



UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
13/888,115	05/06/2013	Joseph M. Kochansky	90755(49357)	8215
21874	7590	04/02/2019	EXAMINER	
Locke Lord LLP P.O. BOX 55874 BOSTON, MA 02205			KAZIMI, HANI M	
			ART UNIT	PAPER NUMBER
			3691	
			NOTIFICATION DATE	DELIVERY MODE
			04/02/2019	ELECTRONIC

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

patent@lockelord.com

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte JOSEPH M. KOCHANSKY,
RICHARD SCHIFFMAN, and SARAH SCHAFFER

Appeal 2018-003101
Application 13/888,115
Technology Center 3600

Before JASON V. MORGAN, DANIEL N. FISHMAN, and
JOSEPH P. LENTIVECH, *Administrative Patent Judges*.

LENTIVECH, *Administrative Patent Judge*.

DECISION ON APPEAL

Pursuant to 35 U.S.C. § 134(a), Appellants¹ appeal from the Examiner's decision to reject claims 1–3, 5–11, 13–17, 19, and 20. Claims 4, 12, and 18 have been canceled. *See* App. Br. 15–18 (Claims Appendix). We have jurisdiction over the pending claims under 35 U.S.C. § 6(b).

We affirm.

¹ According to Appellants, the real party in interest is Blackrock, Inc. App. Br. 2.

STATEMENT OF THE CASE

Appellants' Invention

Appellants' invention generally relates to “the creation, communication, and execution of trades for financial instruments including securities.” Spec. 1:20–21. Claim 1, which is illustrative, reads as follows:

1. A method for providing computer-implemented trading of securities, comprising:

providing respective computer-generated interfaces from a counter-party system between a plurality of dealers and a plurality of clients wherein a network enables messages to be directly exchanged between the dealer interfaces and the client interfaces;

enabling at least a particular client to submit an inquiry, via the respective client interface, for trading a particular security to at least one of the plurality of the dealers;

enabling the dealers to provide respective offers and/or bids, via their respective dealer interfaces, in response to a client inquiry submitted thereto; and

communicating, via the computer generated interfaces, the offers and/or bids directly to the particular client from a particular dealer for consideration thereby,

wherein riskless-principal security trades are processed through a common-counterparty comprising a riskless principal to enable clients to remain anonymous to other buy-side participants.

Rejection

Claims 1–3, 5–11, 13–17, 19, and 20 stand rejected under 35 U.S.C. § 101 because the claimed subject matter is judicially-excepted from patent eligibility under § 101. Final Act. 2.

ANALYSIS

Appellants do not argue the claims separately with particularity. Instead, Appellants rely upon the same arguments for all the claims. *See* App. Br. 5–13. We select claim 1 as representative of this group, and claims 2, 3, 5–11, 13–17, 19, and 20 stand or fall with claim 1. 37 C.F.R. § 41.37(c)(1)(iv) (2016).

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. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014) (internal quotation marks and citation omitted).

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.”).

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, 191 (1981)); “tanning, dyeing, making water-proof cloth, vulcanizing India rubber, smelting ores” (*id.* at 184 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 176; *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.* (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 (internal 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.*

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) (“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 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) (9th Ed., Rev. 08.2017, Jan. 2018)).

See Memorandum, 84 Fed. Reg. at 52, 54–55. 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 Memorandum, 84 Fed. Reg. at 56.

STEP 1

Under “Step 1” of the analysis, we determine whether the claimed subject matter falls within the four categories of patentable subject matter identified by 35 U.S.C. § 101. Memorandum, 84 Fed. Reg. at 53–54. Claim 1 is directed to a method and, therefore, falls within the four categories of patentable subject matter—a process.

STEP 2A, PRONG 1

Under “Step 2A, Prong One” of the analysis, we determine whether the claim recites a judicial exception. Memorandum, 84 Fed. Reg. at 54.

Claim 1 recites:

enabling at least a particular client to submit an inquiry, via the respective client interface, for trading a particular security to at least one of the plurality of the dealers;

enabling the dealers to provide respective offers and/or bids, via their respective dealer interfaces, in response to a client inquiry submitted thereto; and

communicating, via the computer generated interfaces, the offers and/or bids directly to the particular client from a particular dealer for consideration thereby.

Appellants’ Specification provides “[t]he buying and selling of financial instruments is well known” and that “with regards to debt securities, bond trading has typically been conducted using various methods.” Spec. 1:25–27. The Specification describes one method of bond trading as “involv[ing] auctions whereby dealers and investors communicate with one another to offer and accept various prices and terms for different bonds.” Spec. 1:27–2:2. Therefore, these limitations, as drafted, recite processes that, under their broadest reasonable interpretation, are fundamental economic practices

similar to the intermediated settlement in *Alice* (see *Alice*, 573 U.S. at 218–19), verifying credit card transactions in *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1370 (Fed. Cir. 2011), and guaranteeing transactions in *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1354 (Fed. Cir. 2014). As such, the claims recite a fundamental economic practice—i.e., a certain method of organizing human activity that represents an abstract idea. See Memorandum, 84 Fed. Reg. at 54–55.

That the claims require the steps to be performed via “respective client interfaces,” “respective dealer interfaces,” and “computer generated interfaces” fails to take the claim limitations out of the method of organizing human activity grouping because an abstract idea (such as a fundamental economic practice) is not rendered patent-eligible merely by coupling it to a machine or manufacture. See *Alice*, 537 U.S. at 223. Additionally, as our reviewing court noted in *In re TLI Commc’ns LLC Patent Litig.*, 823 F.3d 607 (Fed. Cir. 2016), “not every claim that recites concrete, tangible components escapes the reach of the abstract-idea inquiry.” *Id.* at 611.

STEP 2A, PRONG 2

Under “Step 2A, Prong Two,” because the claims recite an abstract idea, we determine whether the claim as a whole integrates the recited judicial exception into a practical application of the exception.

Memorandum, 84 Fed. Reg. at 54. Claim 1 recites the following additional elements:

providing respective computer-generated interfaces from a counter-party system between a plurality of dealers and a plurality of clients wherein a network enables messages to be

directly exchanged between the dealer interfaces and the client interfaces

...

wherein riskless-principal security trades are processed through a common-counterparty comprising a riskless principal to enable clients to remain anonymous to other buy-side participants.

We find these additional limitations fail to integrate the judicial exception into a practical application. For example, the claims do not: (1) improve the functioning of a computer or other technology, (2) are not applied with any particular machine (except for a generic computer), (3) do not effect a transformation of a particular article to a different state, and (4) are not applied in any meaningful way beyond generally linking the use of the judicial exception to a particular technological environment, such that the claim as a whole is more than a drafting effort designed to monopolize the exception. *See* Memorandum, 84 Fed. Reg. at 54–55; MPEP §§ 2106.05(a)–(c), (e)–(h). These limitations do not impose any meaningful limits on practicing the recited abstract idea and, therefore, do not integrate the abstract idea into a practical application.

The additional element of “providing respective computer-generated interfaces from a counter-party system between a plurality of dealers and a plurality of clients wherein a network enables messages to be directly exchanged between the dealer interfaces and the client interfaces” is a form of insignificant extra-solution activity. This limitation fails to cause the abstract idea to be integrated into a practical application because it fails to impose meaningful limits on the claim such that it is not nominally or tangentially related to the invention. As our reviewing court has observed,

“after *Alice*, there can remain no doubt: recitation of generic computer limitations does not make an otherwise ineligible claim patent-eligible.” *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1256 (Fed. Cir. 2014) (citing *Alice*, 573 U.S. at 223).

The additional element of “wherein riskless-principal security trades are processed through a common-counterparty comprising a riskless principal to enable clients to remain anonymous to other buy-side participants” merely narrows the abstract idea and, therefore, also fails to cause the abstract idea to be integrated into a practical application.

For the foregoing reasons, claim 1 is directed to a method of organizing human activity (e.g., a fundamental economic practice) and, therefore, an abstract idea.

STEP 2B

Because the claim is directed to an abstract idea, we next evaluate the claim under “Step 2B” to determine whether the claim provides an “inventive concept” (e.g., recites significantly more than the abstract idea). Memorandum, 84 Fed. Reg. at 56. As recognized by the Memorandum, an “inventive concept” can be evaluated based on whether an additional element or combination of elements:

- (1) adds a specific limitation or combination of limitations that are not well-understood, routine, conventional activity in the field, which is indicative that an inventive concept may be present (*see* MPEP § 2106.05(d)); or
- (2) simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception, which is indicative that an inventive concept may not be present.

See Memorandum, 84 Fed. Reg. at 56.

In this case, however, we find no element or combination of elements recited in Appellants' claim that contains any "inventive concept" or adds anything "significantly more" to transform the abstract concept into a patent-eligible application. *Alice*, 573 U.S. at 221–22. The Specification describes the claimed process as being able to be implemented "with numerous other general-purpose or special purpose computing devices and computing system environments or configurations." Spec. 10:9–10. The Specification further provides "there is a schematic representation illustrated in FIG. 1 of the core functional components of the computer-based trading system of the generally by reference numeral and described in U.S. Patent No. 7,430,532 [B2; issued Sept. 30, 2008 to Wizon et al. ("Wizon")] (incorporated herein) to which illustrated embodiments of the present invention may be implemented therewith." Spec. 7:8–12. Neither the Specification nor Wizon provides any substantive description regarding the claimed "respective client interfaces," "respective dealer interfaces," and "computer generated interfaces." Instead, the claimed interfaces are merely described as Input/Output devices. *See* Spec. Fig. 1; Wizon Fig. 1, 5:11–15. As such, we agree with the Examiner that the claims "provide a generically computer-implemented solution to a business-related or economic problem" (Ans. 6) and, therefore, fail to cause the claim to recite significantly more than the abstract idea to which the claim is directed. *See DDR Holdings*, 773 F.3d at 1256.

We are not persuaded by Appellants' argument that the claims are not directed to an abstract idea because the claims:

[R]elate to a processor implemented system and method which specifically enables “riskless-principal security trades [to be] processed through a common-counterparty comprising a riskless principal to enable clients to remain anonymous to other buy-side participants”, which process cannot be performed “mentally with paper and pen” (due at least to the anonymity feature, which can only be accomplished using a computer) and thus is not merely directed to an economic fundamental practice. It is submitted this clearly amounts to “significantly more” than the judicial exception, since it clearly relates to improvements to the technology field of analytical trading systems.

App. Br. 10. We agree with the Examiner, that the claims are directed to a solution to a “business-related or economic problem” and not to an improvement to a particular technology or technological field. Ans. 6.

CONCLUSION

For the foregoing reasons, we sustain the Examiner’s 35 U.S.C. § 101 rejection of claim 1 and claims 2, 3, 5–11, 13–17, 19, and 20, which fall with claim 1.

DECISION

We affirm the Examiner’s rejection of claims 1–3, 5–11, 13–17, 19, and 20 under 35 U.S.C. § 101.

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