

Seyfarth PTAB Blog



A legal look at Patent Trial and Appeal Board decisions and trends

PTAB Holds Claims Invalid Where Computer-tie was Helpful, but not Required

By Patrick T. Muffo

In a Final Written Decision, the PTAB again cancelled claims of a software patent for being directed to unpatentable subject matter. In *Cambridge Associates, LLC v. Capital Dynamics*, CBM2014-00079 (Final Written Decision, August 31, 2015), the invention was directed to “a method for analyzing a performance of a financial product or asset having an irregular cash flow by ‘benchmarking the performance’ of the asset relative to ‘a public market or other index.’” As can be seen by the PTAB’s own characterization of the patent, this case is helpful in determining the boundaries of patentable subject matter for financial inventions. The case also highlights the importance of expert depositions in PTAB decisions.

Alice Test

Applying the first *Alice* prong, the PTAB held the invention to be directed to a mathematical algorithm, and therefore an abstract idea under the first *Alice* prong. In particular, the board agreed with Cambridge Associates that the claims can be performed by a human without a computer, and are therefore directed to an abstract idea.

For the second *Alice* prong, Capital Dynamics argued the claims are directed to an inventive concept because they were deemed patentable over prior art when the Board declined to institute a proceeding for obviousness over Cambridge Associates’ petition. The Board disagreed, and noted that Capital Dynamics does not dispute that any computer can be used to perform the claimed method. Regardless of how novel the method is, the method can be carried out by a general purpose computer (albeit slowly), rendering it patent-ineligible.

Expert Depositions

This case also highlights the importance of expert depositions and the impact they can have on a § 101 analysis. The board noted that Capital Dynamics’ own expert agreed during his deposition that “the scaling function is derived from four mathematical equations, [and] can be calculated without a computer from minimal financial data for the benchmarked product and corresponding market data.” So while the computer-tie is *helpful* to carrying out the claimed process due

to the many calculations required, the computer-tie was not *required*. Moreover, the computer-tie was a general purpose computer previously found to be insufficient to confer patent-eligibility.

Capital Dynamics tried to argue that the computer was required for the claim to function properly by stumping Cambridge's expert during his deposition. In particular, Cambridge's expert was unable to perform the claimed steps without a computer, leading Capital Dynamics to argue that "'manual steps alone' would not provide the results necessary 'for any present day, real-world application.'" Regardless, the PTAB held the real-world application of the claim is irrelevant and analyzing any real-world application of the invention would focus on limitations not present in the claims.

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