UNITED STATES PATENT AND TRADEMARK OFFICE

_____

BEFORE THE PATENT TRIAL AND APPEAL BOARD

_____

INVESTORS EXCHANGE LLC
Petitioner,

v.

NASDAQ, INC.
Patent Owner.

Patent No. 8,244,622

_____

Covered Business Method Review No. CBM2018-00041

PETITIONER'S BRIEF REGARDING 2019 REVISED PATENT SUBJECT MATTER ELIGIBILITY GUIDANCE

In response to the Board's order (Paper 7), Investors Exchange LLC ("IEX") submits this brief to address the effect, if any, of the 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019) ("Guidance") on IEX's Petition for Covered Business Method Review of U.S. Patent No. 8,244,622 ("Petition"). The Guidance does not affect the review of IEX's Petition, and even if applied, confirms that trial should be instituted and that all of the claims of the '622 Patent should be held invalid.

I. BOARD PROCEEDINGS ARE GOVERNED BY CONTROLLING LAW AND NOT THE GUIDANCE

The Guidance is not directed to and has no effect upon the Board's consideration of the Petition. The Guidance by its own terms is directed to patent examination, not proceedings before the Board. The Guidance purports to revise the PTO's "***examination*** procedure with respect to the first step of the *Alice/Mayo* test." 84 Fed. Reg. at 50 (emphasis added); *see also id.* at 51. The Guidance explains that the Federal Circuit has issued numerous decisions identifying subject matter as abstract or non-abstract and the growing body of precedent has proven difficult for ***examiners*** to consistently and predictably apply. 84 Fed. Reg. at 52. The Guidance "aims to clarify" (*id.*) matters for examiners, many of whom are not lawyers. The Board, by contrast, is fully capable of considering, evaluating, and applying Federal Circuit precedent.

Moreover, to the extent that the Guidance deviates from Federal Circuit authority, Federal Circuit decisions are controlling. 84 Fed. Reg. at 51; *see also In re Smith*, 815 F.3d 816, 819 (Fed. Cir. 2016); *Google Inc. v. Zuili*, No. CBM2016-00021, Paper No. 48 at 26, n.6 (P.T.A.B. May 5, 2017). In short, the Board must apply the controlling Federal Circuit law in evaluating the Petition, not the interpretation of that law set forth in the Guidance.

II. THE GUIDANCE CONFIRMS THAT TRIAL SHOULD BE INSTITUTED AND THE CLAIMS SHOULD BE HELD INVALID

The Guidance, even if it were applied, confirms that trial should be instituted and the claims should be held invalid. The '622 Patent claims are directed to an abstract idea under the Guidance's two-prong Step 2A (Alice Step 1) analysis.

A. The '622 Patent Claims Recite Enumerated Exceptions

The '622 Patent claims recite limitations directed to two of the Guidance's enumerated exceptions: (1) methods of organizing human activity; and (2) mental processes. 84 Fed. Reg. at 52.

The Guidance explains that "methods of organizing human activity" include "fundamental economic principles or practices." 84 Fed. Reg. at 52. The '622 Patent claims recite limitations directed to matching an incoming order against a pending trading order. (Petition at 24-25.) Claim 1 recites, *inter alia*, "match[ing] a portion of a received order for a security against one or more orders stored in the

order book." Claims 11 and 21 recite, *inter alia*, "matching . . . at least a portion of a received order for a security against a security interest in an order book." The Petition and supporting evidence demonstrates, and Patent Owner does not dispute, that matching incoming orders against pending orders (including electronic orders) is a fundamental economic practice. (Petition at 3-15; Donefer Decl., Ex. 1003, ¶¶ 17-46, 53-69; NYSE Launches Pilot, Ex. 1025; ECN History, Ex. 1022; Convergence Among Stock Markets, Ex. 1023.)

The Guidance also explains that "mental processes" include concepts that can be performed in the human mind, *i.e.*, without the assistance of a computer. 84 Fed. Reg. at 52. Here, the recited matching of incoming orders against pending orders can be performed manually and without the assistance of computers. (Petition at 3-15; Donefer Decl., Ex. 1003, ¶¶ 17-46.) Mere reference to generic or conventional computer technology does not preclude application of the enumerated exceptions. 84 Fed. Reg. at 52, n.14. The Guidance, in fact, cites for this proposition the very cases that IEX relies on in its Petition. (*Id.* (citing *Versata Dev. Grp. v. SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015); *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011).)

B. The Recited Exceptions Are Not Integrated Into a Practical Application

Because the'622 Patent claims include limitations that recite enumerated

exceptions, they are directed to an abstract idea unless those limitations are "integrated into a practical application." 84 Fed. Reg. at 55. Here, the limitations are not integrated into a practical application.

The '622 Patent claims do not include additional elements (or combinations of elements) that integrate the exception into a practical application. 84 Fed. Reg. at 55. The '622 Patent claims do not specify any particular computer hardware or software. (Petition at 24-25, 33-43, 60-73.) To the contrary, the '622 Patent emphasizes that the alleged inventions can be implemented "in ***any*** computing or processing environment." ('622 Patent, at 9:26-10:4 (emphasis added); *see also* Petition at 23-24.) The additional limitations do not "reflect[] an improvement in the functioning of a computer or . . . other technology" or implement matching on "a particular machine." (*See generally* Petition at 33-43, 60-73.)

Rather, the '622 Patent claims "merely use[] a computer as a tool to perform [matching]." 84 Fed. Reg. at 55. This is made clear by the *Credit Acceptance Corp. v. Westlake Services* case that the Guidance relies on:

> Our prior cases have made clear that mere automation of manual processes using generic computers does not constitute a patentable ***improvement in computer technology***.

Credit Acceptance, 859 F.3d 1044, 1055 (Fed. Cir. 2017) (emphasis added). The Federal Circuit rejected as patent-ineligible the financing package claims at issue and distinguished the patent-eligible claims in *Enfish* directed to a specific type of

"self-referential table" representing a "***specific improvement to the way computers operate***." *Id.* (emphasis added).

Patent Owner argues that the '622 Patent claims are directed to two alleged improvements: (1) locating the order book in main memory; and (2) the matching process having exclusive access to that order book. (POPR at 29-31.) But that is not enough. Nowhere does Patent Owner establish that the claims were an "improvement to the way computers operate." Dr. Goldberg establishes that it was known and conventional to store data in the address space of a computer process in main memory, and for such process to have exclusive access to that data. (Goldberg Decl., Ex. 2004, ¶¶ 58-60, 70.) Thus, even if the placement of a specific type of data (order book) and exclusive access over such data by a specific process (matching process) were novel and unobvious (they were not), they still merely use ***existing*** computer technology.

Finally, the '622 Patent claims also lack additional limitations that apply the exception in a "meaningful way beyond generally linking the use of the . . . exception to a particular technological environment." 84 Fed. Reg. at 55. The mere fact that the '622 Patent claims generally target "electronic trading" is not enough. *See* 84 Fed. Reg. at 55 (it is not sufficient that additional element(s) "generally link the use of a judicial exception to a particular technological environment or field of use").

Dated: February 1, 2019

Respectfully submitted,

By: /Matthew Kreeger/

Matthew I. Kreeger (Reg. No. 56,398)
MORRISON & FOERSTER LLP
425 Market Street
San Francisco, CA 94105
MKreeger@mofo.com
Tel: (415) 268-6467
Fax: (415) 268-7522

Certificate of Service (37 C.F.R. § 42.6(e)(4))

I hereby certify that the attached PETITIONER'S BRIEF REGARDING 2019 REVISED PATENT SUBJECT MATTER ELIGIBILITY GUIDANCE was served as of the below date via e-mail (by consent) to the following counsel of record for the Patent Owner:

Robert E. Sokohl
Richard D. Coller III
Joseph E. Mutschelknaus
STERNE, KESSLER, GOLDSTEIN & FOX P.L.L.C.
1100 New York Avenue, N.W.
Washington, D.C. 20005
rsokohl-PTAB@sternekessler.com
rcoller-PTAB@sternekessler.com
jmutsche-PTAB@sternekessler.com
PTAB@sternekessler.com

Dated: February 1, 2019

By: */ Matthew I. Kreeger /*
Matthew I. Kreeger