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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte RICHARD K. MACWILLIAMS
and JOHN ANDREW MCQUOWN

Appeal 2019-000053¹
Application 13/295,420²
Technology Center 3600

Before MURRIEL E. CRAWFORD, BIBHU R. MOHANTY, and
MATTHEW S. MEYERS, *Administrative Patent Judges*.

MEYERS, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellant appeals under 35 U.S.C. § 134(a) claims 1–18 and 23–29.
We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

¹ Our decision references Appellant’s Appeal Brief filed June 26, 2018 (“Appeal Br.”) and the Examiner’s Answer mailed July 26, 2018 (“Ans.”) and the Non-Final Office Action mailed June 26, 2017 (“Final Act.”).

² We use the word “Appellant” to refer to “applicant” as defined in 37 C.F.R. § 1.42. Appellant identifies eBond Advisors LLC, as the real party in interest (Appeal Br. 4).

CLAIMED INVENTION

Appellant's claims "relate generally to investment vehicles, and, more particularly, to bonds and credit default swaps" (Spec. ¶ 2).

Claims 1, 7, 13, and 29 are the independent claims on appeal. Claim 1, reproduced below with bracketed notations added, is illustrative of the claimed subject matter:

1. A method comprising:

[a] receiving, by one or more computing devices, a payment based on a cost of a credit default swap contract on an exchangeable bond instrument, wherein the exchangeable bond instrument is exchangeable, according to prescribed conversion requirements, for an enhanced bond instrument, and wherein the enhanced bond instrument includes a reference to the credit default swap as specified by the prescribed conversion requirements;

[b] purchasing, by the one or more computing devices, in accordance with the prescribed conversion requirements, the credit default swap contract specified by the prescribed conversion requirements, wherein the purchased credit default swap contract secures a principal payout for an investor in the enhanced bond instrument in an event of default;

[c] delivering, by the one or more computing devices, in accordance with the prescribed conversion requirements, the credit default swap contract to an account held at a clearing member; and

[d] instructing, by the one or more computing devices, in accordance with the prescribed conversion requirements, a bond indenture trustee to convert the exchangeable bond instrument to the enhanced bond instrument, the conversion comprising:

[d1] changing, by the bond indenture trustee and in accordance with the prescribed conversion requirements, a CUSIP identifier of the exchangeable bond instrument to a different CUSIP identifier corresponding to the enhanced bond instrument;

[d2] monitoring, by a trustee different from the clearing member, the account on behalf of the investor in the enhanced bond instrument; and

[d3] delivering the enhanced bond instrument to the investor.

REJECTION

Claims 1–18 and 23–29 are rejected under 35 U.S.C. § 101 as directed to a judicial exception without significantly more.

ANALYSIS

Patent-Ineligible Subject Matter

Under 35 U.S.C. § 101, an invention is patent-eligible if it claims a “new and useful process, machine, manufacture, or composition of matter.” *See* 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).

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 [P]etitioners’ 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, 67 (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 182 n.7 (quoting *Corning v. Burden*, 56 U.S. 252, 267–68 (1853))); 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, and 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.* 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.”), and 191 (citing *Benson* and *Flook*).

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 recently published revised guidance on the application of § 101. *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50 (Jan. 7, 2019) (“2019 Revised Guidance, 84 Fed. Reg.”). 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, i.e., that “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.” *See* 2019 Revised Guidance, 84 Fed. Reg. 53; *see also* 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 Revised Guidance, 84 Fed. Reg. 56.

Independent Claims 1, 7, and 13, and Dependent Claims 2–6, 8–12, and 23–28

Appellant argues claims 1–18 and 23–28 as a group (*see* Appeal Br. 15–29). We select independent claim 1 as representative. Claims 2–18 and 23–28 stand or fall with independent claim 1. *See* 37 C.F.R. § 41.37(c)(1)(iv).

With regard to the first step of the *Mayo/Alice* framework, the Examiner states that the claims recite “the abstract idea of receiving payment based on cost, purchasing swap contract based on conversion requirements, instructing [a] trustee to convert bond, changing [an] identifier, and monitoring [an] account” (Non-Final Act. 2; Ans. 5–6). The Examiner states further that “the claims are directed to [a] fundamental economic practice because the concept relates to agreements between people (purchase swap contracts on a bond), performance of financial transactions (purchasing/exchanging) and mitigating risks (enhanced bond reduces risk)” (Ans. 7).

In response, Appellant first argues that the Examiner’s rejection is improper because “[t]he Examiner fails to provide the necessary evidence or rationale to show that the claims are directed to a fundamental economic

practice” (Appeal Br. 22). More particularly, Appellant argues that “[t]he Examiner provides no factual support for its allegation that the purported abstract idea is a ‘fundamental economic practice,’ let alone provide any examples of the claimed concepts being practiced in the past” (*id.* at 22–23). We cannot agree.

Under the first prong of step 2A of the 2019 Revised Guidance, we first determine if the claims recite an abstract idea. In this regard, the Specification is titled “SYSTEMS, METHODS, AND COMPUTER PROGRAM PRODUCTS FOR CREATION AND TRADING OF ENHANCED BONDS,” and relates “generally to investment vehicles, and, more particularly, to bonds and credit default swaps” (Spec. ¶ 2). The Specification describes that “[t]he current market structure . . . makes it difficult for investors to purchase bonds of a particular issuer at the precise default risk they desire” (*id.* ¶ 7) and suffers from “the high transaction costs involved with buying and trading bonds” (*id.* ¶ 8). The Specification identifies that “[c]redit default swaps (‘CDS’) are a type of derivative investment that allow one party to transfer the default risk of an asset to another party” (*id.* ¶ 31), but notes several drawbacks with traditional CDS related to multiplicity of transactions and associated costs (*see, e.g.*, Spec. ¶¶ 32–35). To address these drawbacks, the present invention discloses “a new type of investment termed an enhanced bond (or “eBond”) is created that combines corporate bonds with CDS contracts for those same corporate bonds” (*id.* ¶ 35), and thus, provides investors with the ability “to purchase bonds with a specific desired risk regardless of issuer and provide a mechanism for dealers to significantly reduce transaction costs compared to those available today” (*id.* ¶ 9; *cf.* Ans. 4).

Taking independent claim 1 as representative, the claimed subject matter recites “[a] method” including steps for “receiving . . . a payment based on a cost of a credit default swap contract on an exchangeable bond instrument . . . according to prescribed conversion requirements” which include “a reference to the credit default swap,” “purchasing . . . in accordance with the prescribed conversion requirements, [a] credit default swap contract,” “delivering . . . in accordance with the prescribed conversion requirements, the credit default swap contract to an account held at a clearing member,” “instructing . . . in accordance with the prescribed conversion requirements, a bond indenture trustee to convert the exchangeable bond instrument to the enhanced bond instrument.” The method includes additional steps for the conversion which require the bond indenture trustee to change the “CUSIP identifier of the exchangeable bond instrument,” monitor “the account on behalf of the investor in the enhanced bond instrument,” and “deliver[] the enhanced bond instrument to the investor.”

Understood in light of the Specification, we agree with the Examiner that independent claim 1 broadly recites

the steps of receiving payment based on cost of credit default swap contract on an exchangeable bond instrument wherein the exchangeable bond instrument is exchangeable according to prescribed conversion requirements for an enhanced bond instrument and wherein the enhanced bond instrument includes a reference to the credit default swap as specified by the prescribed conversion requirements, purchasing the credit default swap contract in accordance with prescribed conversion requirements wherein the purchased credit default swap contract secures a principal payout for an investor in the enhanced bond instrument in an event of default, delivering credit default swap contract to an account held at a clearing member, instructing

bond indenture trustee to convert the exchangeable bond instrument to enhanced bond instrument, the conversion comprising changing by the bond indenture trustee and in accordance with the prescribed conversion requirements a CUSIP identifier of the exchangeable bond instrument to a different CUSIP identifier corresponding to the enhanced bond instrument, monitoring by a trustee different from the clearing member the account on behalf of the investor in the enhanced bond instrument and delivering the enhanced bond instrument to an investor.

(Non-Final Act. 2–3). We also agree with the Examiner that “[t]hese steps describe the concept of receiving payment based on cost, purchasing swap contract based on conversion requirements, instructing trustee to convert bond, changing identifier, and monitoring account, such as intermediate settlement in *Alice*” (*id.* at 3). Therefore, when viewed through the lens of the 2019 Revised Guidance, the Examiner’s analysis depicts the claimed subject matter as being directed to ineligible subject matter which may be categorized as one of the ineligible “methods of organizing human activity” that include “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),” and thus an abstract idea. *See* 2019 Revised Guidance, 84 Fed. Reg. 52.

Having concluded that claim 1 recites a judicial exception, i.e., an abstract idea, we turn to the second prong of step 2A of the 2019 Revised Guidance and determine whether the claims recite a practical application of the recited judicial exception. Here we look to see if, for example, (i) any additional elements of the claims reflects an improvement in the functioning

of a computer or to another technological field, (ii) an application of the judicial exception with, or by use of, a particular machine, (iii) a transformation or reduction of a particular article to a different state or thing, or (iv) a use of the judicial exception in some other meaningful way beyond generally linking the use of the judicial exception to a particular technological environment. *See* 2019 Revised Guidance, 84 Fed. Reg. 55; *See also* MPEP § 2106.05(a)–(c), (e)–(h).

Appellant argues that the present claims are similar to the patent-eligible claims in *McRO, Inc. v. Bandai Namco Games Am., Inc.*, 837 F.3d 1299 (Fed. Cir. 2016), and patent-eligible because independent claim 1, for example, “recites a specific process for establishing the desired credit-enhanced position, including an unconventional ‘*conversion*’ of an ‘*exchangeable bond instrument*’ for an ‘*enhanced bond instrument*’ that ‘*includes a reference to the credit default swap as specified by the prescribed conversion requirements*’” (Appeal Br. 18, 19 (“The claims of the instant application are directed to a specific improved process for establishing the above-described credit-enhanced investment position, and not to the resulting investment position itself”). However, independent claim 1, unlike the claims found non-abstract in prior cases, uses generic computer technology to send and receive (i.e., receive a payment, deliver to an account, instruct a trustee, delivery to the investor), process (i.e., purchase the credit swap, change CUSIP), and monitor data, and does not recite an improvement to a particular computer technology. (*See* Spec. ¶¶ 54 (“[T]he exchanges can be performed on a trading platform that permits trading based on the requirements provided by the bond indenture and published exchange requirements.”) 68, and 100–103); *see, e.g., McRO*, 837 F.3d at 1314–15

(Finding claims not abstract because they “focused on a specific asserted improvement in computer animation.”).

Appellant further argues that “[t]he claims of the instant application are directed to a specific improved process for establishing the above-described credit-enhanced investment position, and not to the resulting investment position itself”, and as such, “as in *McRO*, it is the incorporation of the unconventional conversion of an exchangeable bond to a completely new enhanced bond, and the recited requirements associated with the exchange, that enable an investor to establish her credit-enhanced position” (Appeal Br. 19 (citing *McRO*, 837 F.3d at 1314), and 21 (“[T]he claimed process sets forth specific steps intended to simplify the requirements of the investor to establish a particular position and reduce risks and administration typically associated with CDS contracts.”)). We cannot agree.

In *McRO*, the Federal Circuit premised its determination that the claims were patent-eligible, not merely on the specificity of the claimed animation scheme, but rather on the fact that the claims, when considered as a whole, were directed to a technological improvement over the existing, manual 3-D animation techniques and used limited rules in a process specifically designed to achieve an improved technological result in conventional industry practice. We are not persuaded that a comparable situation is presented here. As our reviewing court has made clear, “relying on a computer to perform routine tasks more quickly or more accurately is insufficient to render a claim patent eligible.” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015).

We further note that there is a fundamental difference between technological or computer functionality improvements, on the one hand, and

uses of existing computers as tools to perform a particular task, on the other. Here, the Specification discloses that “the methods illustrated by flowcharts 300 of FIG. 3, 400 of FIG. 4, 500 of FIG. 5, and 600 of FIG. 6,[] can be implemented in system 900” (Spec. ¶¶ 100, 101 (Stating “[c]omputer system 900 includes one or more processors, such as processor 904. Processor 904 can be a special purpose or a general purpose processor.”)). Indeed, the Federal Circuit applied this distinction in *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335–36 (Fed. Cir. 2016) in rejecting a 35 U.S.C. § 101 challenge at the step one stage of the *Mayo/Alice* analysis because the claims at issue focused on a specific type of data structure, i.e., a self-referential table for a computer database, designed to improve the way a computer carries out its basic functions of storing and retrieving data, and not on asserted advances in uses to which existing computer capabilities could be put. *Id.* at 1335–36.

We also find no indication in the Specification that the claimed invention effects a transformation or reduction of a particular article to a different state or thing. Here, Appellant argues

the present claims recite a transformation that takes place when an exchangeable bond is converted to an enhanced bond, which involves the transformation of documents associated with the exchangeable bond, a CUSIP identifier associated with the bond, and data representative of physical documents. (*See, e.g.*, Spec, ¶¶ 67, 80.) This transformation does not simply result in new contract terms added to the existing exchangeable bond, but a new financial instrument with its own registered identifier, that can be traded in the same manner as any other bond issued by a bond issuer, and that would be associated with bond issuer's credit rating. (Spec, ¶ 43, claims 23–25.) This new financial instrument **does not merely impart legal rights to purchase a financial instrument or commodity as in *In re Bilski***; rather, **the**

resulting enhanced bond is the actual instrument purchased by an investor.

(Appeal Br. 25 (“[T]he claims of the instant application effect an actual transformation to a new security via a specific process.”), and 28–29). However, any alleged transformation due to the “instructing” and “changing” steps recited by independent claim 1 are, at best, merely the manipulation of data, which is not sufficient to meet the transformation prong under 35 U.S.C. § 101. *See Gottschalk v. Benson*, 409 U.S. 63, 71–72 (1972) (a computer based algorithm that merely transforms data from one form to another is not patent-eligible).

Appellant also argues that the present claims are not directed to a fundamental economic practice because “the claims of the instant application allow others to perform exchanges of securities, including bonds for enhanced bonds, without infringing upon the claims” (Appeal Br. 20–22), and as such, the present “claims do not prevent an exchange of a bond for an asset-backed security backed by the bond and an enhancement product (e.g., a CDS)” (*id.* at 22). However, Appellant’s preemption argument does not alter our 35 U.S.C. § 101 analysis. Preemption concerns are fully addressed and made moot where a patent’s claims are deemed to disclose patent ineligible subject matter under the two-part framework described in *Mayo* and *Alice*. *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). “While preemption may signal patent ineligible matter, the absence of complete preemption does not demonstrate patent eligibility.” *Id.*

Turning to Step 2B of the 2019 Revised Guidance, we determine whether the additional elements: (1) add a specific limitation or combination of limitations that is not well-understood, routine, and

conventional activity in the field, which is indicative that an inventive concept may be present; 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* 2019 Revised Guidance, 84 Fed. Reg. 56.

Addressing the second step of the *Mayo/Alice* framework, the Examiner states the claims “do not include additional elements that are sufficient to amount to significantly more than the judicial exception because the additional computer elements, which are recited at a high level of generality, provide conventional computer functions that do not add meaningful limits to practicing the abstract idea” (Non-Final Act. 2). More particularly, the Examiner states

[t]he claims recite additional limitation one or more “computing devices[,]” “storage device[,]” “memory device” to perform the receiving, purchasing, delivering, instructing, changing, monitoring and delivering steps. The devices are recited at a high level of generality and are recited as performing generic computer functions routinely used in computer applications. Generic computer components recited as performing generic computer functions that are well-understood, routine and conventional activities amount to no more than implementing the abstract idea with a computerized system. The use of generic computer components to receive, purchase, delivery, instruct, change, monitor and delivering data based on human instructions does not impose any meaningful limit on the computer implementation of the abstract idea.

(*Id.* at 4). We agree with the Examiner that the additional elements taken alone or in combination do not result in anything more than conventional computer implementation. And, considered as an ordered combination, the “one or more computing devices” recited by independent 1 add nothing that

is not already present when the limitations are considered separately. Viewed as a whole, independent claim 1 simply recites a series of steps related to “the abstract idea of receiving payment based on cost, purchasing swap contract based on conversion requirements, instructing [a] trustee to convert bond, changing [an] identifier, and monitoring [an] account” (Non-Final Act. 2; Ans. 5–6). *See Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014) (“[T]he claimed sequence of steps comprises only ‘conventional steps, specified at a high level of generality,’ which is insufficient to supply an ‘inventive concept.’”) (citing *Alice*, 573 U.S. at 221). The claims do not, for example, purport to improve the functioning of the computer itself. Nor do they effect an improvement in any other technology or technical field, as discussed above with respect to prong two of step 2A. Instead, independent claim 1 amounts to nothing significantly more than an instruction to apply the abstract idea using “one or more computing devices,” which under our precedents, is not enough to transform an abstract idea into a patent-eligible invention. *See id.* at 226.

Appellant argues that “[t]he Examiner provides no evidence or explanation whatsoever to support that the claims recite well-understood, conventional, or routine features previously known to the industry” (Appeal Br. 25–28 (citing *Berkheimer v. HP, Inc.*, 881 F.3d 1360 (Fed. Cir. 2018))).

Appellant’s argument is not persuasive, at least because it could not be clearer from *Alice*, that under step two of the *Mayo/Alice* framework (i.e., step 2B), the elements of each claim are considered both individually and “as an ordered combination” to determine whether the additional elements, i.e., the elements *other* than the abstract idea itself, “transform the nature of the claim” into a patent-eligible application. *Alice Corp.*,

573 U.S. at 217. *See Mayo*, 566 U.S. at 72–73 (Requiring that “a process that focuses upon the use of a natural law also contain *other* elements or a combination of elements, sometimes referred to as an ‘inventive concept,’ sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the natural law itself.”) (emphasis added). Stated differently, the inventive concept under step two of the *Mayo/Alice* test cannot be the abstract idea itself:

It is clear from *Mayo* that the “inventive concept” cannot be the abstract idea itself, and *Berkheimer* . . . leave[s] untouched the numerous cases from this court which have held claims ineligible because the only alleged “inventive concept” is the abstract idea.

Berkheimer v. HP, Inc., 890 F.3d 1369, 1374 (Fed. Cir. 2018) (Moore, J., concurring); *see also BSG Tech LLC v. BuySeasons, Inc.*, 899 F.3d 1281, 1290–91 (Fed. Cir. 2018) (“Our precedent has consistently employed this same approach. If a claim’s only ‘inventive concept’ is the application of an abstract idea using conventional and well-understood techniques, the claim has not been transformed into a patent-eligible application of an abstract idea.”).

As discussed above, there is no indication here that the steps, recited in independent claim 1, require any specialized computer or inventive computer components — the Specification indicates just the opposite (*see, e.g.*, Spec. ¶¶ 100–103). Here, the only claim element in independent claim 1 beyond the abstract idea is the claimed “one or more computing devices,” i.e., generic componentry, operating in its routine and ordinary capacity to send, receive, process, and monitor data.

Finally, to the extent Appellant maintains that the claimed invention is patent-eligible, i.e., that claim 1 amounts to “significantly more” than an

abstract idea, because “the process recited in the claims is markedly different from past conventional industry practice, as recognized by the Examiner at least based on the lack of any prior art rejections” (Appeal Br. 19), Appellant misapprehends the controlling precedent.

Neither a finding of novelty nor a non-obviousness determination automatically leads to the conclusion that the claimed subject matter is patent-eligible. Although the second step in the *Mayo/Alice* framework is termed a search for an “inventive concept,” the analysis is not an evaluation of novelty or non-obviousness, but rather, a search for “an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Alice*, 573 U.S. at 217–18 (citation omitted).

“Groundbreaking, innovative, or even brilliant discovery does not by itself satisfy the § 101 inquiry.” *Ass’n for Molecular Pathology*, 569 U.S. at 591. A novel and non-obvious claim directed to a purely abstract idea is, nonetheless, patent-ineligible. *See Mayo*, 566 U.S. at 90; *see also Diamond*, 450 U.S. at 188–89 (“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.”).

Appellant’s other arguments, including those directed to now-superseded USPTO guidance, have been considered but are not persuasive of error. (*See* 2019 Revised Guidance, 84 Fed. Reg. 51 (“Eligibility-related guidance issued prior to the Ninth Edition, R-08.2017, of the MPEP (published Jan. 2018) should not be relied upon.”)).

We are not persuaded, on the present record, that the Examiner erred in rejecting independent claim 1 under 35 U.S.C. § 101. Therefore, we sustain the Examiner’s rejection of independent claim 1, and claims 2–18 and 23–28, which fall with independent claim 1.

Independent Claim 29

Addressing independent claim 29 separately, Appellant argues that “in addition to being patent-eligible for the reasons set forth above, independent claim 29 recites additional language clarifying that the claim amounts to significantly more than any purported abstract idea” (Appeal Br. 30). More particularly, Appellant argues that independent claim 29 is patent eligible because “the preamble of independent claim 29 recites: ‘*An improved method for establishing a position in both a bond instrument and a credit default swap contract on the bond instrument, wherein the improvement comprises.*’” (*id.* at 29–30). We cannot agree.

Instead, we find that the feature argued by Appellant, i.e., “an improved method,” fails to distinguish independent claim 29 from the underlying abstract idea identified by the Examiner, i.e., “the abstract idea of receiving payment based on cost, purchasing swap contract based on conversion requirements, instructing [a] trustee to convert bond, changing [an] identifier, and monitoring [an] account” (Non-Final Act. 2; Ans. 5–6).

Appellant further argues that because independent claim 29 is “is limited to the recitation in the Jepson-form preamble and the specific process recited in claim 29 improves upon the purported abstract idea without tying up traditional or conventional methods used to achieve the same result” (Appeal Br. 30). However, as discussed above, neither a finding of novelty

nor a non-obviousness determination automatically leads to the conclusion that the claimed subject matter is patent-eligible.

As such, we are not persuaded by Appellant's argument for these reasons, and the reasons discussed with respect to independent claim 1, *supra*. Therefore, we sustain the rejection of independent claim 29 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).

DECISION

The Examiner's rejection of claims 1–18 and 23–29 under 35 U.S.C. § 101 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).

CONCLUSION

In summary:

Claims Rejected	Basis	Affirmed	Reversed
1–18 and 23–29	§ 101	1–18 and 23–29	
Overall Outcome		1–18 and 23–29	

AFFIRMED