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BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte PAUL ANDREW BAUERSCHMIDT, DMITRIY GLINBERG, EDWARD M. GOGOL, STEPHEN M. GOLDMAN, PAUL I. LICHTER, JEFFREY ROBERT MITCHELL, ARI L. STUDNITZER, and TAE SEOK YOO

Appeal 2017-010540
Application 11/590,540[1]
Technology Center 3600

Before DAVID M. KOHUT, ERIC B. CHEN, and JOSEPH P. LENTIVECH, *Administrative Patent Judges*.

KOHUT, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellants seek our review, under 35 U.S.C. § 134(a), of the Examiner's final rejection of claims 1, 2, 4–7, 23, 24, and 26–29.[2] We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

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

[2] Claims 3, 8, 25, 30, and 45 are canceled. App. Br. 20–34 (claims appendix). Claims 9–22, 31–44, 46, and 47 are withdrawn. *Id.*

INVENTION

The present invention relates to futures contracts (i.e., a legally binding agreement to buy or sell a commodity at a specified price and predetermined future time) for foreign currency trades. Spec. ¶¶ 3–4. A clearing house acts as an intermediary of clearing members (i.e., the large entities that buy and sell currency) and, further, as the buyer to each seller and seller to each buyer. *Id.* ¶¶ 24, 27, 77. As the contra-side of each transaction, the clearing house has various positions (agreed-upon transactions) pending with each member and settles the nets of those positions when due. *Id.* ¶¶ 27, 55. The net of a member's offsetting positions eliminates those positions and, thus, reduces associated settlement transactions and costs. *Id.* ¶¶ 55, 78.

Claim 1 is illustrative and reproduced below.

> 1. A method of trading financial instruments among a plurality of entities participating in a market, the financial instruments comprising foreign exchange instruments, the method comprising:
>
> receiving by a match processor of an intermediary from a first entity of the plurality of entities a first request for a first transaction in a particular foreign exchange instrument;
>
> identifying, by the match processor, a second request received by the intermediary from a second entity of the plurality of entities for a second transaction in the particular foreign exchange instrument where the second transaction is at least partially counter to the first transaction; and
>
> matching, by the match processor, the first request with the second request and subsequently facilitating the first and second transactions without identifying the first and second entities to each other;

wherein the facilitating further comprises:

> initiating performance of the first transaction between the first entity and the intermediary and initiating performance of the second transaction between the second entity and the intermediary wherein if it is determined that one of the first and second transactions matched by the match processor is incapable of being completed, performance of the other of the first and second transactions is unaffected;
>
> recording, in a first account associated with the first entity, a first position resulting from at least the initiation of the first transaction and indicating that the first transaction is yet to be completed, the first position being one of a plurality of positions recorded in the account as a result of at least initiation of performance of a plurality of other transactions received from the first entity each of which is yet to be completed, wherein each of the plurality of other transactions is subject to subsequent completion between the intermediary and the first entity, each of the plurality of other transactions being associated with a counter-transaction matched with the other transaction by the intermediary;
>
> recognizing the first position of the plurality of positions in the first account at least partially correlates with a second position of the plurality of positions in the first account, the correlation being independent of them being recorded in the same account and independent of the counter-transaction associated with the at least one transaction from which the first and second positions resulted;
>
> combining the recognized first position with the second position to create a net position and recording the net position in the first account; and
>
> eliminating the recognized first position, the second position or combinations thereof, along with the

> associated transactions, that are nullified by the combining;
>
> whereby fewer positions remain in the first account for subsequent completion of the associated transactions.

REJECTIONS

Claims 1, 2, 4–7, 23, 24, and 26–29 stand rejected under 35 U.S.C. § 101 as being directed to a judicial exception of patent-eligible subject matter. Final Act. 2 (July 11, 2016) ("Final Act.").

Claims 1, 2, 4–7, 23, 24, and 26–29 stand rejected under 35 U.S.C. § 112, second paragraph, as indefinite. Final Act. 3.

Claims 1, 4, 23, and 26 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Garber (US 5,963,923; Oct. 5, 1999) and Fergusson (US 2003/0023531 A1; Jan. 30, 2003). Final Act. 4–7.

Claims 2, 5–7, 24, and 27–29 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Garber, Fergusson, and Balson et al. (US 2003/0033240 A1; Feb. 13, 2003) (herein "Balson"). Final Act. 7–9.

35 U.S.C. § 101 REJECTION OF CLAIMS 1, 2, 4–7, 23, 24, AND 26–29

Claims 1, 2, 4–7, 23, 24, and 26–29 stand rejected under 35 U.S.C. § 101. Appellants argue these claims as a group. App. Br. 5–10. We select claim 1 as representative of the group, such that claims 2, 4–7, 23, 24, and 26–29 stand or fall with claim 1. *See* 37 C.F.R. § 41.37(c)(1)(iv).

Principles of Law

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).

In determining whether a claim falls within an excluded category, we are guided by the Supreme Court's two-step framework described in *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 Alice*, 573 U.S. 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 (1854))); 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*).

If the claim is "directed to" an abstract idea, we turn to the second step of the *Alice* 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.*

Per recently published guidance regarding 35 U.S.C. § 101, we first look to whether a claim recites:

> (1) any judicial exceptions, including certain groupings of abstract ideas (i.e., mathematical concepts, certain methods of organizing human activity such as a fundamental economic practice, or mental processes); and

> (2) additional elements that integrate the judicial exception into a practical application (*see* Manual of Patent Examining Procedure (MPEP) § 2106.05(a)–(c), (e)–(h)).

See 2019 Revised Patent Subject Matter Eligibility Guidance ("Guidance"), 84 Fed. Reg. 50 (Jan. 7, 2019). 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 are 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 Guidance.

Issue (1): Does claim 1 recite a judicial exception?

Claim 1 recites a method of trading foreign exchange (herein "ForEx") instruments. The Examiner identifies the following claim limitations (summaries) as directed to abstract ideas:

> (i) receiving a first request, (ii) identifying a second request, counter to the first request, (iii) matching the two requests, (iv) initiating performance of a transaction between the first request and the second requests, (v) determining that the transaction is incapable of being completed, (vi) completing performance of the first request or the second request, (vii) recording a position in a first account, (vii) recognizing that the first position correlates to a second position in the first account, (viii) combining positions, and (ix) eliminating positions that are nullified.

Final Act. 2; *see also* Ans. 2. In support, the Examiner compares the limitations to the abstract ideas recognized by: (1) *Int'l Sec. Exch., LLC v. Chicago Bd. Options Exch., Inc.*, No. CBM2013-00049 (PTAB March 2, 2015) (herein "*Chicago Bd. Options Exch.*"), *aff'd*, 640 F. App'x 986 (mem) (Fed. Cir. 2016) (nonprecedential) (Rule 36); and (2) *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011). Final Act. 10–11. The Examiner finds the limitations are similar to *Chicago Bd. Options Exch.* because, "[l]ike the operation of an automated trading exchange in *Chicago Bd. Options Exch.*, the [claimed] concept [of] clearing of foreign exchange instruments is a fundamental economic practice long prevalent in our system of commerce." *Id.* at 10. The Examiner also finds that the limitations are similar to *CyberSource* because, "[l]ike the fraud detection in *CyberSource*, the [claimed] concept of clearing of foreign exchange instruments is a method that could be performed in the human mind or with a pen-and-paper." *Id.* at 10–11.

Appellants do not dispute that the limitations (i) to (ix) recite a fundamental economic practice of clearing ForEx instruments (*Chicago Bd. Options Exch.*) and mentally-performable steps, e.g., with a pen-and-paper (*CyberSource*). Instead, Appellants' arguments are directed to Issues (2) to (4) of the Guidance, addressed below. *See, e.g.*, App. Br. 8 ("Even if the claims are determined to incorporate or related to an abstract idea, they are not . . . ."). As no errors are raised for Issue (1) of the Guidance, we move on to Issues (2) to (4).

Issue (2): Does claim 1 recite additional elements that integrate the judicial exception into a practical application?

We have reviewed claim 1 against the above findings to determine the alleged additional elements, i.e., the claim features not identified by the Examiner as abstract ideas. The claim features constituting neither a ForEx instrument nor one of the limitations (i) to (ix) are: "match processor of an intermediary"; "facilitating . . . transactions without identifying . . . entities to each other"; "initiating performance . . . between the first entity and the intermediary and . . . between the second entity and the intermediary"; "if it is determined that one of the . . . transactions . . . is incapable of being completed, performance of the other . . . is unaffected"; "recognizing the first position . . . correlates with a second position . . . in the first account, the correlation being independent of them being recorded in the same account"; "combining the recognized first position with the second position to create a net position and recording the net position"; and "eliminating [positions], along with the associated transactions, that are nullified by the combining."

Appellants also identify these claim features as "additional elements" of claim 1, characterizing the features as "a specific and practical application of the abstract idea which does not entirely pre-empt its use." App. Br. 6. Appellants specifically contend:

> [T]he claimed invention improves upon the technical field of data and transaction processing by providing a system which permits each party to a bilateral transaction to complete their side of the transaction even if the other party is unable to do so, while maintaining anonymity there between, and further segregates the resulting positions enabling reduction of correlated positions stored within an account of one participant without affecting accounts of other participants. *See*, for

> example, Appellants' Specification, paras. 23, 24, 30, 35, 36, 37, 55, and 77–83 (explaining how providing a central counterparty and implementing a novation process to bilateral transactions improves upon the transactional efficiency, allowing more transactions to be processed and additional functionality to be provided such as netting/offsetting over and above that provided by bilateral systems). . . .
>
> . . . [T]he claims . . . are not directed to, nor do they pre-empt all implementations of, the abstract idea. Instead, they are directed to a specific and practical application[.]

Id.; *see also id.* at 8–9 (arguing, in view of *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014), the above claim features constitute "a specific and practical application . . . rooted in technology").

We find that the above claim features do not narrow the method's *implementation* of the abstract ideas nor do they narrow the implementation to a practical application. Rather, we find that the features narrow the abstract ideas by adding a contractual intermediary to provide anonymity, guarantee transactions, and net combinable transactions. The Federal Circuit has described a similar contractual intermediary as merely narrowing a fundamental economic practice (i.e., as an abstract idea), stating:

> The relevant Supreme Court cases are those which find an abstract idea in certain arrangements involving contractual relations, which are intangible entities. . . . *Alice* involved methods and systems for "exchanging financial obligations between two parties using a third-party intermediary to mitigate settlement risk," *Alice*, [573 U.S. at 219]. [T]he Court . . . relied on the fact that the contractual relations at issue constituted "a fundamental economic practice long prevalent in our system of commerce." . . . *[S]ee Alice*, [573 U.S. at 219–21].

buySAFE, Inc. v. Google, Inc., 765 F.3d 1350, 1353–54 (Fed. Cir. 2014).

The argued improvements—providing anonymity, guaranteeing transactions, and netting transactions—are also abstract ideas. Providing anonymity is, without more, a matter of passing some information while withholding other information. *See, e.g.*, *Elec. Power Grp. v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016) ("collecting information, analyzing it, and displaying *certain* results" (emphasis added) is, without more, an abstract idea); *Bascom Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1348 (Fed. Cir. 2016) ("[F]iltering content is an abstract idea . . . ."). Guaranteeing transactions, via an intermediary, is a transaction guarantee service by a third-party. *See, e.g.*, *buySAFE*, 765 F.3d at 1355 ("[A] transaction performance guaranty . . . is beyond question of ancient lineage." (quotation marks omitted)). Netting of transactions is a longstanding form of accounting (e.g., budgeting) and, moreover, performable by pen and paper. *See, e.g.*, *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1367 (Fed. Cir. 2015) ("[T]he patent claims are directed to an abstract idea: . . . i.e., budgeting."); *see also id.* at 1368 ("[T]he budgeting calculations . . . are unpatentable because they could still be made using a pencil and paper . . . ." (quotation marks omitted)).

In light of the above, we find the invention's argued "application" constitutes only a narrowing of the abstract ideas identified by the Examiner (e.g., adding a contractual intermediary to ForEx transactions) and additional abstract ideas (e.g., anonymity). Narrowing and combining abstract ideas, such as here, does not make the ideas less abstract. *See, e.g.*, *RecogniCorp,* *LLC v. Nintendo Co.*, 855 F.3d 1322, 1327 (Fed. Cir. 2017); *FairWarning IP, LLC v. Iatric Sys., Inc.*, 839 F.3d 1089, 1093–94 (Fed. Cir. 2016).

Appellants additionally argue, in view of *DDR Holdings*, that "some of the problems solved by Appellants' invention are specifically rooted in technology." App. Br. 8–9. We are unpersuaded because Appellants have not shown that only technology can achieve the invention's objective of creating an intermediary for ForEx transactions (or its benefits such as netting ForEx positions). *See DDR Holdings*, 773 F.3d at 1257 ("[T]he claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks."). We find the claims in this case, unlike the claims of *DDR Holdings*, do not concern a problem and solution inseparably tied to technology.

For the foregoing reasons, we are left with only abstract ideas that are implemented by an undescribed "match processor." Implementing abstract ideas on a generic computer is not, without more, a "practical application." *See Alice*, 573 U.S. at 221–24; *see also* MPEP § 2106.05(f) ("Mere Instructions To Apply An Exception").

Issues (3) and (4): Does claim 1 recite additional elements that are not well understood, routine, or conventional in the industry, or, simply append well understood, routine, or conventional activities, at a high level of generality, to the judicial exception?

Appellants argue that the claimed *combination* of the intermediary *and* electronic ForEx market yields significant improvements in the art, particularly because the claimed advances (e.g., netting of transactions) were otherwise unavailable to electronic ForEx trading. App. Br. 6–10. For example, Appellants conclude their arguments against this rejection by contending:

> Appellants submit that the claims are directed to "a specific improvement to the way computers operate", i.e., a specific implementation of a solution to a problem in the software arts, providing a specific and practical system which facilitates initiation of transactions to be completed in the future in a manner which allows the number of such initiated transactions to be reduced based on an identified correlation there between. In particular, the claimed invention solves the technical problem of reducing the number of open transactions entered into by multiple parties. The claimed invention solves this problem via the claimed initiation of performance of those transactions, instead of directly between the parties, between each party and an intermediary where performance of any one transaction has no effect on the other transactions.

Id. at 10.

We are unpersuaded because the argued improvements lie strictly within the abstract ideas set forth above. This is not an instance where, for example, the *act of combining* a claimed abstract idea and computer technology improves a computer's technological function. *Cf. Bascom*, 827 F.3d at 1350 ("Filtering content on the Internet was already a known concept[. But,] the patent describes how its particular arrangement of elements is a technical improvement[.]"). Rather, we find the argued improvements of anonymity, transaction guarantees, and netting transactions arise solely from adding an intermediary to a ForEx trade, i.e., regardless of the intermediary's technical implementation.

Appellants further argue, in view of *McRO, Inc. v. Bandai Namco Games America Inc.*, 837 F.3d 1299 (Fed. Cir. 2016), and *Trading Techs. Int'l, Inc. v. CQG, INC.*, 675 F. App'x 1001 (Fed. Cir. 2017) (unreported), the claimed method improves the "way" computers operate and is thus not directed to an abstract idea. Reply Br. 2–5. We are unpersuaded because the claimed method improves a *contractual "way"* of operation (by adding intermediary via novation). The inventions of *McRO* and *Trading Techs.* improved a *technical "way"* of operation—that is, improved a computer's processing as opposed to the information processed. *See McRO*, 837 F.3d at 1313 (improved a display's synchronizing of two features); *Trading Techs.*, 675 F. App'x at 1001 (improved a display's structuring of a graphic interface). The Federal Circuit has similarly distinguished *McRO* from an at-issue claim, stating:

> The claims in *McRO* were directed to the creation of something physical—namely, the display of "lip synchronization and facial expressions" of animated characters on screens for viewing by human eyes. *Id.* at 1313. The claimed improvement was to how the physical display operated (to produce better quality images), *unlike (what is present here) a claimed improvement in a mathematical technique with no improved display mechanism.*

SAP Am., Inc. v. InvestPic, LLC, 898 F.3d 1161, 1167 (Fed. Cir. 2018) (emphasis added). Appellants' argued advances are, similarly (*see* above emphasis), a "claimed improvement in a [trading] technique with no improved [technical] mechanism." *Id.*

Appellants also argue that a "lack of prior art" indicates the claimed invention recites significantly more than a fundamental economic practice and its implementation by conventional means. App. Br. 6. It is true that "pragmatic analysis of [35 U.S.C.] § 101 is facilitated by considerations analogous to those of §§ 102 and 103." *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1347 (Fed. Cir. 2015). However, the search for an inventive concept ("significantly more") must ensure a claim "in practice amounts to significantly *more than . . . the ineligible concept* itself." *Alice*, 573 U.S. at 217–18 (brackets omitted; emphasis added) (quoting *Mayo*, 566 U.S. at 72–73). For reasons discussed above, any novelty of claim 1 lies strictly within the recited abstract ideas and thus does not concern "more than . . . the ineligible concept itself" (*id.*).

Conclusion

For the foregoing reasons, we sustain the Examiner's 35 U.S.C. § 101 rejection of claims 1, 2, 4–7, 23, 24, and 26–29 falling therewith.

35 U.S.C. § 112, SECOND PARAGRAPH, REJECTION OF CLAIMS 1, 2, 4–7, 23, 24, AND 26–29

Claims 1, 4–7, 23, 24, and 26–29 are rejected as indefinite.[3] Final Act. 3. The Examiner states that all claims "are replete with issues," and makes specific findings with respect to claims 1, 4, and 5. Ans. 3. Appellants argue that the Examiner's rejection of claims 1, 4–7, 23, 24 and 26–29 is in error and Appellants present arguments for each of the Examiner's specific findings, as indicated below. App. Br. 10–13. For the ensuing reasons, we are persuaded that the Examiner's rejection of the claims is in error.

Claim 1

Claim 1 recites in disputed part: "*initiating performance* of the first transaction between the first entity and the intermediary and *initiating*

[3] The Examiner withdraws the indefinite rejection of claim 2 in the Advisory Action, mailed October 14, 2016.

performance of the second transaction between the second entity and the intermediary" (emphasis added).

The Examiner finds: "Obviously ['initiating performance'] is less than actual completion." Final Act. 3. The Examiner further finds: "If the computer . . . becomes active with the intent to process the transaction, then the processor has initiated performance of the transaction." Ans. 16. In short, the Examiner finds "initiating performance" is indefinite because it "is some undefined method step that occurs after matching but before actual performance (execution)." Final Act. 15.

Appellants argue that the meaning of "initiating performance of [a] transaction," as claimed, is clear because "one of ordinary skill in the art would understand that a transaction is something that may occur over time and may have a beginning and a conclusion, e.g. a futures contract." App. Br. 11. Appellants also support this argument with dictionary definitions of "initiate" and "transaction," citations to the Specification, and an explanation of ForEx transactions. App. Br. 11–12.

We are persuaded by Appellants' argument. Claim 1 specifies that the requests for the transactions are matched and then, without identifying either of the requesting entities to each other, the method initiates performance of the transactions between each of the entities and the intermediary. We find, therefore, that it is clear that the method matches the requests and then initiates performance of the requested transactions between each entity and the intermediary. While the process of initiating the performance may change based upon the type of transaction, we find that is an issue of claim breadth and not indefiniteness. *See In re Miller*, 441 F.2d 689, 693 (CCPA 1971) ("[W]e cannot agree with the board that the omission of the temperature . . . renders the claims indefinite. . . . [B]readth is not to be equated with indefiniteness . . . .").

Claims 4 and 5

Claim 4 depends from claim 1 and recites: "wherein the matching further comprises substituting the intermediary for the second entity in the first transaction and substituting the intermediary for the first entity in the second transaction." Claim 5 depends from claim 4 and recites: "wherein the substituting further comprises creating a novation."

The Examiner finds the claims indefinite because base claim 1 does not recite how the entities are involved in each other's transactions (e.g., how the "second entity [is] in the first transaction" (claim 4)) when the intermediary substitutes for each entity (claim 4) by novation (claim 5). Final Act. 3.

Appellants argue that base claim 1 clearly recites each entity's involvement in the first and second transactions, particularly reciting each entity as performing half of a bilateral transaction comprising the first and second transactions. App. Br. 12–13.

Similar to what was discussed above, while the involvement of the intermediary may be different based on the transaction, we find the involvement is not indefinite, but rather broad. The claim makes clear that the intermediary substitutes "for the second entity in the first transaction" and "for the first entity in the second transaction," which would be dependent upon the type of transaction. Additionally, though the substitution and novation could occur under different circumstances (depending upon the type of transaction), that is not to say the claim must narrow those circumstances. *See Miller*, 441 F.2d at 693 ("[B]readth is not . . . indefiniteness . . . .").

Conclusion

For the foregoing reasons, we do not sustain the Examiner's 35 U.S.C. § 112, second paragraph, rejection of claims 1, 4–7, 23, 24, and 26–29.

35 U.S.C. § 103(a) REJECTIONS

Independent claim 1 recites, in disputed part, a sequence of "recognizing . . . ; combining . . . ; [and] eliminating" steps (herein "netting") that combines the first entity's positions and associated transactions into a net position/transaction for completion. Independent claim 23 recites a "netting processor" that performs a similar sequence of operations. Claims 2 and 4–7 and 24 and 26–29 depend upon claims 1 and 23 (respectively).

The Examiner finds the claimed netting is taught by Fergusson's paragraphs 14 and 83–84. Final Act. 6–7. These paragraphs describe a "display of account items" and "related account items . . . [that] may be combined before the data items are displayed." Fergusson ¶ 14. "Example account items that may be combined include, for example, stock positions in a particular company. . . . [T]he account items may be combined by, for example, summing the stock positions for a particular company, and outputting a single account item for display." *Id.* An illustrative display window of Figure 14 shows net items such as "the number of shares owned, . . . the average price of the shares, [and] a total cost for the shares." *Id.* ¶ 83.

Appellants argue the combination of *displayed* positions (i.e., merely for purposes of display) in Fergusson does not teach the claimed netting's elimination of account positions and associated transactions. App. Br. 16. Specifically, Appellants contend:

> Fergusson merely teaches that related account items may be combined for the purpose of simplifying a display of those items but the combined items are not, in fact, removed from the underlying accounts. Respectfully, this is not what is claimed by Appellants which instead require that the positions nullified by the combination be removed from the account for subsequent completion of the transaction.

Id.

The Examiner responds that the claimed netting cannot be understood as eliminating transactions for account positions because, if that is so, then the claims recite those transactions as being *eliminated yet subsequently completed*. Ans. 21. In turn, the Examiner finds the claimed netting does not eliminate a position's associated transaction and, consequently, reads on Fergusson's combining of displayed positions into a single display item summarizing those positions. *Id.*

We are persuaded by Appellants' argument. Claim 1 recites in the most relevant part of the netting limitations: "eliminating the recognized first position, the second position or combinations thereof, along with the associated transactions, that are nullified by the combining; whereby fewer positions remain in the first account for subsequent completion of the associated transactions." We interpret this to mean that one or more positions *and associated transactions are nullified* by the claimed netting, such that fewer positions and associated transactions remain for completion. This interpretation is not only consistent with the plain meaning of "fewer positions remain . . . for subsequent completion" (claim 1), but also reinforced by Specification disclosures such as: "netting is provided which allows various FX positions to be netted together for settlement rather than separately settled" (Spec. ¶ 55); "netting may . . . eliminate a particular obligation associated with a position" (*id.* ¶ 78); and "comb[in]ing those obligation[s] to create a net obligation/position" (*id.* ¶ 83).

Because the Examiner fails to show that Fergusson teaches the claimed netting of positions *that reduces associated transactions*, we are persuaded of error. The additional reference (Balson) is not cited to teach or suggest the disputed limitation and we will not engage in any inquiry as to whether Balson cures the noted deficiency. Accordingly, we do not sustain the Examiner's 35 U.S.C. § 103(a) rejections of claims 1, 2, 4–7, 23, 24, and 26–29.

DECISION

We affirm the rejection of claims 1, 2, 4–7, 23, 24, and 26–29 under 35 U.S.C. § 101.

We reverse the rejection of claims 1, 2, 4–7, 23, 24, and 26–29 under 35 U.S.C. § 112, second paragraph.

We reverse the rejections of claims 1, 2, 4–7, 23, 24, and 26–29 under 35 U.S.C. § 103(a).

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