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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte JOHN LABUSZEWSKI, JOHN NYHOFF,
DAVID BOBERSKI, MIKE KAMRADT,
ROBERTA PAFFARO, EDWARD GOGOL, JOHN WILEY,
RICHARD CO, and STEVE YOUNGREN

Appeal 2018-004179¹
Application 15/079,758
Technology Center 3600

Before ERIC B. CHEN, JEREMY J. CURCURI, and ADAM J. PYONIN,
Administrative Patent Judges.

PYONIN, *Administrative Patent Judge.*

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. § 134(a). We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

¹ “The real party in interest is Chicago Mercantile Exchange Inc., the assignee of record.” App. Br. 2.

STATEMENT OF THE CASE

Introduction

The Application is directed to a “system for moving money between accounts of traders by a central counterparty to facilitate payments, i.e. the movement of funds, . . . which provides a flexible mechanism which supports simpler accounting, new types of derivatives contracts as well new types fees.” Abstract. Claims 1–25 are pending; of these claims 1, 13, and 15 are independent. App. Br. 2. Claim 1 is reproduced below for reference (emphases added):

1. A computer implemented method of *facilitating a payment between traders based on a first position in a first instrument held by a first trader to which a second trader is a counterparty*, the method comprising:
 - determining, by a payment processor based on the first position, the amount of a payment to be made from one of the first or second trader to the other of the first or second trader in advance of settlement thereof, the amount of the payment being further based on a percentage of a notional value of the first instrument, the first instrument having a fixed settlement value and a notional value which varies as a function of an inflation index;*
 - assigning, automatically by the payment processor based on the first position in the first instrument held by the first trader to which the second trader is a counterparty, a second position to the first trader in a futures contract characterized by a settlement date, a quantity and a price, the second position being characterized by a value based on the quantity and the price of the futures contract as of the assigning, and a third position to the second trader, counter to the second position, in the futures contract, the first and second traders not being identified to each other;*
 - valuing, by a settlement processor upon occurrence of the settlement date, the futures contract at a spot value different*

from the price of the futures contract, the spot value being based on the determined payment amount; and modifying, by a margin processor, a first account record associated with the first trader and a second account record associated with the second trader, both stored in an account database stored in a memory coupled with the processor, to reflect a credit to the account of the first trader and a debit from the account of the second trader in the amount of the difference between the value of the second position and the spot value when the difference represents a loss for the second trader or to reflect a debit from the account of the first trader and a credit to the account of the second trader in the amount of the difference between the value of the second position and the spot value when the difference represents a loss for the first trader.

Rejection

Claims 1–25 stand rejected under 35 U.S.C. § 101 as being patent ineligible. Final Act. 5.

ANALYSIS

We have reviewed the Examiner’s rejections in light of Appellants’ arguments. Appellants do not separately argue the claims. *See* App. Br. 5–17. We select claim 1 as representative. *See* 37 C.F.R. § 41.37(c)(1)(iv). Arguments Appellants could have made but chose not to make are deemed waived. *See* 37 C.F.R. § 41.37(c)(1)(iv).

The Examiner determines claim 1 is patent ineligible under 35 U.S.C. § 101, “because the claimed invention is directed to a judicial exception (i.e., a law of nature, a natural phenomenon, or an abstract idea) without significantly more.” *Ans. 8; see also Alice Corp. v. CLS Bank Int’l*, 573 U.S. 208, 217 (2014) (describing the two-step framework “for distinguishing

patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts”).

After the docketing of this Appeal, the USPTO published revised guidance on the application of § 101 (“Guidance”). *See* USPTO’s 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019) (“Memorandum”). Pursuant to the Guidance “Step 2A,” the office first looks to whether the claim recites:

- (1) Prong One: 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) Prong Two: additional elements that integrate the judicial exception into a practical application (see MPEP § 2106.05(a)–(c), (e)–(h)).

Only if a claim (1) recites a judicial exception and (2) does not integrate that exception into a practical application, does the Office then (pursuant to the Guidance “Step 2B”) 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.

We are not persuaded the Examiner’s rejection is in error. We adopt the Examiner’s findings and conclusions as our own. We add the following primarily for emphasis and clarification with respect to the Guidance.

A. Step 2A

Appellants argue the Examiner errs in determining claim 1 is abstract, because “the present claims include sufficient specific structure and function and, as such, are not drawn to an abstract idea.” App. Br. 17. Particularly, Appellants contend claim 1 is “directed to a specific, novel and patentable system for indirectly moving monetary value among accounts of traders specifically within the environment of a central counter-party based trading system where, due to the novation by the central counter-party in any transaction, direct movement between accounts is not permitted.” App. Br. 6.

Prong One

Pursuant to Step 2A, Prong One of the Guidance, we are not persuaded the Examiner errs in determining claim 1 recites an abstract idea. *See* Final Act. 3, 6; Memorandum Section III (A) (1) (Prong One: Evaluate Whether the Claim Recites a Judicial Exception), 84 Fed. Reg. at 54. The claim recites a “method of facilitating a payment between traders based on a first position in a first instrument held by a first trader to which a second trader is a counterparty” by performing the method steps italicized *supra*. These limitations are steps of an “accounting mechanism[]” used for “the movement of funds” (Spec. ¶ 10), and are “fundamental economic principles or practices (including hedging, insurance, mitigating risk)” and “commercial or legal interactions (including agreements in the form of contracts; legal obligations; advertising, marketing or sales activities or behaviors; business relations)” (Memorandum Section I, 84 Fed Reg. at 52). The italicized limitations are therefore “[c]ertain methods of organizing

human activity.” Memorandum Section I, 84 Fed Reg. at 52; *see also* Spec. ¶ 2–4.²

Accordingly, we conclude the claims recite an abstract idea under Prong One of the Guidance. Memorandum, 84 Fed. Reg. at 52, 54.

Prong Two

We are also not persuaded the Examiner’s rejection is in error pursuant to Step 2A, Prong Two of the Guidance. Other than the limitations reciting the judicial exception, claim 1 recites additional elements requiring that the method is “computer implemented” using various processors. These “additional element[s] merely recites the words ‘apply it’ (or an equivalent) with the judicial exception, or merely includes instructions to implement an abstract idea on a computer, or merely uses a computer as a tool to perform an abstract idea.” Memorandum, 84 Fed. Reg. at 55; Final Act. 4. As such,

² Although not required by the Guidance (*see* Memorandum, 84 Fed. Reg. at 51–52), we note the italicized claim limitations—relating to facilitating payment between traders of a financial instrument—are similar to financial transaction claims that have been found patent ineligible. *See Alice*, 573 U.S. at 219 (“Petitioner’s claims involve a method of exchanging financial obligations between two parties using a third-party intermediary to mitigate settlement risk,” wherein “[t]he intermediary creates and updates ‘shadow’ records to reflect the value of each party’s actual accounts held at ‘exchange institutions,’ thereby permitting only those transactions for which the parties have sufficient resources,” thus the claims recite “an ‘abstract idea’ beyond the scope of § 101.”); *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,” and “[t]he concept of hedging, described in claim 1 and reduced to a mathematical formula in claim 4, is an unpatentable abstract idea”).

the claim is directed to the recited judicial exception, pursuant to Prong Two of the Guidance. *See id.* at 53.

We find Appellants’ arguments, regarding the claims limitations being “novel and specific” and providing a technical solution, to be unpersuasive. App. Br. 7; *see also, e.g.*, App. Br. 6, 12–13, and 15. The limitations argued by Appellants are discussed above with respect to Prong One, and are steps of the organizing human activity of facilitating a payment between traders. Thus, these limitations are not additional elements (or a combination of elements) that amount to significantly more than the judicial exception itself. *See* Final Act. 6; App. Br. 10–11; *see also* Memorandum, 84 Fed. Reg. 54–55 (“evaluate integration into a practical application by: (a) Identifying whether there are any additional elements recited in the claim beyond the judicial exception(s)”; Memorandum fn. 24 (“USPTO guidance uses the term ‘additional elements’ to refer to claim features, limitations, and/or steps that are recited in the claim beyond the identified judicial exception.”)).

Separately, we note that regardless of the categorization of the disputed limitations, Appellants fail to persuasively show the claims are not directed to the judicial exception. Based on the record before us, we determine that the specificity of the recited techniques is insufficient to establish patent eligibility, and the claims effect at most a financial or contractual improvement rather than providing any technical benefit. *See* Final Act. 4, 7–8; Spec. ¶¶ 2–5, 10–14; *see also Alice*, 573 U.S. at 222, (quoting *Parker v. Flook*, 437 U.S. 584, 593 (1978)) (“In holding that the process was patent ineligible, we rejected the argument that ‘implement[ing] a principle in some specific fashion’ will ‘automatically fal[l] within the patentable subject matter of § 101.’”); *Genetic Techs. Ltd. v. Merial L.L.C.*,

818 F.3d 1369, 1376 (Fed. Cir. 2016) (“[U]nder 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.”).

Accordingly, we determine claim 1 does not integrate the judicial exception into a practical application. *See* Memorandum, 84 Fed. Reg. at 54.

B. Step 2B

Appellants argue claim 1 recites “a specific implementation which has NOT been used before and therefore is not well understood, routine or conventional in the art.” App. Br. 11. Appellants contend such non-conventionality “is apparent from the lack of prior art, or adding unconventional steps that confine the claim to a particular useful application.” App. Br. 13.

We are not persuaded the Examiner errs in determining “the claims do not amount to ‘significantly more’ than the judicial exception because although a computer system acts as the intermediary in the claimed method, the claims do no more than implement the abstract idea on a generic computer.” Final Act. 3. As discussed above, outside of the identified judicial exception, the claim recites only a “computer implemented method,” a “payment processor,” a “settlement processor,” a “margin processor,” a “memory coupled with the processor,” and “automatically.” Appellants provide no technical reasoning or evidence to show the Examiner errs in finding these limitations constitute “[g]eneric computer implementation of the abstract idea.” Final Act. 4; *see also* Spec. ¶¶ 33–42, 136–150; *Alice*,

573 U.S. at 226 (“but what petitioner characterizes as specific hardware—a “data processing system” with a “communications controller” and “data storage unit,” for example, . . .—is purely functional and generic,” as “[n]early every computer will include a “communications controller” and “data storage unit” capable of performing the basic calculation, storage, and transmission functions required by the method claims”); *Synopsys, Inc. v. Mentor Graphics Corp.*, 839 F.3d 1138, 1151 (Fed. Cir. 2016) (holding that “a claim for a new abstract idea is still an abstract idea.”). Thus, claim 1 does not include additional elements that amount to significantly more than the exception itself. *See* Memorandum 84 Fed. Reg. at 56.

Accordingly, we agree with the Examiner that claim 1 is patent ineligible.

DECISION

The Examiner’s decision rejecting claims 1–25 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)(1)(iv).

AFFIRMED