UNITED STATES PATENT AND TRADEMARK OFFICE

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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 HOWARD W. LUTNICK and STUART A. HERSCH
_____

Appeal 2018-008902
Application 13/793,299
Technology Center 3600
_____

Before CAROLYN D. THOMAS, TREVOR M. JEFFERSON, and KARA
L. SZPONDOWSKI, *Administrative Patent Judges*.

SZPONDOWSKI, *Administrative Patent Judge*.

DECISION ON APPEAL

Pursuant to 35 U.S.C. § 134(a), Appellant[1] appeals from the
Examiner's decision to reject claims 22–40. Claims 1–21 have been
cancelled. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

STATEMENT OF THE CASE

Appellant's invention generally relates to electronically trading and clearing life settlement contracts. *See*, e.g., Spec. ¶¶ 115–119. Claim 22, reproduced below, is representative of the claimed subject matter:

22. An article of manufacture comprising:

a non-transitory, computer-readable medium, in which the computer-readable medium stores instructions which, when executed by a processor, direct the processor to:

receive a query for a settlement contract that is available for sale, in which the query is based on at least one field and the settlement contract comprises a sale of a policyholder's death benefit in a life insurance policy in exchange for money;

retrieve a first settlement contract that comprises information matching the at least one queried field;

compute a rating for the first settlement contract;

receive, during a pre-determined period of time, a plurality of bids for the first settlement contract, in which each of the plurality of bids comprises a bid price;

determine, that a first bidder has submitted a best bid price for the settlement contract;

notify the first bidder and the policyholder of an agreement to sell the first settlement contract at the best bid price;

determine to generate and communicate electronic commands, directed to a trade processor, to cause the trade processor to execute instructions, stored on the computer-readable medium, to cause the trade processor to execute a procedure to execute and process a trade associate with the settlement contract; and

determine to generate and communicate electronic commands, directed to a clearing processor of a back office clearing center computer, to execute instructions stored on a computer-readable medium of the back office clearing center computer, to cause the clearing processor to execute a procedure to perform a clearing on the executed trade.

REJECTIONS[2]

Claims 22–40 stand rejected as directed to patent-ineligible subject matter under 35 U.S.C. § 101.

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: "[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 *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

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[2] The Examiner withdrew rejections of claims 22–40 under 35 U.S.C. § 103(a) in the Answer. Ans. 4.

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)).

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 (quotation marks 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 had published revised guidance on the application of § 101. USPTO, *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50 (January 7, 2019) ("2019 Guidance"); October 2019 Update: Subject Matter Eligibility, 84 Fed. Reg. 55,942 (available at the USPTO's website) ("October 2019 PEG Update"). Under the 2019 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* 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, do we then 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 2019 Guidance, 84 Fed. Reg. at 52–57.

<u>2019 Guidance, Step 2A, Prong 1</u>

The Examiner determines the claims "are directed to managing life

instruments, which is similar to the [fundamental economic] commercial

practices that have been found by the courts to be abstract ideas." Final Act.

4–5 (citing *Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208, 216 (2014); *Bilski

v. Kappos*, 561 U.S. 593, 611 (2010); *BuySAFE, Inc. v. Google, Inc.*, 765

F.3d 1350, 1355 (Fed.Cir.2014); *LendingTree, LLC v. Zillow, Inc.*, 656

F.App'x. 991, 996 (Fed. Cir. 2016)).

Appellant does not challenge the Examiner's determination that the

claims recite an abstract idea; rather, Appellant's arguments address whether

the additional elements integrate the judicial exception into a practical

application (*see* Appeal Br. 9–15). These arguments will be addressed under

Step 2A, Prong 2, below.

Independent claim 22 recites (1) "receive a query for a settlement contract that is available for sale, in which the query is based on at least one field and the settlement contract comprises a sale of a policyholder's death benefit in a life insurance policy in exchange for money"; (2) "retrieve a first settlement contract that comprises information matching the at least one queried field"; (3) "compute a rating for the first settlement contract"; (4) "receive, during a pre-determined period of time, a plurality of bids for the first settlement contract, in which each of the plurality of bids comprises a bid price"; (5) "determine, that a first bidder has submitted a best bid price for the settlement contract"; and (6) "notify the first bidder and the policyholder of an agreement to sell the first settlement contract at the best bid price."

We agree with the Examiner (*see* Final Act. 4–5) that these limitations, under their broadest reasonable interpretation and in light of the 2019 Guidance, recite at least one of the ineligible "[c]ertain methods of organizing human activity" that includes "commercial or legal interactions," such as "agreements in the form of contracts," "legal obligations," "advertising, marketing or sales activities or behaviors" and "business relations," as well as "fundamental economic principles or practices (including . . . insurance)." *See* 2019 Guidance, 84 Fed. Reg. at 52.

Accordingly, Appellant has not sufficiently argued why the claims do not recite an abstract idea and we agree with the Examiner's findings and conclusions. *See* Final Act. 4–5. Therefore, we conclude the claims recite an abstract idea pursuant to Step 2A, Prong One of the guidance. *See* 2019 Guidance, Section III(A)(1) (Prong One: Evaluate Whether the Claim Recites a Judicial Exception).

2019 Guidance, Step 2A, Prong 2

In determining whether the claims are "directed to" the identified abstract idea, we next consider whether the claims recite additional elements that integrate the judicial exception into a practical application.[3] We discern no additional element (or combination of elements) recited in the claims that integrates the judicial exception into a practical application. *See* 2019 Guidance, 84 Fed. Reg. at 54–55.

The Examiner determines the claims "do not include an improvement to another technology or technical field, an improvement to the functioning of the computer itself, or meaningful limitations beyond generally linking the use of an abstract idea to a particular technological environment." Final Act. 6. Rather, the Examiner determines the limitations recite generic computer elements, such as "non-transitory, computer-readable medium, processor, trade processor, clearing processor, back office clearing computer" that operate in a routine manner. Final Act. 6–7; Ans. 4–6.

Appellant argues "the claims amount to an improvement in computer performance," specifically, "improvements in trade processing through causing a processor to communicate with a **trade processor** and a **clearing processor**." Appeal Br. 9; *see also* Reply Br. 2–4. In support, Appellant

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[3] We acknowledge that some of the considerations at Step 2A, Prong Two, properly may be evaluated under Step 2 of *Alice* (Step 2B of the Office guidance). For purposes of maintaining consistent treatment within the Office, we evaluate them under Step 1 of *Alice* (Step 2A of the Office guidance). *See* 2019 Guidance, 84 Fed. Reg. at 55 n.25, 27–32.

cites to paragraphs 146–149 of the published Specification.[4] Appeal Br. 10–12; *see also* Reply Br. 2–4. Appellant asserts that the "specification includes a teaching about how the claimed invention improves computer performance, which may help control activity over the network and control computer workload including computer resources such as memory, processor and network resources such as bandwidth." Appeal Br. 12 (emphasis omitted); *see also* Reply Br. 4.

Appellant further asserts that the claims are similar to those in *CoreWireless Licensing S.A.R.L. v. LG Electronics MobileComm U.S.A., Inc.*, 880 F.3d 1356 (Fed. Cir. 2018). Appeal Br. 13–14. Appellant argues the

> claimed subject matter is also drawn to an improved interface, which provides advantages over the prior art systems and improves the efficiency of the electronic devices, thereby overcoming disadvantages of prior systems. In the present case . . . the highlighted paragraphs of Appellants' published disclosure emphasized problems and disadvantages of prior systems and some of the advantages provided by Appellants' disclosed techniques.

Appeal Br. 14 (emphasis omitted). Appellant also argues the claims reduce the number of transactions over the network. Appeal Br. 14–15.

We are not persuaded by Appellant's arguments. The pertinent portions of Appellant's Specification state:

> [00124] Back office clearing center 112 may be any suitable equipment, such as a computer, a laptop computer, a

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[4] These paragraphs correspond to paragraphs 124–127 of the Specification as filed on March 11, 2013. In this Decision, we cite to the Specification as filed on March 11, 2013, not to the published application.

mainframe computer, etc., or any combination of the same, for causing trades to be cleared and/or verifying that trades are cleared. Communications link 110 may be any communications links suitable for communicating data between server 104 and back office clearing center 112, such as network links, dial-up links, wireless links, hard-wired links, fiber-optical links, etc.

[00125] The server, the back office clearing center, and one of the workstations, which are depicted in FIG. 1, are illustrated in more detail in FIG. 2. Referring to FIG. 2, workstation 101 may include processor 201, display 202, input device 203, and memory 204, which may be interconnected. In a preferred embodiment, memory 204 contains a storage device for storing a workstation program for controlling processor 201. Processor 201 may use the workstation program to present on display 202 trade information relating to bids, offers, executed trades, and insurance policy and/or profile information such as status and query results to a user of workstation 101. Processor 201 may run any of the processes shown in flow diagrams of FIGS. 3, 4, 10, 11, and 12. Display 202 may be used to view any portion of FIGS. 5, 6, 7, 8, or 9. Furthermore, input device 203 may be used by the user to submit insurance policies and/or settlement contracts, search existing ones, view the status of submitted policies and/or contracts, enter such bids and offers on them, modify the bids and offers, and enter into trades involving the policies themselves and/or settlement contracts for the insurance policies.

[00126] Server 104 may include processor 211, display 212, input device 213, and memory 214, which may be interconnected. In a preferred embodiment, memory 214 contains a storage device for storing settlement contracts (e.g., in a database) as well as trade information relating to the trades. The storage device further contains a server program for controlling processor 211. Processor 211 uses the server program to receive, sort, and search settlement contracts, and transact the purchase and sale of the settlement contracts.

> Processor 211 may include settlement calculation processor 215
> that may be implemented to determine the benchmark values
> based on market conditions or other criteria that may relate to
> the insurance policy contracts. Processor 211 may run any of
> the processes shown in the flow diagrams of FIGS. 3, 4, 10, 11,
> and 12. Processor 211 may include trade processor 216 that
> executes and processes trades.
>
> [00127] Back office clearing center 112 may include
> processor 221, display 222, input device 223, and memory 224,
> which may be interconnected. In a preferred embodiment,
> memory 224 contains a storage device for storing a clearing
> program for controlling processor 221. Processor 221 uses the
> clearing program to clear executed trades. Clearing executed
> trades may preferably include exchanging currency for a future
> commitment.

Spec. ¶¶ 124–127.

Although these portions of the Specification describe the use of a

trade processor that executes and processes trades (paragraph 126) and a

processor that uses a clearing program (paragraph 127), we do not see where

the cited paragraphs describe, teach, or emphasize any improvement to

computer functionality, improvement to computer performance, or

advantages provided by Appellant's techniques. *Contra Visual Memory*

LLC v. NVIDIA Corp., 867 F.3d 1253, 1260 (Fed. Cir. 2017) ("And like the

patents at issue in *Enfish* and *Thales*, the specification discusses the

advantages offered by the technological improvement"). Appellant's

arguments pertaining to the improved computer functionality, computer

performance, and advantages constitute attorney argument with no support

in the record.

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The claimed processors are defined generically in the Specification. *See* Spec. ¶ 62 (defining a "processor" as "one or more microprocessors, central processing units (CPUs), computing devices, microcontrollers, digital signal processors, or like devices or any combination thereof"). The claimed memory, computer-readable medium, and back office clearing center computer are likewise defined and described generically. *See* Spec. ¶¶ 61, 65, 70, 124, 125. Appellant has not identified anything in the Specification to indicate that any improvements come from the claimed invention itself, rather than from the capabilities of the recited processors or other generic computer elements responsible for performing the claimed limitations. To the contrary, the Specification describes advantages "include allowing purchasers to trade one or more life settlement contracts and/or policies electronically." Spec. ¶ 176; *see Bancorp Servs., L.L.C., v. Sun Life Assurance Co. of Can. (U.S.)*, 687 F.3d 1266, 1278 (Fed. Cir. 2012) ("[T]he fact that the required calculations could be performed more efficiently via a computer does not materially alter the patent eligibility of the claimed subject matter."); *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015) (relying on a computer to perform routine tasks more quickly or more accurately is insufficient to render a claim patent-eligible).

We also agree with the Examiner that the claims here are not analogous to those in *Core Wireless*. *See* Ans. 6–7. The claims in *Core Wireless* recited a specific manner of displaying a limited set of information to a user, resulting in an improved user interface for computing devices. 880 F.3d at 1362. The specification in that case described the deficits in the prior art and explained how the claimed invention improved the efficiency of using the electronic device. *Id.* at 1363. As discussed above, here,

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Appellant has not directed us to portions of the Specification that describe any improvement to the functioning of the computer resulting from the claimed invention, as opposed to the generic computer elements. Instead, Appellant has merely offered attorney argument. Moreover, as the Examiner points out, the claims here are not directed to a user interface like that described in *Core Wireless*. Ans. 7.

Accordingly, we determine the claims do not integrate the judicial exception into a practical application. *See* 2019 Guidance, Section III(A)(2) (Prong Two: If the Claim Recites a Judicial Exception, Evaluate Whether the Judicial Exception Is Integrated Into a Practical Application). We, therefore, agree with the Examiner that the claims are directed to a judicial exception. *See* Final Act. 4–8; Ans. 5–8.

2019 Guidance, Step 2B

Turning to step 2 of the *Alice/Mayo* framework, we look to whether the claims: (a) add a specific limitation or combination of limitations that are not well-understood, routine, conventional activity in the field, or (b) simply append well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception. 2019 Guidance, 84 Fed. Reg. at 56.

The Examiner determines the additional limitations (e.g., non-transitory computer readable medium, processor, trade processor, clearing processor, back office clearing center) do not add meaningful limitations to the abstract idea because they operate in a routine manner to apply the abstract idea. Final Act. 6. Specifically, the Examiner determines these elements perform routine and conventional functions of storing, receiving,

sending, or transmitting data, which courts have recognized as "merely generic." Ans. 5–6 (citing MPEP § 2106.05(d)).

Appellant presents the same arguments as discussed above, and argues "the claimed features above are not well-understood, routine or conventional." Reply Br. 4 (emphasis omitted).

Appellant's arguments are not persuasive. When viewed as a whole, nothing in the claim adds significantly more (i.e., an inventive concept) to the abstract idea. The additional elements in the claim, identified above, amount to no more than mere instructions to apply the exception using generic computer components, which is insufficient to provide an inventive concept. *See, e.g.,* Spec. ¶¶ 61, 62, 65, 70, 124, 125. Appellant does not direct our attention to anything in the Specification that indicates the claimed computer components perform anything other than well-understood, routine, and conventional processing functions, such as receiving, storing, analyzing, and transmitting data. *See Intellectual Ventures 1 LLC v. Erie Indemnity Co.*, 850 F.3d 1315, 1329 (Fed. Cir. 2017) ("the remaining limitations recite routine computer functions, such as the sending and receiving information to execute the database search"); *Electric Power Grp. LLC v. Alstom S.A.*, 830 F.3d 1350, 1355 (Fed. Cir. 2016) ("Nothing in the claims, understood in light of the specification, requires anything other than off-the-shelf, conventional computer, network, and display technology for gathering, sending, and presenting the desired information"); *buySAFE*, 765 F.3d at 1355 ("That a computer receives and sends the information over a network—with no further specification—is not even arguably inventive"); *Alice*, 573 U.S. at 224–26 (basic calculating, receiving, storing, sending information over networks insufficient to add an inventive concept). In

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short, each step does no more than require a generic computer to perform generic computer functions.

Furthermore, we are unable discern anything in the claims, even when the recitations are considered in combination, that represents something more than the performance of routine, conventional functions of a generic computer. That is, the claims at issue do not require any nonconventional computer components, or even a "non-conventional and non-generic arrangement of known, conventional pieces," but merely call for performance of the claimed information receiving, storing, analyzing, and transmitting data "on a set of generic computer components." *Bascom Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1350 (Fed. Cir. 2016).

Appellant's preemption argument is likewise unpersuasive of Examiner error. *See* Appeal Br. 15. Although preemption "might tend to impede innovation more than it would tend to promote it, 'thereby thwarting the primary object of the patent laws,'" *Alice*, 573 U.S. at 216 (citing *Mayo*, 566 U.S. at 70–71), "the absence of complete preemption does not demonstrate patent eligibility." *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015); *see also OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362–63 (Fed. Cir. 2015) ("[T]hat the claims do not preempt all price optimization or may be limited to price optimization in the e-commerce setting do not make them any less abstract."); Ans. 7–8.

Appellant does not separately argue the dependent claims. *See generall*y Appeal Br. 9–15. Accordingly, for the foregoing reasons we sustain the Examiner's 35 U.S.C. § 101 rejection of claims 22–40.

CONCLUSION

In summary:

Claims Rejected	35 U.S.C. §	Reference(s)/Basis	Affirmed	Reversed
22–40	101	Eligibility	22–40	

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