UNITED STATES PATENT AND TRADEMARK OFFICE

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UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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Ex parte RICHARD B. HIMMELSTOIN

_____

Appeal 2017-006882
Application 11/455,556[1]
Technology Center 3600

_____

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

FISCHETTI, *Administrative Patent Judge.*

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellant seeks our review under 35 U.S.C. § 134 of the Examiner's
final rejection of claims 2–15 and 21–26, which are the only claims pending
in the application. We have jurisdiction under 35 U.S.C. § 6(b).

SUMMARY OF DECISION

We AFFIRM.

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THE INVENTION

The title of Appellant's application is an electronic real estate bartering system (Spec. 1).

Claim 2, reproduced below, is illustrative of the subject matter on appeal.

> 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, selected by a user;
>   determine a value of the first real estate item as an amount of the system's own currency;
>   exchange by the computerized system the first real estate item for the amount of the system's own currency;
>   select on the computerized system criteria identified by the user;
>   display on the computerized system a list of at least one matching real estate item based on the criteria;
>   select on the computerized system a second real estate item identified by the user from the list of the at least one matching real estate item; and
>   process by the computerized system an exchange of the second real estate item for the amount of the system's own currency, whereby a deferred exchange of the first real estate item for the second real estate item is completed.

THE REJECTIONS

The Examiner relies upon the following as evidence of unpatentability:

| Tornetta | US 4,870,576 | Sept. 26, 1989 |
| Deming | US 5,500,793 | Mar. 19, 1996 |

Graff	US 6,192,347 B1	Feb. 20, 2001
Forward	US 6,578,011 B1	June 10, 2003
Mini	US 6,684,196 B1	Jan. 27, 2004
Moore	US 6,847,938 B1	Jan. 25, 2005
Lundberg	US 7,340,432 B1	Mar. 4, 2008
Churchill	US 7,461,022 B1	Dec. 2, 2008

The following rejections are before us for review:

Claims 2–15 and 21–26 are rejected under 35 U.S.C. § 101 as being directed to a judicial exception without significantly more.

Claims 3–15 and 21–26 are rejected under 35 U.S.C. § 112(b) or 35 U.S.C. § 112 (pre-AIA), second paragraph, as being indefinite.

Claims 2, 3, 8, 10, 21, and 24–26 are rejected under pre-AIA 35 U.S.C. § 103(a) as being unpatentable over Deming in view of Lundberg.

Claim 4 is rejected under pre-AIA 35 U.S.C. § 103(a) as being unpatentable over Deming in view of Lundberg and further in view of Graff.

Claims 5 and 9 are rejected under pre-AIA 35 U.S.C. § 103(a) as being unpatentable over Deming in view of Lundberg and further in view of Churchill.

Claims 6 and 22 are rejected under pre-AIA 35 U.S.C. § 103(a) as being unpatentable over Deming in view of Lundberg and further in view of Mini.

Claim 7 is rejected under pre-AIA 35 U.S.C. § 103(a) as being unpatentable over Deming in view of Lundberg and further in view of Moore.

Claims 11, 12, 14, and 23 are rejected under pre-AIA 35 U.S.C. § 103(a) as being unpatentable over Deming in view of Lundberg and further in view of Forward.

Claim 13 is rejected under pre-AIA 35 U.S.C. § 103(a) as being unpatentable over Deming in view of Lundberg and Forward, and further in view of Graff.

Claim 15 is rejected under pre-AIA 35 U.S.C. § 103(a) as being unpatentable over Deming in view of Lundberg and further in view of Tornetta.

FINDINGS OF FACT

We adopt the Examiner's findings as set forth on pages 2–7 of the Final Office Action (mailed Jan. 8, 2016) and pages 2–4 of the Answer (mailed Jan. 23, 2017) concerning only the rejection under 35 U.S.C. § 101.

ANALYSIS

35 U.S.C. § 101 REJECTION[2]

We will affirm the rejection of claims 2–15 and 21–26 under 35 U.S.C. § 101. Appellant argued all the claims as a group. (Br. 7). We select claim 2 as the representative claim for this group, and, thus, the remaining claims stand or fall with claim 2. *See* 37 C.F.R. § 41.37(c)(1)(iv).

An invention is patent-eligible if it claims a "new and useful process, machine, manufacture, or composition of matter." 35 U.S.C. § 101. However, the Supreme Court has long interpreted 35 U.S.C. § 101 to include implicit exceptions: "[l]aws of nature, natural phenomena, and abstract ideas" are not patentable. *E.g.*, *Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208, 216 (2014).

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[2] In a prior decision on Appeal 2012-012370 mailed April 24, 2015, the Board issued a New Ground of Rejection of claims 2–15 and 21–26 under 35 U.S.C. § 101.

In determining whether a claim falls within an excluded category, we are guided by the Supreme Court's two-step framework, described in *Mayo* and *Alice*. *Id.* at 217–18 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 75–77 (2012)). In accordance with that framework, we first determine what concept the claim is "directed to." *See id.* at 219 ("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."); *see also Bilski v. Kappos*, 561 U.S. 593, 611 (2010) ("Claims 1 and 4 in petitioners' application explain the basic concept of hedging, or protecting against risk . . . .").

Concepts determined to be abstract ideas, and thus patent ineligible, include certain methods of organizing human activity, such as fundamental economic practices (*Alice*, 573 U.S. at 219–20; *Bilski*, 561 U.S. at 611); mathematical formulas (*Parker v. Flook*, 437 U.S. 584, 594–95 (1978)); and mental processes (*Gottschalk v. Benson*, 409 U.S. 63, 69 (1972)). Concepts determined to be patent eligible include physical and chemical processes, such as "molding rubber products" (*Diamond v. Diehr*, 450 U.S. 175, 192 (1981)); "tanning, dyeing, making waterproof cloth, vulcanizing India rubber, smelting ores" (*id.* at 182 n.7 (quoting *Corning v. Burden*, 56 U.S. 252, 267–68 (1853))); and manufacturing flour (*Benson*, 409 U.S. at 69 (citing *Cochrane v. Deener*, 94 U.S. 780, 785 (1876))).

In *Diehr*, the claim at issue recited a mathematical formula, but the Supreme Court held that "[a] claim drawn to subject matter otherwise statutory does not become nonstatutory simply because it uses a mathematical formula." *Diehr*, 450 U.S. at 187; *see also id.* at 191 ("We view respondents' claims as nothing more than a process for molding rubber

products and not as an attempt to patent a mathematical formula."). Having said that, the Supreme Court also indicated that a claim "seeking patent protection for that formula in the abstract . . . is not accorded the protection of our patent laws, and this principle cannot be circumvented by attempting to limit the use of the formula to a particular technological environment." *Id.* (internal citation omitted) (citing *Benson* and *Flook*); *see, e.g., id.* at 187 ("It is now commonplace that an *application* of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection.").

If the claim is "directed to" an abstract idea, we turn to the second step of the *Alice* and *Mayo* framework, where "we must 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." *Alice*, 573 U.S. at 221 (citation omitted). "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].'" *Id.* (alterations in original) (quoting *Mayo*, 566 U.S. at 77). "[M]erely requir[ing] generic computer implementation[] fail[s] to transform that abstract idea into a patent-eligible invention." *Id.*

The PTO recently published revised guidance on the application of § 101. *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50 (Jan. 7, 2019) ("*2019 Memorandum*"). Under that guidance, we first look to whether the claim recites:

> (1) any judicial exceptions, including certain groupings of
> abstract ideas (i.e., mathematical concepts, certain methods of

organizing human interactions such as a fundamental economic practice, or mental processes); and

> (2) additional elements that integrate the judicial exception into a practical application, i.e., that "apply, rely on, or use the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception." *2019 Memorandum*, 84 Fed. Reg. at 54; *see also* MPEP § 2106.05(a)–(c), (e)–(h).

Only if a claim (1) recites a judicial exception and (2) does not integrate that exception into a practical application, do we then look to whether the claim:

> (3) adds a specific limitation beyond the judicial exception that is not "well-understood, routine, conventional" in the field (*see* MPEP § 2106.05(d)); or

> (4) simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception.

See generally 2019 Memorandum.

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. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015)). 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.

In so doing, as indicated above, we apply a "directed to" two-prong test: 1) evaluate whether the claim recites a judicial exception, and 2) if the claim recites a judicial exception, evaluate whether the claim "appl[ies], rel[ies] on, or use[s] the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception." *See 2019 Memorandum*, 84 Fed. Reg. at 54.

The Examiner determined that the claims "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." Final Act. 10. The Examiner provides evidence that, "[a]s described in the specification, the system effectuates a tax-deferred exchange of barter items, such as real estate" and "[d]eferred exchanges are a strategy that is designed to permit a property owner to trade one property for another without incurring federal income tax liability." *Id.* (citing Spec. 3).

We agree that the claims are directed to a transaction in which value exchanged, is system specific currency, which we determine is a fundamental economic principle. The patent-ineligible end of the spectrum includes fundamental economic practices. *Alice*, 573 U.S. at 220.

Turning to the second prong of the "directed to" test, claim 2 only generically requires "a computerized system," "a processor," and "a memory." We fail to see how the generic recitations of these most basic of computer components so integrate the judicial exception as to "impose[] a meaningful limit on the judicial exception, such that the claim is more than a

drafting effort designed to monopolize the judicial exception." *2019 Memorandum*, 84 Fed. Reg. at 54.

Thus, we determine that the claims recite the judicial exception of a fundamental economic principle.

That the claims do not preempt all forms of the abstraction or may be limited to real estate transactions, does not make them any less abstract. *See OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362–63 (Fed. Cir. 2015) ("[T]hat the claims do not preempt all price optimization or may be limited to price optimization in the e-commerce setting do not make them any less abstract.").

Turning to the second step of the *Alice* framework, because we determined that the claims are directed to abstract ideas/judicial exceptions, the claims must include an "inventive concept" in order to be patent-eligible, i.e., there must be an element or combination of elements sufficient to ensure that the claim in practice amounts to significantly more than the abstract idea itself. *See Alice*, 573 U.S. at 217–18 (quoting *Mayo*, 566 U.S. at 72–73).

Concerning this step, the Examiner found:

> The claims do not include additional elements that are sufficient to amount to significantly more than the judicial exception because while the claims require a processor and a memory, the steps recited in the claim only involve generic computer functions, such as receiving inputs and selections, performing calculations, and updating records in a database. 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.

Final Act. 11.

We agree with the Examiner. "[T]he relevant question is whether the claims here do more than simply instruct the practitioner to implement the

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abstract idea . . . on a generic computer." *Alice*, 573 U.S. at 225. They do not.

Taking the claim elements separately, the function performed by the computer at each step of the process is purely conventional. Using a computer to identify, determine, retrieve, select, display, and apply decision criteria to data and store a result amounts to electronic data query and retrieval—one of the most basic functions of a computer. All of these computer functions are well-understood, routine, conventional activities previously known to the industry. *See Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1354 (Fed. Cir. 2016); *see also In re Katz Interactive Call Processing Patent Litig.*, 639 F.3d 1303, 1316 (Fed. Cir. 2011) ("Absent a possible narrower construction of the terms 'processing,' 'receiving,' and 'storing,' . . . those functions can be achieved by any general purpose computer without special programming."). In short, each step does no more than require a generic computer to perform generic computer functions.

Considered as an ordered combination, the computer components of Appellant's claims add nothing that is not already present when the steps are considered separately. The sequence of data reception-analysis and displaying is equally generic and conventional or otherwise held to be abstract. *See Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 715 (Fed. Cir. 2014) (sequence of receiving, selecting, offering for exchange, display, allowing access, and receiving payment recited an abstraction); *Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372, 1378 (Fed. Cir. 2017) (holding that sequence of data retrieval, analysis, modification, generation, display, and transmission was abstract); *Two-Way Media Ltd. v.*

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Comcast Cable Commc'ns, LLC, 874 F.3d 1329, 1339 (Fed. Cir. 2017) (holding sequence of processing, routing, controlling, and monitoring was abstract). The ordering of the steps is, therefore, ordinary and conventional.

Thus, the claims at issue amount to nothing significantly more than instructions to apply the abstract idea of a transaction using some unspecified, generic computer. Under our precedents, that is not enough to transform an abstract idea into a patent-eligible invention. *See Alice*, 573 U.S. at 226.

We have reviewed Appellant's arguments (Br. 7–10) concerning the patent eligibility under 35 U.S.C. § 101. Our analysis above substantially covers the substance of Appellant's argument. But, for purposes of completeness, we will address argument in order to make an individual rebuttal of same.

Appellant argues:

> Independent claims 2 and 3, and all remaining claims 4-15 and 21-26 through dependency, include a specific limitation that any exchanges accomplished using the claimed invention must be processed based on the "system's own currency." This limitation narrows the broadest reasonable interpretation of the claims to exclude virtually all previously known tax-deferred exchanges.

Br. 8–9.

We disagree with Appellant because "a claim for a *new* abstract idea is still an abstract idea." *Synopsys, Inc. v. Mentor Graphics Corp.*, 839 F.3d 1138, 1151 (Fed. Cir. 2016) (citing *Mayo*, 566 U.S. at 90). The limitation of processing a transaction by the "system's own currency" is an abstract idea as it pertains to currency, which is a fundament economic principle.

35 U.S.C. § 112 REJECTION

We will not sustain the rejection of claims 3–15 and 21–26 under 35 U.S.C. § 112 (pre-AIA), second paragraph.

Concerning claim 3, the Examiner states: "Claim 3 then recites 'receive an identification . . . by a user.' This limitation recites a function that is performed by a user. It is unclear [to] one of ordinary skill how the stored instructions can direct a processor to perform a function by a user." Final Act. 13; Ans. 5.

We disagree with the Examiner's interpretation of the claim language. The limitation is not an action performed by a user, but rather, an action of the processor to "receive" an ID.

Regarding claim 25, the Examiner finds there is insufficient antecedent basis for "the closest matching real estate item." The Specification provides that "the system 100 may continually update the closest matches, thereby permitting an individual to either ignore, choose one, or choose multiple ones. If the individual chooses a match or several matches, with excess remaining funds, these excess funds are held in escrow." Specification 33:1–4. So, "the closest matches" refer to one or more matches.

The Examiner identifies as problematic, the term "the age" in claim 5. But, "the age" of the system's own currency recitation, which refers to the length of time an IOU is held (Spec. 7), is inherent in claim 5 because all things hold time in existence, or age.

35 U.S.C. § 103(a) REJECTION

All claims are rejected under 35 U.S.C. § 103(a) based at least on
Lundberg US 7,340,432, which issued on March 4, 2008, and has a U.S
filing date of December 16, 1999.

The present application, 11/455,556, has a U.S. filing date of June 19,
2006, and in the Oath, claims the benefit of U.S. Application 09/454,035,
filed on December 3, 1999, which issued as U.S. Patent 7,080,050.

The Examiner asserts that because the Specification does not
reference the parent application, Appellant is not entitled to the filing date of
the parent application. Ans. 22–23. We agree.

On review of the record, we find that the Oath of the present
application does reference and claim priority based on application
09/454,035. The present application is still pending. Therefore, the
omission is not fatal because the Specification could be amended[3] to include
a reference to parent application 09/454,035, which was properly referenced
in the Oath filed as part of the application before us here on appeal.

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[3]*See* 35 U.S.C. § 120 ("An application for patent for an invention disclosed
in the manner provided by section 112(a) (other than the requirement to
disclose the best mode) in an application previously filed in the United
States, or as provided by section 363 or 385 which names an inventor or
joint inventor in the previously filed application shall have the same effect,
as to such invention, as though filed on the date of the prior application, if
filed before the patenting or abandonment of or termination of proceedings
on the first application or on an application similarly entitled to the benefit
of the filing date of the first application and if it contains *or is amended to
contain* a specific reference to the earlier filed application. No application
shall be entitled to the benefit of an earlier filed application under this
section unless *an amendment containing the specific reference to the earlier
filed application* is submitted at such time during the pendency of the
application as required by the Director.").

However, we take the application as it stands on appeal which means Appellants have not satisfied the requirements of MPEP §§ 211.01 I, II in order to obtain the earlier filing date. As far as relying on provisional application 60/154, 840, we note that that provisional application is also not referenced in the present application, nor in application 09/666,725, which is referenced in the present application. Provisional application 60/154,840 was filed on September 20, 1999. But, neither the present application Specification or that of its parent, 09/666,725, now U.S. 7,158,956, indicate the relationship between applications. Therefore, we agree with the Examiner that Appellants have not perfected their claim of priory based on these applications at least as required by MPEP §§ 211.02 I, II.

Independent claims 2 and 3, the only independent claims before us on appeal, recite in one form or another, "process by the computerized system an exchange of the second real estate item for the amount of the system's own currency, whereby a deferred exchange of the first real estate item for the second real estate item is completed."

Concerning Lundberg, Appellants argue that "[b]ased on the definition provided by Lundberg, trade credits are not 'a system's own currency.' The 'system's own currency' of the present invention is not issued by a trading company, and they are not redeemable in combination with cash for products between companies." (Appeal Br. 12).

The Examiner determines concerning the limitation, "system's own currency, whereby a deferred exchange of the first real estate item for the second real estate item is completed", that "wherein/whereby" clauses, according to the MPEP, a 'whereby clause in a method claim is not given

weight when it simply expresses the intended result of a process step positively recited.'" (Final Act. 16, Answer 8).

We disagree with the Examiner. We construe this "whereby clause" to be functional language in that it functions to complete the transaction, albeit inferentially. As functional language, we are required to give the involved functional language weight to the extent that the prior art is or is not capable of meeting the limitation. *In re Schreiber*, 128 F.3d 1473, 1477-78 (Fed. Cir. 1997). The Examiner has not shown how Lundberg is capable of performing the deferred exchange. Therefore, we find reversible error in the Examiner's rejection of independent claims 2 and 3 under 35 U.S.C. § 103(a).

Since claims 4–15 and 21–26 depend from claim 3, and since we cannot sustain the rejection of claim 3, the rejection of the dependent claims likewise cannot be sustained.

CONCLUSIONS OF LAW

We conclude the Examiner did not err in rejecting claims 2–15 and 21–26 under 35 U.S.C. § 101.

We conclude the Examiner did err in rejecting claims 3–15 and 21–26 under 35 U.S.C. § 112.

We conclude the Examiner did err in rejecting claims 2–15 and 21–26 under 35 U.S.C. § 103(a).

DECISION

The decision of the Examiner to reject claims 2–15 and 21–26 is affirmed.

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).

<u>AFFIRMED</u>