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EXAMINER

KHATTAR, RAJESH

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte SOHAIL ABDUL-RAHIM ABDULLA JAFFAR
AL ZARAWANI

Appeal 2017-006960
Application 12/817,654¹
Technology Center 3600

Before BRUCE T. WIEDER, TARA L. HUTCHINGS, and
AMEE A. SHAH, *Administrative Patent Judges*.

WIEDER, *Administrative Patent Judge*.

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. § 134 from the
Examiner's rejection of claims 14–16. We have jurisdiction under 35 U.S.C.
§ 6(b).

We AFFIRM.

¹ According to Appellant, the real party in interest is Sohail Abdul-Rahim
Abdulla Jaffar Al Zarawani. (Appeal Br. 4.)

CLAIMED SUBJECT MATTER

Appellant’s invention “generally relates to methods of financing and investment.” (Spec. 1, l. 14.) In particular, a “method is provided that infuses a pledged amount into an account of an issuer in a just-in-time manner.” (*Id.* at 5, ll. 10–11.)

Claims 14 is the sole independent claim on appeal. It recites:

14. A computer implemented method for organizing pledged amounts into tranches for use by a party in a just-in-time manner for financing a transaction, comprising the steps of:

(a) establishing in a host machine connected to a distributed computer network one or more pledge agreements each having terms including (i) the pledged amount of a prescribed asset associated with an account of a respective asset holder, and (ii) a benchmark description of a security asset to be acquired upon transfer of the pledged amount;

(b) confirming access to the asset-holder account over the computer network and, thereafter, repeatedly monitoring over the computer network any established asset holder accounts to ensure a current availability of the associated prescribed asset associated with the pledged amount to provide a just-in-time asset transfer and notifying the asset holder via a wireless communication if the prescribed asset amount is in default in order to give the asset holder an opportunity to cure the default;

(c) defining a tranche of pledge agreements based upon distinct risk-return profiles by matching a benchmark description of any pledge agreements within the host machine;

(d) assigning beneficial ownership of the tranche to a third-party; and

(e) in response to an instruction received from the party at the host machine:

(i) processing the terms of the pledge agreements of the tranche by using rules defined by the party, to rank the pledge agreements in accordance with at least one defined criterion;

(ii) identifying from among the processed pledge agreements one or more asset-holder accounts having the

current availability for infusing at least a portion of the pledged amount into an account of the party;

(iii) instructing the identified accounts to transfer at least a portion of the prescribed assets in the identified asset-holder accounts to the party account; and

(iv) for each account having at least the portion of the prescribed assets transferred, crediting the account holder with a security asset satisfying the benchmark description of the security asset.

REJECTION

Claims 14–16 are rejected under 35 U.S.C. § 101 as directed to a judicial exception without significantly more.

ANALYSIS

“Whoever 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 therefor, subject to the conditions and requirements of this title.” 35 U.S.C. § 101. Section 101, however, “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) (quoting *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 589 (2013)).

Alice applies a two-step framework, earlier set out 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*, 134 S. Ct. at 2355.

Under the two-step framework, it must first be determined if “the claims at issue are directed to a patent-ineligible concept.” *Id.* If the claims are determined to be directed to a patent-ineligible concept, e.g., an abstract idea, then the second step of the framework is applied to determine if “the elements of the claim . . . contain[] an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible application.” *Id.* at 2357 (citing *Mayo*, 566 U.S. at 72–73, 79).

With regard to step one of the *Alice* framework, the Examiner determines that claim 14 “is directed to the abstract idea of creating a contractual relationship. [Although t]he claim does not specifically state[] ‘creating a contract,’ the concept of ‘creating a contract,’ is described by the various steps.” (Non-Final Action 4.)

Appellant disagrees and argues that “[t]he claims at issue are not simply directed to any form of creating a contractual relationship. They disclose a specific and novel way to infuse pledged assets into an issuer account.” (Appeal Br. 13.) Appellant further argues that “the claims are directed to specific methods of infusing a pledged asset in a specific manner under specific conditions.” (*Id.*)

Under step one of the *Alice* framework, we “look at 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 of Texas, LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1257 (Fed. Cir. 2016) (quoting *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016)).

The Specification provides evidence as to what the claimed invention is directed. In this case, the Specification discloses that Appellant’s invention “generally relates to methods of financing and investment.”

(Spec. 1, l. 14.) Claim 14 provides further evidence. Claim 14 recites a “method for organizing pledged amounts into tranches,” comprising “establishing . . . pledge agreements each having terms including (i) the pledged amount of a prescribed asset . . . and (ii) a benchmark description of a security asset,” “confirming access to the asset-holder account . . . and . . . monitoring . . . any established asset holder accounts to ensure a current availability of the associated prescribed asset . . . and notifying the asset holder . . . if the prescribed asset amount is in default,” “defining a tranche of pledge agreements . . . by matching a benchmark description of any pledge agreements,” “assigning beneficial ownership of the tranche to a third party,” and “in response to an instruction,” “processing the terms of the pledge agreements,” “identifying . . . one or more asset-holder accounts having the current availability for infusing at least a portion of the pledged amount,” “instructing the identified accounts to transfer at least a portion of the prescribed assets,” and “crediting the account holder with a security asset satisfying the benchmark description.”

Although we and the Examiner describe, at different levels of abstraction, to what the claims are directed, it is recognized that “[a]n abstract idea can generally be described at different levels of abstraction.” *Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240 (Fed. Cir. 2016). That need not and, in this case does not, “impact the patentability analysis.” *See id.* at 1241.

Claim 14 recites creating contractual relationships, i.e., pledge agreements, and using a computer and computer network to monitor account information, and issue instructions associated with those pledge agreements,

including defining a tranche of pledge agreements and notifying asset holders in the event of a default.

As in *Alice*, we need not labor to delimit the precise contours of the “abstract ideas” category in this case. It is enough to recognize that there is no meaningful distinction in the level of abstraction between the concept of “creating a contractual relationship” in *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1354–55 (Fed. Cir. 2014) and “creat[ing] electronic records, track[ing] multiple transactions, and issu[ing] . . . instructions” in *Alice*, 134 S. Ct. at 2359, and the concept of organizing pledged amounts into tranches for financing transactions through instructions to establish pledge agreements, monitor accounts, and transfer assets from and credit assets to appropriate accounts. All are squarely within the realm of “abstract ideas” as the Court has used that term. *See Alice*, 134 S. Ct. at 2357.

Nonetheless, Appellant argues “that the claims are directed to specific methods of infusing a pledged asset in a specific manner under specific conditions.” (Appeal Br. 14, citing *Enfish LLC v. Microsoft Corp.*, 822 F.3d 1327 (2016).) We disagree. The claim limitations do not recite implementation details. Instead, they recite functional results to be achieved. In other words, the claims do not recite “a particular way of programming or designing the software . . . , but instead merely claim the resulting system.” *Apple, Inc.*, 842 F.3d at 1240. Additionally, unlike the present claims, the claims in *Enfish* were “specifically directed to a *self-referential* table for a computer database.” *Enfish*, 822 F.3d at 1337. That is, “the plain focus of the claims [was] on an improvement to computer functionality itself, not on economic or other tasks for which a computer is used in its ordinary capacity.” *Id.* at 1336.

Appellant also argues that “[t]he claims are directed to an improvement in investment and insurance processes.” (Appeal Br. 14.) Even if we agreed with Appellant’s characterization of the claims, the asserted improvement would be, nonetheless, to a business practice regarding infusing funds into an account. In other words, “these claims in substance [are] directed to nothing more than the performance of an abstract business practice . . . using a conventional computer. Such claims are not patent-eligible.” *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1256 (Fed. Cir. 2014). Moreover, “[n]o matter how much of an advance in the finance field the claims recite, the advance lies entirely in the realm of abstract ideas, with no plausibly alleged innovation in the non-abstract application realm.” *SAP America, Inc. v. InvestPic, LLC*, 898 F.3d 1161, 1163 (Fed. Cir. 2018); *see also id.* at 1168.

In view of the above, we agree with the Examiner that claim 14 is directed to an abstract idea.

Step two of the *Alice* framework has been described “as a 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.’” *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 566 U.S. at 72–73).

Appellant argues that “[t]he 5S Pledge is a new invention and method for financing and insurance.” (Appeal Br. 14, quoting Spec. 11, ll. 15–17.) But “under the *Mayo/Alice* framework, a claim directed to a newly discovered law of nature (or natural phenomenon or abstract idea) cannot rely on the novelty of that discovery for the inventive concept necessary for

patent eligibility.” *Genetic Techs. Ltd. v. Merial L.L.C.*, 818 F.3d 1369, 1376 (Fed. Cir. 2016).

Appellant seeks to analogize the claims to those in *Bascom Global Internet Services, Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016). (See Appeal Br. 16–17.) Appellant argues that “[s]imilar to the unique ISP filter location in *BASCOM*, the implementation of this new security instrument [i.e., the pledge agreement] constitutes a unique arrangement of elements that effects a non-conventional improvement over the prior art.” (Appeal Br. 17.) We disagree.

In *Bascom*, the court determined that “an inventive concept can be found in the non-conventional and non-generic arrangement of known, conventional pieces.” *Bascom*, 827 F.3d at 1350. Specifically, “[t]he inventive concept described and claimed in the ’606 patent is the installation of a filtering tool at a specific location, remote from the end-users, with customizable filtering features specific to each end user.” *Id.* at 1350. The Federal Circuit determined that this “particular arrangement of elements is a technical improvement over prior art ways of filtering.” *Id.* Appellant does not indicate what element(s) in claim 14 corresponds to, e.g., the “filtering tool at a specific location, remote from the end-users” that provides a *technical* improvement. Therefore, we do not find this argument persuasive.

Appellant also argues that the claims do not involve generic computer components. (Appeal Br. 18.) We disagree. The Specification discloses that Figure 1 shows an “operating environment for the present invention.” (Spec. 7, ll. 14–15.) The Specification further discloses that “[e]ach of the components in the illustration of **Figure 1** communicates in a conventional manner over conventional communication lines” and that “[e]ach of the

machines has a typical complement of other components and software including, without limitation, respective processors, memory circuits, communication ports, operating systems and other software (e.g., web browsers).” (*Id.* at 11, ll. 8–13.)

Nonetheless, Appellant argues that “the present claims’ unique non-generic arrangement of elements should be found to be a patent-eligible inventive concept.” (Appeal Br. 18.) But Appellant does not persuasively argue what computer elements are arranged in a unique, non-generic manner.

Appellant further argues that “claim 14 is in line with Example 21, claim 2 of the Office’s July 2015 Update: Subject Matter Eligibility (‘Update’).”² (Appeal Br. 18.) In particular, Appellant argues that in claim 2 of the Example, “the claimed invention alerted the subscriber with particular information when the subscriber was offline” and that “[t]his was achieved by ‘transmitting the alert over a wireless communication channel.’” (*Id.* at 19.) Appellant then argues that “[c]laim 14 of the present application is similar to this Example 21, and achieves a very similar solution, i.e., to alert the subscriber via a wireless communication.” (*Id.*)

As an initial matter, we note that the Update simply presents hypothetical examples. (*See* Update Appendix 1.) We also note that claim 2 in Example 21 recites “[a] method of distributing stock quotes over a network to a remote subscriber computer” including the steps of

² *See July 2015 Update: Subject Matter Eligibility* (July 2015) (available at <https://www.uspto.gov/sites/default/files/documents/ieg-july-2015-update.pdf>); *see also July 2015 Update Appendix 1: Examples* (July 2015) (available at <https://www.uspto.gov/sites/default/files/documents/ieg-july-2015-app1.pdf>) (“Update Appendix”).

transmit[ing] the formatted stock quote alert over a wireless communication channel to a wireless device associated with a subscriber based upon the destination address and transmission schedule,

wherein the alert activates the stock viewer application to cause the stock quote alert to display on the remote subscriber computer and to enable connection via the URL to the data source over the Internet when the wireless device is locally connected to the remote subscriber computer and the remote subscriber computer comes online.

(Update Appendix 3.) The Update Appendix explains that

[t]he claimed invention addresses the Internet-centric challenge of alerting a subscriber with time sensitive information when the subscriber's computer is offline. This is addressed by transmitting the alert over a wireless communication channel to activate the stock viewer application, which causes the alert to display and enables the connection of the remote subscriber computer to the data source over the Internet when the remote subscriber computer comes online.

(*Id.* at 4.)

Claim 1 in Example 21 is similar to Claim 2 except that Claim 1 lacks the stock viewer application; and, thus, does not address “the Internet-centric challenge of alerting a subscriber . . . when the subscriber's computer is offline” or “enable[] the connection of the remote subscriber computer to the data source over the Internet when the remote subscriber computer comes online.” Claim 1 in Example 21 is described as patent ineligible. (*Id.* at 3–4.) Appellant's claim 14 recites “notifying the asset holder via a wireless communication if the prescribed asset amount is in default.” Appellant does not explain why simply notifying the asset holder via a wireless communication addresses “the Internet-centric challenge of alerting a subscriber . . . when the subscriber's computer is offline” and, in particular,

“enables the connection of the remote subscriber computer to the data source over the Internet when the remote subscriber computer comes online.” (*See id.* at 4.)

Appellant also argues that “[a] plain reading of claim 14 demonstrates that this claim does not preempt all methods of entering into contracts, or even all types of pledge agreements.” (Appeal Br. 20.) Preemption, however, is not a separate test.

To be clear, the proper focus is not preemption *per se*, for some measure of preemption is intrinsic in the statutory right granted with every patent to exclude competitors, for a limited time, from practicing the claimed invention. *See* 35 U.S.C. § 154. Rather, the animating concern is that claims should not be coextensive with a natural law, natural phenomenon, or abstract idea; a patent-eligible claim must include one or more substantive limitations that, in the words of the Supreme Court, add “significantly more” to the basic principle, with the result that the claim covers significantly *less*. *See Mayo* 132 S. Ct. at 1294 [566 U.S. at 72–73].

CLS Bank Int’l v. Alice Corp. Pty. Ltd., 717 F.3d 1269, 1281 (Fed. Cir. 2013), *aff’d*, 134 S. Ct. 2347 (2014) (Lourie, J., concurring). Moreover, “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). In other words, “preemption may signal patent ineligible subject matter, [but] the absence of complete preemption does not demonstrate patent eligibility.” *Id.*

Taking the claim elements separately, the function performed by the computer at each step of the process is purely conventional. Using a

computer to obtain data, analyze data and issue instructions/messages based on the results, and modify data are basic computer functions. *See, e.g., Alice*, 134 S. Ct. at 2359. In other words, 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 method add nothing that is not already present when the steps are considered separately. The claims do not, for example, purport to improve the functioning of the computer itself. Nor do they effect an improvement in any other technology or technical field. Instead, the claims at issue amount to nothing significantly more than an instruction to apply the abstract idea using some unspecified, generic computer. That is not enough to transform an abstract idea into a patent-eligible invention. *Id.* at 2360.

In view of the above, we agree with the Examiner that claim 14 is directed to a judicial exception without significantly more. Appellant argues that dependent claims 15 and 16 are patent eligible for at least the same reasons as claim 14. (Appeal Br. 20.) For the reasons discussed above, claims 15 and 16 fall with claim 14.

DECISION

The Examiner's rejection of claims 14–16 under 35 U.S.C. § 101 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).

AFFIRMED