.

The present invention relates generally to “trading financial instruments through multiple trading intermediaries” (Spec. Abstract).

¹ Appellant names CFPH, L.P. as the real party in interest (App. Br. 3).

Claim 1 is illustrative:

1. A method comprising:
 - computing, by a computing device, a first distribution of first sub-parts for a participant's first desire to engage in an exchange of an instrument, in which the first distribution assigns each of the first sub-parts to a respective matching venue of a plurality of matching venues;
 - in response to computing the first distribution, attempting, by the computing device, to fulfill the participant's first desire through the plurality of matching venues according to the first distribution of first sub-parts;
 - receiving, by the computing device, an indication identifying a change to a desired quantity of the same exchange of the instrument pending at at [sic] least one matching venue of the plurality of matching venues;
 - in response to receiving the indication, computing, by the computing device, a second distribution of second sub-parts for the first desire the plurality of matching venues based at least in part on the change; and
 - in response to computing the second distribution, attempting, by the computing device, to fulfill the first desire through the plurality of matching venues according to the second distribution of second sub-parts.

Appellant appeals the following rejection:

Claims 1–30 are rejected under 35 U.S.C. § 101 because the claimed invention is directed to non-statutory subject matter.

We review the appealed rejections for error based upon the issues identified by Appellant, and in light of the arguments and evidence produced thereon. *Ex parte Frye*, 94 USPQ2d 1072, 1075 (BPAI 2010) (precedential).

ANALYSIS

Rejection under § 101

Issue: Did the Examiner err in finding that the claims are directed to non-statutory subject matter?

With respect to independent method claim 1, and similarly, apparatus claims 28–30, the Examiner finds these claims are directed to an abstract idea of “exchanging financial instruments whereby quantities of the financial instrument being traded is matched against quantities desired by other participants” which is “a fundamental economic practice” (Final Act. 5). The Examiner adds that the claims “amount(s) to no more than mere instructions to implement the idea on a generic computer” (*id.* at 6), and “no improvement to the computing device itself is accomplished” (*id.*). We agree with the Examiner for at least the reasons *infra*.

A patent may be obtained for “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” 35 U.S.C. § 101. The Supreme Court has held that this provision contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014); *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972) (“Phenomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work.”). Notwithstanding that a law of nature or an abstract idea, by itself, is not patentable, the application of these concepts may be deserving of patent protection. *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293–94 (2012). In *Mayo*, the Court stated that “to transform an unpatentable law of

nature into a patent eligible *application* of such a law, one must do more than simply state the law of nature while adding the words ‘apply it.’” *Id.* at 1294 (citation omitted).

In *Alice*, the Court reaffirmed the framework set forth previously in *Mayo* “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If the claims are directed to a patent-ineligible concept, then the second step in the analysis is to consider the elements of the claims “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*, 132 S. Ct. at 1298, 1297).

In other words, the second step is to “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.’” *Id.* (brackets in original) (quoting *Mayo*, 132 S. Ct. at 1294). The prohibition against patenting an abstract idea “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment or adding insignificant post-solution activity.” *Bilski v. Kappos*, 561 U.S. 593, 610–11 (2010) (citation and internal quotation marks omitted). The Court in *Alice* noted that “[s]imply appending conventional steps, specified at a high level of generality,’ was not ‘enough’ [in *Mayo*] to supply an ‘inventive concept.’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1300, 1297, 1294).

Step one: Are the claims at issue directed to a patent-ineligible concept?

Appellant contends that “the Examiner fails to make a prima facie showing . . . [because] the Examiner provides no evidence at all” (App. Br. 7) and the “Examiner certainly makes no statement and presents no evidence regarding the long prevalence of this alleged abstract idea” (*id.* at 8).

Appellant further contends “[t]he fact the Examiner was unable to raise any prior art to support a 102 or 103 rejection is evidence that the idea is not either fundamental or long prevalent” (*id.*).

We disagree with Appellant’s contentions. Instead, we find that the Examiner has provided a sufficient response supported by a preponderance of evidence (Final Act. 5–7; Ans. 2–6). As such, we refer to, rely on, and adopt the Examiner’s findings and conclusions set forth in the Answer. Our discussions here will be limited to the following points of emphasis.

The Federal Circuit has repeatedly noted that “the prima facie case is merely a procedural device that enables an appropriate shift of the burden of production.” *Hyatt v. Dudas*, 492 F.3d 1365, 1369 (Fed. Cir. 2007) (citing *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992)). The court has, thus, held that the USPTO carries its procedural burden of establishing a prima facie case when its rejection satisfies the requirements of 35 U.S.C. § 132 by notifying the applicant of the reasons for rejection, “together with such information and references as may be useful in judging of the propriety of continuing the prosecution of [the] application.” *See In re Jung*, 637 F.3d 1356, 1362 (Fed. Cir. 2011). Thus, all that is required of the Office is that it set forth the statutory basis of the rejection in a sufficiently articulate and informative manner as to meet the notice requirement of § 132. *Id.*

Here, in rejecting claims 1–30 under 35 U.S.C. § 101, the Examiner analyzed the claims using the *Mayo/Alice* two-step framework, consistent with the guidance set forth in the USPTO’s “2014 Interim Guidance on Patent Subject Matter Eligibility,” 79 Fed. Reg. 74618 (Dec. 16, 2014), in effect at the time the rejection was made, i.e., on July 1, 2015. Thus, the Examiner notified Appellant of the reasons for the rejection “together with such information and references as may be useful in judging of the propriety of continuing the prosecution of [the] application.” 35 U.S.C. § 132. Therefore, contrary to Appellant’s assertions, in doing so, the Examiner set forth a prima facie case of unpatentability such that the burden shifted to Appellant to demonstrate that the claims are patent-eligible.

Regarding Appellant’s contention that the Examiner “presents no evidence regarding the long prevalence of this alleged abstract idea” (App. Br. 8), we are not aware of any controlling precedent that imposes such a requirement on the Examiner and Appellant has not sufficiently identified any such precedent in *Alice*. Thus, we agree with the Examiner that *Alice* “does not stand for a proposition that abstract ideas be old or long prevalent” (Ans. 4).

Regarding Appellant’s contention that “the Examiner was unable to raise any prior art to support a 102 or 103 rejection is evidence that the idea is not either fundamental or long prevalent” (App. Br. 8), the Examiner finds, and we agree, that “[n]ovelty and non-obviousness have no bearing on whether a claim recites an abstract idea” (Ans. 2). *See Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1315 (Fed. Cir. 2016). Indeed, “[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 § 101 categories of possibly patentable subject matter.”
Diamond v. Diehr, 450 U.S. 175, 188–89 (1981) (emphasis added); *see also Mayo*, 132 S. Ct. at 1303–04 (rejecting “the Government’s invitation to substitute §§ 102, 103, and 112 inquiries for the better established inquiry under § 101”).

Claim 1 recites five steps: (a) computing a first distribution; (b) attempting to fulfill the participant’s first desire; (c) receiving an indication identifying a change; (d) computing a second distribution; and (e) attempting to fulfill the first desire according to second distribution. Each of these steps involve information regarding financial instruments and a method for trading the same.

In examining the aforementioned steps, the Examiner highlights various court decisions (*see* Final Act. 7, *citing Bilski, Mayo, Alice*). *See Alice*, 134 S. Ct. at 2356 (“On their face, the claims before us are drawn to the concept of intermediated settlement, *i.e.*, the use of a third party to mitigate settlement risk.”); *Bilski*, 561 U.S. at 611 (“Claims 1 and 4 in petitioners’ application explain the basic concept of hedging, or protecting against risk.”); *Diamond*, 450 U.S. at 184 (“Analyzing respondents’ claims according to the above statements from our cases, we think that a physical and chemical process for molding precision synthetic rubber products falls within the § 101 categories of possibly patentable subject matter.”); *Parker v. Flook*, 437 U.S. 584, 594–595 (1978) (“Respondent’s application simply provides a new and presumably better method for calculating alarm limit values.”); *Gottschalk*, 409 U.S. at 64 (“They claimed a method for converting binary-coded decimal (BCD) numerals into pure binary numerals.”).

Because the claims are directed to exchanging financial instruments matching quantities by different participants, an abstract idea, the claims at issue are directed to patent-ineligible subject matter.

Step two: Is there something else in the claims that ensures that they are directed to significantly more than a patent-ineligible concept?

To establish a *prima facie* case, the Examiner must next identify all of the additional elements in each claim and explain why these elements, individually or collectively, do not add significantly more than the abstract idea. Here, the Examiner find that the claims “amount(s) to no more than mere instructions to implement the idea on a generic computer” (Final Act. 6), and “no improvement to the computing device itself is accomplished” (*id.*). Again, we agree with the Examiner.

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (brackets in original) (quoting *Mayo*, 132 S. Ct. at 1297). The prohibition against patenting an abstract idea “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment or adding insignificant post-solution activity.” *Bilski*, 561 U.S. at 610–11 (citation and internal quotation marks omitted). The recitations in claim 1 pertaining to “a computing device” are analogous to the recitation of a conventional “computer” discussed in *Alice*.

Additionally, as recognized by the Federal Circuit in *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014), *Bilski*’s “machine-or-transformation” (MoT) test can also provide a “‘useful clue’” in the second

step of the *Alice* framework. *See Bilski*, 561 U.S. at 611. Under *Bilski*'s MoT test, a claimed process can be considered patent-eligible under § 101 if: (1) “it is tied to a particular machine or apparatus”; or (2) “it transforms a particular article into a different state or thing.” *In re Bilski*, 545 F.3d 943, 954 (Fed. Cir. 2008) (citing *Gottschalk*, 409 U.S. at 70), *aff'd*, 561 U.S. 593.

Appellant contends that “[t]he Examiner has provided no evidence that these limitations are not substantially more . . . [and] does not even mention a single limitation of a single dependent claim” (App. Br. 9). Appellant further contends that the claimed “matching venues are specific particular machines and not generic computers performing generic computer functions” (*id.*).

Although the ultimate determination of eligibility is a question of law, our reviewing court recently held “[t]he patent eligibility inquiry may contain underlying issues of fact.” *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1365 (Fed. Cir. 2018) (citing *Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1325 (Fed. Cir. 2016) (“The § 101 inquiry ‘may contain underlying factual issues’”). Here, we find unavailing Appellant’s contention *supra* that the Examiner provided no evidence given the Examiner’s Response to Arguments in both the Final Action and in the Answer (*see* Final Act. 2–7 and Ans. 2–6) in which factual findings were presented, including addressing the dependent claims.

Further, we point out that Appellant’s Specification merely indicates that “a general purpose computer” can be used to implement the claimed method (*see* Spec., ¶¶ 76–77). Appellant fails to identify where the Specification discloses that the “matching venues are specific particular machines.”

As recognized by the Supreme Court, “the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.” *Alice*, 134 S. Ct. at 2359 (concluding claims “simply instruct[ing] the practitioner to implement the abstract idea of intermediated settlement on a generic computer” not patent eligible); *see also Ultramercial*, 772 F.3d at 715–16 (claims merely reciting abstract idea of using advertising as currency as applied to particular technological environment of the Internet not patent eligible); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344–45 (Fed. Cir. 2013) (claims reciting “generalized software components arranged to implement an abstract concept [of generating insurance-policy-related tasks based on rules to be completed upon the occurrence of an event] on a computer” not patent eligible); *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1333–34 (Fed. Cir. 2012) (“[s]imply adding a ‘computer aided’ limitation to a claim covering an abstract concept, without more, is insufficient to render [a] claim patent eligible” (internal citation omitted)). Thus, we agree with the Examiner that the claims using “by the computing device” “do not qualify as significant more” (Ans. 5).

Appellant also contend that “similar to the claims in *DDR Holdings*, these claims solve a problem rooted in computer technology . . . [because] [t]he claims enable matching for a single desire to occur efficiently across such multiple venues . . . allow[ing] more quick time to match” (*id.* at 10).

In *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1259 (Fed. Cir. 2014), the subject claim was held patent-eligible because it encompassed “an inventive concept” for resolving a “particular Internet-centric problem.” In contrast, we find Appellant’s method performed by a

computing device (claim 1) does not provide a solution “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” *DDR*, 773 F.3d at 1257. Because we find all claims on appeal merely use a generic computer or processor as a tool which is used in the way a computer normally functions, we conclude the claims fail to impart any discernible improvement upon the computer or processor, nor do Appellant’s claims solve “a challenge particular to the Internet” as considered by the court in *DDR*, 773 F.3d at 1256–57. Thus, we conclude none of Appellant’s claims are like the claim held patent-eligible by the court in *DDR*, in which the claimed invention was directed to the “challenge of retaining control over the attention of the customer in the context of the Internet,” such that:

Instead of the computer network operating in its normal, expected manner by sending the website visitor to the third-party website that appears to be connected with the clicked advertisement, the claimed system generates and directs the visitor to the above-described hybrid web page that presents product information from the third-party and visual “look and feel” elements from the host website.

DDR, 773 F.3d at 1258–59. Thus, we find unavailing Appellant’s arguments that the claims are “similar to the claims in *DDR Holdings*” (App. Br. 10), given that no convincing “inventive concept” for resolving a “particular Internet-centric problem” is identified by Appellant. Thus, we agree with the Examiner that Appellant fails to illustrate “any relevance of *DDR* to the appealed case” (Ans. 3, 6).

Also, Appellant is reminded that “relying on a computer to perform routine tasks more quickly or more accurately is insufficient to render a claim patent eligible.” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015) (citing *Alice*, 134 S. Ct. at 2359 (“use of a computer to

create electronic records, track multiple transactions, and issue simultaneous instructions” is not an inventive concept)).

Appellant contends that “the claims do not attempt to preempt every application of []exchanging financial instruments” (App. Br. 10). Although pre-emption “might tend to impede innovation more than it would tend to promote it, ‘thereby thwarting the primary object of the patent laws’” (*Alice*, 134 S. Ct. at 2354 (citing *Mayo*, 132 S. Ct. at 1293)), “the absence of complete preemption does not demonstrate patent eligibility” (*Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015)). Moreover, because we find the claimed subject matter covers patent-ineligible subject matter, the pre-emption concern is necessarily addressed. “Where a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, [] preemption concerns are fully addressed and made moot.” *Ariosa Diagnostics*, 788 F.3d at 1379.

Because Appellant’s independent claims 1 and 28–30 are directed to a patent-ineligible abstract concept and do not recite something “significantly more” under the second prong of the *Alice* analysis, we sustain the Examiner’s rejection of these claims as well as the respective dependent claims under 35 U.S.C. § 101 as being directed to non-statutory subject matter in light of *Alice* and its progeny.

For the foregoing reasons, Appellant’s contentions are unpersuasive as to error in the rejection under 35 U.S.C. § 101.

DECISION

We affirm the Examiner’s § 101 rejection.

Appeal 2017-004495
Application 13/613,446

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