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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
13/663,455	10/29/2012	Nancy J. Rabenold	01004.1051	1002
35856	7590	12/17/2019	EXAMINER	
SMITH TEMPEL BLAHA LLC			CIVAN, ETHAN D	
Docketing Department			ART UNIT	
50 Glenlake Parkway			PAPER NUMBER	
Suite 340			3684	
Atlanta, GA 30328			NOTIFICATION DATE	
			DELIVERY MODE	
			12/17/2019	
			ELECTRONIC	

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte NANCY J. RABENOLD
and JAMES A. SIMMONS

Appeal 2019-001280
Application 13/663,455
Technology Center 3600

Before RICHARD M. LEBOVITZ, JOHN G. NEW, and
DAVID COTTA, *Administrative Patent Judges*.

LEBOVITZ, *Administrative Patent Judge*.

DECISION ON APPEAL

The Examiner rejected the claims under 35 U.S.C. § 101 as reciting patent ineligible subject matter. Pursuant to 35 U.S.C. § 134(a), Appellant¹ appeals from the Examiner’s decision to reject the claims. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

¹ We use the word “Appellant” to refer to “applicant” as defined in 37 C.F.R. § 1.42. Appellant identifies the real party in interest as XCIRA, INC. Br. 2.

STATEMENT OF THE CASE

Claims 1–3 stand finally rejected by the Examiner under 35 U.S.C. § 101 as directed to a judicial exception to patent eligibility. Final Act. 3.

Independent claim 1 is representative and reproduced below. For reference, bracketed numbers have been added (this numbering is used throughout the Decision to reference the claim limitations):

1. A computer-implemented method for enabling direct negotiations between two entities in an online auction system interfacing over a network to one or more bidding devices, and in which items are auctioned off in a window of time dedicated for auctioning a particular item, the computer-implemented method comprising executing on a processor the actions of:

[1] capturing with audio equipment, and streaming a live feed from an auctioning system operating at a live auction site to one or more remote entities over a network, [2] wherein one or more entities operates a bidding device that is communicatively coupled to the network and receives the live feed over the network and then transmits remote auction messages and bids for the particular item being auctioned at the live auction site back to the auctioning system;

[3] accepting auction bids received by the auctioning system at the live auction site from onsite auction bidders and from remote entities operating a bidding device for the particular item;

[4] presenting on a display located at the live auction site, auction bid information, including accepted auction bids and auction messages related to the particular item;

[5] broadcasting auction bid information from the auctioning system to all remote entities for the auctioned item;

[6] receiving at the auctioning system, messages and auction bids from one or more remote entities for the auctioned item;

[7] enabling, after completion of a window of time dedicated for auctioning a particular item, a negotiation function that is integral within the auctioning system and [8] that presents a user interface on a bidding device for a second

particular window of time during which direct price negotiations occur exclusively between a consignor and a particular bidder that is remotely located from the consignor and that was a participant in the auction for the particular item;
[9] wherein during the second particular window of time:
the auctioning system receiving an offer from the particular bidder;
the auctioning system presenting the received offer to the consignor;
the auctioning system receiving a response from the consignor taking the form of one of an acceptance of the received offer from the particular bidder and a counter offer;
and
the auctioning system presenting the received response to the particular bidder.

Appellant argues claims 2 and 3 with claim 1 as a group. Therefore, claims 2 and 3 fall with claim 1. 37 C.F.R. 41.37(c)(1)(iv).

PRINCIPLES OF LAW

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.” However, not every discovery is eligible for patent protection. *Diamond v. Diehr*, 450 U.S. 175, 185 (1981). “Excluded from such patent protection are laws of nature, natural phenomena, and abstract ideas.” *Id.* The Supreme Court articulated a two-step analysis to determine whether a claim falls within an excluded category of invention. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014); *Mayo Collaborative Servs. v. Prometheus Labs, Inc.*, 566 U.S. 66, 75–77 (2012).

In the first step, it is determined “whether the claims at issue are directed to one of those patent-ineligible concepts.” *Alice*, 134 S. Ct. at

2355. If it is determined that the claims are directed to an ineligible concept, then the second step of the two-part analysis is applied in which it is asked “[w]hat else is there in the claims before us?” *Id.* The Court explained that this step involves

a search for an ‘inventive concept’ — *i.e.*, 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, 134 S. Ct. at 2355 (citing from *Mayo*, 566 U.S. at 75–77).

Alice, relying on the analysis in *Mayo* of a claim directed to a law of nature, stated that in the second part of the analysis, “the elements of each claim both individually and ‘as an ordered combination’” must be considered “to determine whether the additional elements ‘transform the nature of the claim’ into a patent-eligible application.” *Alice*, 134 S. Ct. at 2355.

The PTO has published revised guidance on the application of 35 U.S.C. § 101. USPTO’s January 7, 2019 Memorandum, *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50, 51–57 (2019) (“2019 Eligibility Guidance”). This guidance provides additional direction on how to implement the two-part analysis of *Mayo* and *Alice*.

Step 2A, Prong One, of the 2019 Guidelines, looks at the specific limitations in the claim to determine whether the claim recites a judicial exception to patent eligibility. In Step 2A, Prong Two, the claims are examined to identify whether there are additional elements in the claims that integrate the exception in a practical application, namely, is there a “meaningful limit on the judicial exception, such that the claim is more than

a drafting effort designed to monopolize the judicial exception.” 84 Fed. Reg. 54 (2. Prong Two).

If the claim recites a judicial exception that is not integrated into a practical application, then as in the *Mayo/Alice* framework, Step 2B of the 2019 Guidelines instructs us to determine whether there is a claimed “inventive concept” to ensure that the claims define an invention that is significantly more than the ineligible concept, itself. 84 Fed. Reg. 56.

With these guiding principles in mind, we proceed to determine whether the claimed subject matter in this appeal is eligible for patent protection under 35 U.S.C. § 101.

DISCUSSION

Claim 1 recites “A computer-implemented method for enabling direct negotiations between two entities in an online auction system interfacing over a network to one or more bidding devices.” Following the first step of the *Mayo* analysis, we find that the claims are directed to a method, and therefore fall into one of the broad statutory categories of patent-eligible subject matter under 35 U.S.C. § 101. We thus proceed to Step 2A, Prong One, of the 2019 Eligibility Guidance.

Step 2A, Prong One

In Step 2A, Prong One, the specific limitations in the claim are examined to determine whether the claim recites a judicial exception to patent eligibility, namely whether the claim recites an abstract idea, law of nature, or natural phenomenon. The Examiner found that the claims recite an abstract idea. Final Act. 2–3.

Claim 1 is directed to a computerized method for enabling the direction of negotiations between a bidder and consignor in an online auction system. The first step of the claim comprises [1] capturing audio from a live auction and streaming to “remote entities” over a network. The audio livestream allows offsite remote bidders to participate in the auction. The remote entities [2], i.e., remote bidders, operate a “bidding device” that allows them to transmit messages and bids over the network. The auction system [3], [6] accepts bids from onsite bidders and also the remote entities operating the bidding device. The auction system [4] displays “auction bid information,” such as accepted bids and auction messages, on an onsite display and also [5] broadcasts the auction bid information to the remote entities. Steps [1]–[6] therefore automate an auction for an item between a consignor and a bidder (“remote entity”) who is participating in the auction using a bidding device.

After the “window of time dedicated for auctioning a particular item” has elapsed, the claim [7] enables a “negotiation function” which [8] presents an interface that is active for a second period of time to allow direct and exclusive price negotiations between the consignor and bidder in which [9] offers and acceptances can be made between both parties on the bidding device. Steps [7]–[9] therefore automate “face-to-face” negotiations between a consignor and bidder by using a “negotiation function” that presents a user interface on the bidding device.

Claim 1’s automated auction system organizes the activity between a consignor of an item for auction and a bidder by facilitating bidding using a bidding device in steps [1]–[6] of the claim, and then automating negotiations between the consignor and bidder in steps [7]–[9]. Ordinarily,

an auction would be face-to-face where the bidding and subsequent negotiations take place onsite. The claim automates this process by using a bidding device over a network which allows bidders to participate who are not actually at the location where the auction is taking place. We therefore conclude that the claim recites “methods of organizing human activity” which is grouping (b) of the three categories of abstract ideas set forth in the 2019 Guidelines.

While the steps of the method are performed on a computer, the Court in *Alice* found that the implementation of a method on a generic computer “fail[s] to transform that abstract idea into a patent-eligible invention.” *Alice*, 134 S. Ct. at 2357. We therefore proceed to Step 2A, Prong 2 of the analysis to determine whether the abstract ideas are integrated into a practical application.

Step 2A, Prong Two

Prong Two of Step 2A under the 2019 Eligibility Guidance asks whether there are additional elements that integrate the exception into a practical application. As in the *Mayo/Alice* framework, we must look at the claim elements individually and “as an ordered combination” to determine whether the additional elements integrate the recited abstract idea into a practical application. As discussed in the 2019 Guidance, “[a] claim that integrates a judicial exception in a practical application will apply, rely on, or use the judicial exception in a manner that places a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception. 84 Fed. Reg. 54. Integration into a practical application is evaluated by identifying whether there are

additional elements individually, and in combination, which go beyond the judicial exception. *Id.* at 54–55. As explained in the October 2019 Update to Subject Matter Eligibility² “first the specification should be evaluated to determine if the disclosure provides sufficient details such that one of ordinary skill in the art would recognize the claimed invention as providing an improvement.” 2019 Oct. PEG Update 12. The Oct. PEG Update explains that the “specification need not explicitly set forth the improvement, but it must describe the invention such that the improvement would be apparent to one of ordinary skill in the art.” *Id.*

Appellant states, “that claims may be directed to an abstract idea if they are ‘directed to a result or effect that itself is the abstract idea and merely invoke generic processes and machinery,” but citing *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016), Appellant states, “they are **not** directed to an abstract idea if they ‘focus on **a specific means or method that improves the relevant technology.**” Appeal Br. 11 (emphasis in the original). Appellant states that the relevant technology “is an online auctioning environment that includes local, on the floor bidders and remote bidders utilizing bidding devices connected through a network to an auctioning system.” Appeal Br. 11. Appellant states that the claims “recite an additional function within an online auctioning system that enables a direct negotiation when the auction fails, and includes the processing and/or components necessary to implement this direct negotiation within the online auctioning environment without disrupting the auction and

² Available at https://www.uspto.gov/sites/default/files/documents/peg_oct_2019_update.pdf (last accessed Nov. 15, 2019) (“2019 Oct. PEG Update.”)

minimizing the impact on the participants.” Appeal Br. 12–13. We understand this to be the “negotiation function” recited in limitations [7]–[9] of claim 1.

We begin with the Specification to determine whether the improvement to the online auction technology can be discerned. The Specification discloses that in the “traditional auction industry” auctions may use “a ‘reserve price’ scenario.” Spec. ¶ 3. The Specification explains that “[i]f the high bid does not meet the reserve price, then the consignor has the option of selling the item at the high bid, the bidder has the option of meeting the reserve price, or the consignor and bidder can negotiate a price.” *Id.* The Specification discloses that “[c]urrently, all negotiations are done by consignors sending a representative to the live auction block, or are done by telephone at the initiative of the live auction, and typically occur at a much later time (i.e., after the auction).” *Id.* The Specification further teaches:

With the increasing utilization of technology in the auction environment, it is desirable to provide the technological capability for both a bidder and a consignor, whether they are local or remote, to negotiate during the bidding process, instantaneously, and without disrupting the live auction flow. This capability is essential to providing immediate feedback to both the bidder and the consignor as a price negotiation is conducted.

Spec. ¶ 3.

The Specification teaches that the “Negotiation mode,” which we understand to correspond to limitations [7]–[9] recited in claim 1, is a function that has been added to the remote bidding system described in US 6,813,612 (“the ’612 patent”) to which this application claims priority. Spec. ¶¶ 5–17.

The Specification further teaches that “(a) When the bidder and consignor are both present at the live auction, the negotiation is performed face-to-face and the results are entered by the auction Clerk.” Spec. ¶ 29. However, the Specification further teaches that “(b) When either the bidder or the consignor (or both) is remote from the live auction (i.e., are not on-site), the remote consignor/bidder system provides the ability for the bidder and consignor to perform the negotiation through electronic data interchange with the results being reported back to the auction Clerk.” Spec. ¶ 30.

The Specification therefore identifies the “negotiation function” recited in the claims as the *improvement* to the prior art computerized technology to conduct auctions.

Negotiation, however, in an auction is not, itself, new. Rather, the Specification explains that the same negotiation between consignor and bidder performed “face-to-face” (Spec ¶ 29(a)) is performed electronically in accordance with the claimed invention when the parties are remote from each other (Spec. ¶ 29(b)). The issue is whether the claims provide a technological solution to how the face-to-face negotiation is implemented.

The Specification teaches that when the negotiation is initiated, “the system activates the user interface on the respective devices to perform the negotiation mode enabled by the remote consignor/bidder supplement for traditional live auctions.” Spec. ¶ 33. The Specification identifies Figures 1–3 as illustrating the process “flow” for initiating logon and the negotiation process. Spec. ¶ 34. Neither the figures, nor the accompanying descriptions, discloses specifically how the negotiation is implemented, such as by using unique scripts or files that improve the technology. The Specification shows user displays that are used in the negotiation mode.

Spec. ¶¶ 23–25 (Figs. 4–6). Neither the displays reproduced in the figures, nor the descriptions of them, explain how the display – the user interface of [8] used in the negotiations – is an improvement to the technology.

The display on the bidding device that enables the negotiation function – the “user interface” of limitation [8] – is not described by Appellant to provide “a specific, structured graphical user interface paired with a prescribed functionality directly related to the graphical user interface’s structure that is addressed to and resolves a specifically identified problem in the prior state of the art” as it did in the patent eligible claims in *Trading Technologies International, Inc. v. CQG, INC.*, 675 Fed. Appx. 1001, 1004 (Fed. Cir. 2017). Instead, these claims are like those in *Trading Technologies International, Inc. v. IBG LLC*, 921 F.3d 1084, 1093 (2019), where the court found the claims ineligible for a patent because they did not “improve the functioning of the computer, make it operate more efficiently, or solve any technological problem,” but only assisted a trader in making an order. Likewise, the [8] user interface recited in rejected claim 1 simply displays information about the bid to facilitate the remote negotiation so it can take place electronically over a network to replace face-to-face interactions. Appellant identified limitations [7]–[9] as the improvement, but the identified improvement does not provide a *technological* improvement to a computer system or software implementation. “The fact that this is a “computer-based method” does not render the claims non-abstract.” *Trading Technologies International, Inc. v. IBG LLC*, 921 F.3d at 1093. As explained in the October 2019 eligibility update, “an improvement

in the judicial exception itself (e.g., a recited fundamental economic concept) is not an improvement in technology.” 2019 Oct. PEG Update 13.

Appellant argues, citing *McRO*, that a claim is patent eligible and “**not** directed to an abstract idea if they ‘focus on **a specific means or method that improves the relevant technology.**’” Appeal Br. 11. This argument is not persuasive. In *McRO*, the court found that, while the *McRO* claims involved the manipulation of data, e.g., generating morph weight sets to animate lip and facial expressions of three dimensional characters, the claimed “automation goes beyond merely ‘organizing [existing] information into a new form’ or carrying out a fundamental economic practice.” *McRO*, 837 F.3d at 1315 (citation omitted). Instead, the court found that the “claimed process uses a combined order of specific rules that renders information into a specific format that is then used and applied to create desired results: a sequence of synchronized, animated characters.” *Id.* The claims were therefore found to be directed to a “technological improvement over the existing, manual 3-D animation techniques,” *McRO*, 837 F.3d at 1316. It was not just automating a process that had previously been done manually, but an improvement in “how the physical display operated (to produce better quality images).” *SAP Am., Inc. v. Investpic, LLC*, 898 F.3d 1161, 1167 (Fed. Cir. 2018) (contrasting the claims at issue in *SAP* with those in *McRO*); see also *Solutran, Inc. v. Elavon, Inc.*, 931 F.3d 1161, 1167 (Fed. Cir. 2019) (noting that in *McRO*, the claims were “‘limited to rules with specific characteristics’ to create a technical effect.”).

Here, as explained above, the recited steps of the claim automate a process that had been previously done and thus do not constitute an improvement over the existing auction technology. While it is true that the

negotiation function enables bidders to remotely participate in an auction who could not have participated without it (Appeal Br. 14), this is a consequence of automating the process. Appellant did not establish that automation over a network required anything more than generic computerized technology. As held in *Alice*, “method claims, which merely require generic computer implementation, fail to transform that abstract idea into a patent-eligible invention.” *Alice*, 134 S. Ct. at 2357.

Preemption is another issue that must be considered. In *McRO*, the court held that the “limitations in claim 1 prevent preemption of all processes for achieving automated lip-synchronization of 3–D characters.” *McRO*, 837 F.3d at 1315. Furthermore, the court found that “[t]he specific structure of the claimed rules would prevent broad preemption of all rules-based means of automating lip synchronization.” *Id.* Unlike in *McRO* where a specific “technical effect” was achieved by carrying out the specific rules (*Solutran*, 931 F.3d at 116), steps [7]–[9] are recited in such general terms that automating negotiations between the bidder and consignor poses a risk that the abstract idea, itself, would be preempted. The technological improvement asserted by Appellant is recited in so broadly that it is itself the abstract idea, differing only in being accomplished on a computer.

Appellant contends that “the examiner's rejection directly violates the requirements set forth in *Enfish, LLC, v. Microsoft Corporation* [822 F.3d 1327 (Fed. Cir. 2016)].” Appeal Br. 12. Appellant argues that “the examiner has overgeneralized the claims by alleging that the claims merely recite a series of steps instructing how to auction goods,” while ignoring the “additional function within an online auctioning system that enables a direct negotiation when the auction fails.” *Id.* We do not agree. The Examiner

recognized that the claims comprised steps involving negotiation (Final Act. 3, 6), but found the limitations in the claims “are only specific in how the computer is used to facilitate the abstract idea itself using routine and conventional operations of the generic machinery, and are silent as to any detail or property that would transform the otherwise generic machinery into a specialized or special purpose machine” (Final Act. 5). Thus, the Examiner explained why implementing aspects of the auction process on a computer was not enough to confer eligibility on the claims.

Appellant is critical of the Examiner’s reference to *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (2014), distinguishing their own claims from it. Appeal Br. 13, 14. We agree that the claims are not the same, but the same principle applies. *buySafe* held that the claims at issue were “squarely about creating a contractual relationship—a ‘transaction performance guaranty’—that is beyond question of ancient lineage,” and thus was the same type of contractual relation that in *Bilski* the court held to be a fundamental economic practice long prevalent in commerce. *buySAFE*, 765 F.3d at 1354, 1355. The court then addressed the issue of whether the implementation on a computer was an improvement to a technological environment that would move the claims into “eligibility territory” or whether it was “wholly generic computer implementation.” *Id.* at 1354.

Rejected claim 1, as in *buySafe*, invokes a fundamental economic practice, namely an auction. Appellant has not challenged this determination which was made explicit by the Examiner in the Final Action (Final Act. 4). As in *buySafe*, the “computer functionality is generic.” *buySAFE*, 765 F.3d at 1355. A [8] “user interface” is presented which enables [9] offers by a bidder to be presented to a consignor who can accept

the offer and make a counter offer. The latter steps are the same steps that would be done if the parties were face-to-face or in a phone conversation. Appellant has not directed us to anything in the claims that require steps [7]–[9], when performed on the claimed “bidding device,” to utilize anything more than generic technology implemented on a computer network. In cases like *Enfish*, where the claims were found to be eligible, it was because the claim improved the way the computer operated. For example, the *Enfish* court found the claims were directed to a data storage and retrieval system for a computer system that comprised a logical table including logical rows and logical columns for indexing data in the table. *Enfish*, 822 F.3d at 1336. The court referred to the logical table as a “self-referential table” and found that the table functioned differently from conventional database and “is a specific type of data structure designed to improve the way a computer stores and retrieves data in memory. *Id.* at 1336, 1339. Appellant has not identified a technological improvement to computers.

Appellant cites to claims in *Ebay Inc. v. Mercexchange, LLC*, 547 U.S. 388 (2006) and *Bid for Position, LLC v. AOL, LLC*, 601 F.3d 1311 (Fed. Cir. 2010), and argues that in neither case were the claims construed to be directed to an abstract idea. Appeal Br. 15–16. The claims in *Bid for Position* recited negotiation steps in an auction. Appeal Br. 16–17. However, in neither case was subject matter eligibility under 35 U.S.C. § 101 an issue raised before the court. Thus, we find Appellant’s arguments to be without merit.

For the reasons described above, we conclude that the judicial exception recited in claim is not integrated into a practical application. Thus, we conclude that the claim is directed to an abstract idea.

Step 2B

Because we determined that the judicial exception is not integrated into a practical application, we proceed to Step 2B of the 2019 Guidelines, which asks, as in the *Mayo/Alice* framework, whether there is an inventive concept. In making this Step 2B determination, we must consider whether there are specific limitations or elements recited in the claim “that are not well-understood, routine, conventional activity in the field, which is indicative that an inventive concept may be present” or whether the claim “simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception, indicative that an inventive concept may not be present.” 84 Fed. Reg. 56 (footnote omitted). We must also consider whether the combination of steps perform “in an unconventional way and therefore include an ‘inventive step,’ rendering the claim eligible at Step 2B.” *Id.*

In this case, the Specification indicates that the method allows a remote consigner to participate in message and negotiation modes. Spec. ¶¶ 12–17. The Specification does not explain how the negotiation mode, which we find to correspond to elements [7]–[9] of claim 1, operates in an unconventional way in combination with the preceding auction steps recited in claim 1. It appears the negotiation steps are the same as those that would be accomplished in-person or face-to-face in an auction carried out remotely as in steps [1]–[6], but modified by providing the ability negotiate electronically through a network. Spec. ¶¶ 28–29. Appellant has not provided adequate evidence that the implementation of all steps in the claim

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is unconventional. Consequently, we find that Appellant has not established that claim 1 provides an inventive concept.

Summary

For the foregoing reasons, the rejection of claim 1 is affirmed. Claims 2 and 3 fall with claim 1.

CONCLUSION

In summary:

Claims Rejected	35 U.S.C. §	Reference(s)/Basis	Affirmed	Reversed
1-3	101	Eligibility	1-3	

TIME PERIOD

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