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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
14/249,172	04/09/2014	Julian D. A. WISEMAN	0082752-000002	3315
21839	7590	09/27/2019	EXAMINER	
BUCHANAN, INGERSOLL & ROONEY PC POST OFFICE BOX 1404 ALEXANDRIA, VA 22313-1404			O'CONNOR, GERALD J	
			ART UNIT	PAPER NUMBER
			3697	
			NOTIFICATION DATE	DELIVERY MODE
			09/27/2019	ELECTRONIC

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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* JULIAN D. A. WISEMAN

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Appeal 2018-001354<sup>1</sup>  
Application 14/249,172<sup>2</sup>  
Technology Center 3600

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Before HUBERT C. LORIN, BRADLEY B. BAYAT, and  
TARA L. HUTCHINGS, *Administrative Patent Judges*.

BAYAT, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellant appeals under 35 U.S.C. § 134(a) from the Examiner’s final decision rejecting claims 1–14 under 35 U.S.C. § 101 as being directed to non-statutory subject matter. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

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<sup>1</sup> Throughout this Decision, we refer to the Appellant’s Appeal Brief (“Appeal Br.,” filed Jan. 13, 2017), Reply Brief (“Reply Br.,” filed Nov. 22, 2017), and Specification (“Spec.,” filed Apr. 9, 2014), the Examiner’s Answer (“Ans.,” mailed Sept. 22, 2017) and Final Office Action (“Final Act.,” mailed June 17, 2016).

<sup>2</sup> According to the Appellant, the real party in interest is “QUIRKAFLEEG LIMITED.” Appeal Br. 1.

## STATEMENT OF THE CASE

Appellant's invention is drawn to a "method for physical delivery of a futures contract by an exchange operating as intermediary between shorts and longs in the futures contract." Spec., Abstract.

Independent claim 1, reproduced below with added bracketed notations, is illustrative of the subject matter on appeal.

1. A method for providing physical delivery of a futures contract by an exchange operating as intermediary between shorts and longs in the futures contract, the method comprising:

[(a)] publishing a preliminary list of deliverables including at least one of possible deliverables and a class of deliverables;

[(b)] generating a modified list of deliverables in which some deliverables, having an algorithmically determinable weakness relative to other deliverables in the list of deliverables is/are removed, and the other, non-removed deliverables in the preliminary list of deliverables remain in the modified list of deliverables;

[(c)] permitting longs to veto a small subset of the deliverables in the modified list of deliverables, for a cost  $\geq 0$ , and for those longs so choosing to veto, accepting those vetoes;

[(d)] receiving information from shorts indicating which of the other deliverables included in the modified list of deliverables are desired to be delivered; and

[(e)] assigning shorts to longs so as to maximize the number of shorts who can deliver the desired deliverables, while ensuring that, for each long that vetoes one or more deliverables, the vetoing long does not receive any of the vetoed deliverables.

Appeal Br., Claims App. 1.

## ANALYSIS

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: “[I]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 *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 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.”).

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.* (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.*

Recently, the PTO published revised guidance on the application of § 101. *See* 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (USPTO Jan. 7, 2019) (“Guidance”). Revised Step 2A, Prong One, is an evaluation of whether the claim recites (1) any judicial exceptions, including certain groupings of abstract ideas (i.e., (a) mathematical concepts, (b) certain methods of organizing human activity, and (c) mental processes). If so, Revised Step 2A, Prong Two, is an evaluation of whether (2) the judicial exception is integrated a practical application (*see* MPEP §§ 2106.05(a)–(c), (e)–(h) (9th ed. Rev. 08.2017, Jan. 2018)). Only if a claim (1) recites a judicial exception and (2) does not integrate that exception into a practical application, we 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* Guidance Step 2B, 84 Fed. Reg. at 56.

#### *Alice Step 1*

Under the first step of the *Alice* framework, the Examiner determined that the claims are directed to<sup>3</sup> “providing physical delivery of a futures

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<sup>3</sup> 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.

contract,” an abstract idea of “a fundamental economic practice long prevalent in our system of commerce” (Final Act. 8).

Appellant argues all the pending claims as a group. *See* Appeal Br. 3–10; *see also* Reply Br. 1–4. We select independent claim 1 as representative for this group. Thus, claims 2–14 stand or fall with claim 1. 37 C.F.R. § 41.37(c)(1)(iv). In particular, Appellant argues the claims are not directed to an abstract idea because “the claims involve several detailed steps for a concrete implementation of a process that causes the price of a future to track the price of a set of deliverables, where there is a risk that a small subset of the deliverables could become materially cheaper than the others.” Appeal Br. 4. We are not persuaded for the reasons that follow.

*Does claim 1 recite a judicial exception?*

The Examiner determines that claim 1 is directed to a statutory category. Final Act. 8. As such, we first consider whether the claim recites a judicial exception. Guidance, 84 Fed. Reg. at 51. The Guidance synthesizes key concepts identified by the courts as abstract ideas into three primary subject-matter groupings: mathematical concepts, certain methods of organizing human activity, and mental processes. *Id.* at 52. The Guidance provides that “[c]ertain methods of organizing human activity—fundamental economic principles or practices (including hedging, insurance, mitigating risk)” and “commercial or legal interactions (including agreements in the form of contracts; legal obligations; or business relations)” are abstract ideas. *Id.* We agree with the Examiner that claim 1’s method for providing physical delivery of a futures contract by an exchange operating as intermediary between shorts and longs in the futures contract

recites a fundamental economic practice, which is a certain method of organizing human activity, and thus an abstract idea.

Claim 1 recites “[a] method for providing physical delivery of a futures contract by an exchange operating as intermediary between shorts and longs in the futures contract” comprising five steps: (a) “publishing a preliminary list of deliverables...;” (b) “generating a modified list of deliverables in which some deliverables, having an algorithmically determinable weakness relative to other deliverables in the list of deliverables is/are removed, and the other, non-removed deliverables in the preliminary list of deliverables remain in the modified list of deliverables;” (c) “permitting longs to veto a small subset of the deliverables in the modified list of deliverables, for a cost  $\geq 0$ , and for those longs so choosing to veto, accepting those vetoes;” (d) “receiving information from shorts indicating which of the other deliverables included in the modified list of deliverables are desired to be delivered;” and (e) “assigning shorts to longs so as to maximize the number of shorts who can deliver the desired deliverables, while ensuring that, for each long that vetoes one or more deliverables, the vetoing long does not receive any of the vetoed deliverables.” Appeal Br., Claims App. 1. These steps are all performed manually; no computer implementation is claimed.

Under the broadest reasonable interpretation, steps (a) through (e) of claim 1 describe activities for managing the physical delivery of a futures contract by constraining the actions at delivery of longs and shorts and assigning shorts to longs to maximize the number of shorts who can deliver the desired deliverables, and ensuring the vetoing long does not receive any of the vetoed deliverables. The purpose of facilitating the physical delivery

of a futures contract by an exchange acting as an intermediary between shorts and longs in the manner claimed, is to safeguard buyers (longs) from being disadvantaged by “constrain[ing] the actions at delivery of longs and shorts, such that the cheapest-to-deliver will typically not be delivered, instead the contract [will] result[] in an exchange of a deliverable near the median-to-deliver.” Spec. ¶ 2. In other words, the exchange publishes a preliminary list of deliverables (step (a)), “removes those CDs with ratings too weak [and generates a modified list [(step (b))]] and permits longs to veto a small subset of the deliverables [step (c)], receives information from shorts indicating deliverables in the list that are desired to be delivered [step (d)], [and matches] and assigns longs to shorts for maximizing the number of shorts who can deliver the desired deliverables [step (e)].” Appeal Br. 7.

According to Appellant, the claims are

directed to a process implementable in a futures exchange device for the purpose of reducing or eliminating the risk of price fluctuation in futures contracts, and allow a future to track the price of a set of deliverables, so that one or more of the deliverables cannot become materially cheaper than other deliverables.

Reply Br. 3–4. We do not disagree with Appellant’s characterization of the abstract idea, except that none of the claims recite a futures exchange *device*. In fact, courts have described similar concepts relating to the economy and commerce, such as agreements between people in the form of contracts, legal obligations, and business relations, a fundamental economic practice.<sup>4</sup>

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<sup>4</sup> The term “fundamental” is used in the sense of being foundational or basic, and not in the sense of necessarily being “old” or “well-known.” *See, e.g.*,

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*See, e.g., buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014) (creating a contractual relationship), *In re Chorna*, 656 F. App'x. 1016, 1019–20 (Fed. Cir. 2016) (contractual relation similar to trading hindsight financial instruments), *Alice*, 573 U.S. at 219–20 (using a third party to mitigate settlement risk), and *Bilski*, 561 U.S. at 611–12 (hedging/protecting against the financial risk of price fluctuations).

Thus, claim 1 recites an abstract idea.

*Is claim 1 “directed to” the recited judicial exception?*

Because claim 1 recites an abstract idea, we determine whether the recited judicial exception is integrated into a practical application. Guidance, 84 Fed. Reg. at 51. When a claim recites a judicial exception and fails to integrate the exception into a practical application, the claim is “directed to” the judicial exception. *Id.* The claim may integrate the judicial exception when, for example, it reflects an improvement to technology or a technical field. *Id.* at 55.

In that regard, Appellant argues claim 1 “encompasses an ordered combination of rules that defines how the claimed embodiment is an improvement over existing processes or methodologies.” Appeal Br. 4 (“[R]ules that allow a ‘middle-of-the-pack’ price to be physically delivered, thereby removing the incentive to manipulate price, which had disrupted and plagued the cash-settlement of LIBOR futures.”). According to Appellant: “These rules are limiting in that they define a modified list of deliverables

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*In re Smith*, 815 F.3d 816, 818–19 (Fed. Cir. 2016) (describing a new set of rules for conducting a wagering game as a “fundamental economic practice”).

based on a weakness relative to other deliverables in the list, where the weakness is determined using an algorithm.” *Id.*; *see also id.* at 5 (“There is not, nor has there ever been a deliverable future with anything comparable a middle-to-deliver quality.”). But, even assuming that the techniques claimed are “[g]roundbreaking, innovative, or even brilliant,” that is not enough for eligibility. *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 591 (2013); *accord buySAFE*, 765 F.3d at 1352. Indeed, “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 ‘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, 188–189 (1981). The question is not whether the claim is novel and encompasses an improvement over existing processes or methodologies, but rather, whether the claim reflects an improvement to technology or a technical field.

We determine that claim 1 does not 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, i.e., the claim does not integrate the judicial exception or abstract idea into a practical application. *See* Guidance, 84 Fed. Reg. at 55.<sup>5</sup> As noted above, the claims do not require any computer

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<sup>5</sup> We acknowledge that some of these considerations may be properly evaluated under Step 2 of *Alice* (Step 2B of Office guidance). Solely for purposes of maintaining consistent treatment within the Office, we evaluate them under Step 1 of *Alice* (Step 2A of Office guidance). *See* 2019 Revised Guidance, 84 Fed. Reg. at 55.

implementation. We are unpersuaded by Appellant’s contention that “[w]hile Appellant’s claimed rules for delivering futures are executed by computers, it is the incorporation of the claimed rules into the computer and not merely the use of the computer, that ‘improved the existing technological process’ by allowing the automation of further tasks.” Appeal Br. 7 (citing *McRO, [Inc. v. Bandai Namco Games Am. Inc., 837 F.3d 1299 (Fed. Cir. 2016)]*). None of the steps in claim 1 are tied to a computer or computer technology, and none of these steps recite rules or their incorporation into a computer.

In *McRO* the court asked whether the claim as a whole “focus[es] on a specific means or method that improves the relevant technology” or is “directed to a result or effect that itself is the abstract idea and merely invoke[s] generic processes and machinery.” *McRO*, 837 F.3d at 1314–15 (Claims determined not abstract because they “focused on a specific asserted improvement in computer animation.”). The claims in *McRO* were directed to a system of lip synchronization and facial expressions of animated characters, and the court concluded that the computerized system in *McRO* operated by rules whose implementation was not previously available manually. *Id.* at 1316. Here, in contrast to *McRO*, implementation is conducted without computer assistance. Appellant does not point to anything in the claims that resembles the improvement to the technical field of computer animation that was not simply the use of a generic computer in *McRO*. Appellant also does not direct our attention to anything in the Specification to indicate that the invention provides an improvement in the computer’s technical functionality. As stated previously, the claims recite

no technical element or details for implementing the steps. Any alleged improvement is of a business/financial nature, not a technological one.

Besides, any computer envisioned for use in the method is a generic computer operating in its ordinary and conventional manner. *See* Spec. ¶¶ 30–36 (describing a generic/general purpose computer). It is well-settled by now that computer-based efficiency by itself does not save an otherwise abstract method. *See Bancorp Servs., L.L.C. v. Sun Life Assur. Co. of Canada (U.S.)*, 687 F.3d 1266, 1277–78 (Fed. Cir. 2012) (Performance by computer of operations that previously were performed manually or mentally, albeit less efficiently, does not convert a known abstract idea into eligible subject matter.). Moreover, the claims do not gain subject matter eligibility solely because they are narrowed or limited to Appellant’s alleged improvement over existing processes. *See, e.g., Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1321 (Fed. Cir. 2016) (“A narrow claim directed to an abstract idea, however, is not necessarily patent-eligible”); *see also BSG Tech LLC v. Buyseasons, Inc.*, 899 F.3d 1281, 1287 (Fed. Cir. 2018) (“a claim is not patent eligible merely because it applies an abstract idea in a narrow way.”).

Further, we are not persuaded by Appellant’s argument that “the claimed invention does not preempt all manner and methods of delivering futures.” Appeal Br. 6. Although preemption may signal patent-ineligible subject matter, the absence of preemption does not demonstrate patent eligibility. *See FairWarning, IP, LLC v. Iatric Sys., Inc.*, 839 F.3d 1089, 1098 (Fed. Cir. 2016). For claims covering a patent-ineligible concept, preemption concerns “are fully addressed and made moot” by an analysis

under the *Alice* framework. *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015).

Thus, we are not persuaded of error in the Examiner’s determination that the claims are directed to an abstract idea.

*Alice Step 2*

*Does claim 1 provide an inventive concept?*

To determine whether a claim provides an inventive concept, the additional elements are considered—individually and in combination—to determine whether they (1) add a specific limitation beyond the judicial exception that is not “well-understood, routine, conventional” in the field or (2) simply append well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception. Guidance, 84 Fed. Reg. at 56.

Appellant argues that steps (b) through (e) provide significantly more than the alleged abstract idea by adding a specific limitations other than what is well-understood, routine and conventional in the field. Appeal Br. 8–10. Appellant’s argument is not persuasive because “a claimed invention’s use of the ineligible concept to which it is directed cannot supply the inventive concept that renders the invention ‘significantly more’ than that ineligible concept.” *BSG*, 899 F.3d at 1290. None of these limitations provide an inventive concept in the non-abstract application realm. Indeed, this type of activity has been found to be well-understood, routine, conventional activity when they are claimed in a merely generic manner (*e.g.*, at a high level of generality). *Cf. OIP Techs., Inc. v. Amazon.com*,

*Inc.*, 788 F.3d 1359, 1362–63 (Fed. Cir. 2015) (Determining an estimated outcome and setting a price).

Contrary to Appellant’s argument (Reply Br. 3), we find no parallel between claim 1 and the patent-eligible claims in *BASCOM*.<sup>6</sup> In *BASCOM*, the Federal Circuit held that “[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.” 827 F.3d at 1350. The court explained that the remote location of a filtering tool having customizable user-specific filtering features provides the filtering tool both the benefits of a filter on a local computer and the benefits of a filter on the ISP server, which is a technical improvement over prior art ways of filtering content. *Id.* at 1350–51. Here, Appellant has not demonstrated any particular arrangement in the claim as providing an inventive concept parallel to *BASCOM*’s technology-based solution.

Based on the foregoing, we sustain the rejection of claim 1 under 35 U.S.C. § 101, and claim 2–14, which fall with claim 1.

## DECISION

The Examiner’s rejection of claims 1–14 under 35 U.S.C. § 101 is affirmed.

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<sup>6</sup> *BASCOM Global Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016).

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No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a)(1)(iv).

AFFIRMED