

**In The United States Patent and Trademark Office**

Application Number: 11/564,551  
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Applicants: Joseph J. Caldas  
Title: Securities Auction System and Method  
Examiner: Bruce I. Ebersman  
Art Unit: 3691

Watchung, New Jersey  
July 14, 2010

**RESPONSE E**

Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

In response to the Office Action mailed April 16 2010, please enter this response as presented:

CLAIMS: Claims begin on page 2 of this paper.

REMARKS: Remarks begin on page 8 of this paper.

**Claims**

The following is a listing of all Claims in the application with their status and the text of all active Claims.

1-20, 22-23, 27, 33-34 (CANCELED)

21. (PREVIOUSLY PRESENTED) A computer implemented method of conducting a secondary market securities auction on a host computer network, including standard network apparatus, including the steps of:

- (a) using a website on the internet, said website to be accessible by participants and other interested parties with a standard web browser on a computer connected to a host computer network via the internet or dedicated connection, to list individual specific lots of outstanding secondary market securities for which bids are desired by a potential seller thereof and request bids from participants to buy the securities;
- (b) displaying immediately upon entry and dynamically updating on said website bids from said participants for buying said individual specific lots of outstanding secondary market securities including the price of said bids such that said bids including the bid prices thereof are available to all participants immediately upon entry of said bids and throughout the auction;
- (c) providing real-time dynamic updating on said web site of information pertaining to the auction including whether or not the individual specific lots of outstanding secondary market securities traded; whereby all participants have equal access to and knowledge of bids and the status of the auction to enable informed trading decisions.

24. (PREVIOUSLY PRESENTED) The method defined in Claim 21, including the step of searching on an auction search screen of said web site through a database of available auction items, using specified criteria, to find the type of specific outstanding

secondary market securities desired to be traded, wherein results of said search are displayed on said web site.

25. (PREVIOUSLY PRESENTED) The method defined in Claim 24, including the step of accessing an auction detail screen of the computer network showing all bids made in priority order and other information pertinent to the auction including links to other functions concerning the status of the auction and the specific lots of outstanding secondary market securities being auctioned including:

- independent evaluations;
- spreads to indicative yield curves;
- links to calculations;
- links to historical bid, offering and trade data;
- forms for submitting bids;
- forms for selling orders;

whereby substantially all information available on a specific auction and the securities thereof and substantially any permissible action which may be taken by a participant are accessible from a single web page by all participants.

26. (PREVIOUSLY PRESENTED) The method defined in Claim 24, including the step of accessing a program alert screen of the host computer network wherein criteria is selected for notification of activity pertaining to the auction or the overall market, including activity of participants, specific securities or types of securities.

28. (PREVIOUSLY PRESENTED) The method defined in Claim 21, further including the step of a seller optionally executing a trade for specific lots of outstanding secondary market securities for which bids have been desired within a specified time frame wherein all data pertinent to the sale of the securities including the prices of all bids is dynamically updated and displayed on a screen accessible to all participants.

29. (PREVIOUSLY PRESENTED) A secondary market securities auction system including a computer having programs providing the means for:

- (a) listing individual specific lots of outstanding secondary market securities for which bids are desired by a potential seller thereof to request bids from participants;
- (b) displaying bids from participants for said individual specific lots of outstanding secondary market securities to all participants during an auction;
- (c) automatically updating all bids on said individual specific lots of outstanding secondary market securities, while said bids are displayed, in a real time basis such that all participants have equal, open access to all the bids as the auction proceeds.

30. (PREVIOUSLY PRESENTED) The system defined in Claim 29, wherein said computer has databases and programs for searching information on the individual specific lots of outstanding secondary market securities and auction, and for alerting participants as to activity pertaining to the auction.

31. (PREVIOUSLY PRESENTED) The system defined in Claim 30 wherein said databases and programs dynamically create and display to participants of the auction, various graphic user interfaces comprising the means for:

- (a) submitting individual lots of outstanding secondary market securities for which bids are desired for auction,
- (b) submitting bids for said individual specific lots of outstanding secondary market securities,
- (c) permitting sellers and bidders to participate in auctions for individual specific lots of outstanding secondary market securities using the Internet.

32. (PREVIOUSLY PRESENTED) A system for secondary market securities trading including in combination:

- (a) a computer system including a website to be accessible by participants and other interested parties with a standard web browser on a computer connected to a host computer network via the internet or dedicated connection wherein full functionality of the system, including dynamic real-time updating of content, is available;
- (b) said computer system including programs for receiving and displaying requests for bids by a potential seller of individual specific lots of outstanding secondary market securities for which bids are desired by said seller, wherein said lots of secondary market securities are inserted in the system by submitting data pertinent to said individual specific lots of outstanding secondary market securities including a CUSIP or other unique identifier and the par amount of the specific lot for which bids are desired
- (c) said web site providing graphic user interfaces for potential buyers of said individual specific lots of outstanding secondary market securities to enter bids for purchasing said individual specific lots of outstanding secondary market securities;
- (d) said computer system having programs for, immediately upon entry and throughout the auction, displaying and dynamically updating the display of all bids received for said individual specific lots of outstanding secondary market securities on said web site such that the bids, including the bid prices thereof are accessible to all bidders and observers;

whereby all participants and observers including potential buyers are enabled to have knowledge of the status of the auction as it proceeds and to assist the potential buyers in deciding whether to enter a bid and the price of the bid to be entered.

35. (PREVIOUSLY PRESENTED) A computer implemented method of trading securities in the secondary market on a computer network, including programs and standard network apparatus, including the steps of:

- (a) a potential seller requesting bids for individual specific lots of outstanding secondary market securities for which bids are desired utilizing a program of said computer network wherein said request requires the submission of data including a CUSIP or other unique identifier and the par amount of each said individual specific lots of outstanding secondary market securities for which a bid is desired
- (b) displaying said individual specific lots of outstanding secondary market securities for which a bid is desired on a website of said computer network
- (c) receiving on said website bids to purchase each said individual specific lots of outstanding secondary market securities,
- (d) displaying all said bids immediately upon entry and dynamically updating said bids including the prices thereof on said website such that all bidders, potential bidders and sellers have access to said bids as the auction proceeds.

36. (PREVIOUSLY PRESENTED) The method defined in Claim 35, further including the step of the seller reviewing the bids on the website utilizing a program of said computer network and, at said sellers discretion, entering into said website that said individual specific lots of outstanding secondary market securities for which a bid is desired are for sale at a price bid by the highest bidder wherein the current trade status of the lot of securities is explicitly displayed to all participants and updated dynamically as necessary.

37. (PREVIOUSLY PRESENTED) The method defined in Claim 35, including the steps of:

- (a) entering a bid for an individual specific lot of secondary market securities for which a bid is desired greater than the current high bid plus a predetermined increment;
- (b) entering a maximum bid for said individual specific lot of secondary market securities for which a bid is desired where said maximum bid is not disclosed to any participants;
- (c) automatically increasing the bid in one or more predetermined increments to top out a new submitted competitive high bid but not to exceed said maximum bid;

whereby a bidder may implement a predetermined decision to automatically increase a bid for an individual specific lot of secondary market securities based on market competition.

**Remarks**

***Claim Rejections – 35 USC § 103***

The office action cites Finebaum in several places against Claim 21, 29, 32 and 35. The applicant will address each reference individually while “considering both the invention and the prior art as a whole” as written in MPEP § 2141.

Finebaum [0035] is not to the point of the claim the shotgun approach taken in Finebaum and specifically reflected in such paragraphs as this, is in fact contrary to the claim. The current invention provides for “individual specific lots of outstanding secondary market securities” that is to say that no matter what else may be in the market or what other positions a trader may have, only the exact specific lot being identified is what bids are being requested for and accepted for. It is not the intent of the present invention nor is it within its scope to aggregate markets on a specific security. It is rather to aggregate bids on a specific lot of securities. The applicant discusses this in the specification. To elaborate, a common reason to use this method of trading would be to solicit bids on bonds that there is no quoted market on. Imagine trying to sell a Picasso, There are most certainly interested bidders but there is no quoted bid side. Many securities are so thinly traded and diversely held that this method is required to garner a price for a specific lot of securities much as in a fine art auction. It is not uncommon for one of ordinary skill in the art to even refer to such securities, in the extreme, as “Museum Pieces”.

One of the well know conventions Finebaum refers to is “Show Only” a feature often referred to in electronic trading as an “iceberg” where a trader may only wish to show part of a block when they have a larger position “the tip of the iceberg” so to say. Claim 21 is extremely specific in its language and makes no accommodations for anything other than what is specifically claimed, furthermore claim 21 makes no accommodation nor is it implied in the claim or the specification that other conventional trading conditions discussed in Finebaum are accommodated for in the present

invention. The lack of such features in itself stares in the face of convention and goes beyond. Simplify the trading process, open access to pertinent information and remove technical barriers to said access.

It may seem obvious in retrospect but it has not been done before nor is there any suggestion in the cited prior art that such simple (in concept) but radical steps be taken. In most cases the cited prior art simply takes an existing trading convention and moves it to the computer. Lawrence is based on Bid Wanted in the Municipal Market, a business process that has been around since the 1940's. This is discussed in the present specification (0005-0007) Finebaum attempts to cover all other aspects of secondary market making described by the applicant in the specification of the present invention (0002-0005) The present invention defies convention in bring open auction trading to markets where it has not previously existed, and presents a novel, different, non-obvious approach to an unrecognized and unresolved problem, but a real problem none the less.

Finebaum [0015] Yes the present invention is an electronic internet based trading system however it is completely different from Finebaum. While the broad approach of the Finebaum application, apparently using the equity market as a model, attempts to cover all know aspects of trading at the time of its writing it fails to disclose the present invention. The technology applied in the present invention is different; the results produced are completely different and superior for their specific purpose.

Finebaum [0055, 0056] The applicant fails to understand how the mere mention of a term used in the claims of the present invention which is present in cited prior art renders the claim obvious. The office action makes no clear articulation of the reason(s) why the claimed invention would have been obvious based on the use of the terms secondary markets or internet base electronic trading both of which are well known in the art and essential to defining the scope of and describing the present invention.

Finebaum [0045] The present invention does not use Java Programming language and in fact teaches away from using such technology because of the problems inherent in the technology that are not even recognized by the prior art. This has been discussed in previous amendments and in the specification (0008-9). Nowhere in any claim or in the specification is The JAVA programming language referenced. Such reference in this prosecution appears in Office Actions, it is inaccurate.

Finebaum [0026-0029]

[0026] “a trader may disclose part of an order” This is not a component of the present invention nor is it supported in any claim or in the specification in the present invention the order in the present invention is complete as to amount and description and the display is nondiscretionary.

[0027] has to do with displaying trades in various markets and nothing to do with the display and dynamic updating of bids on a specific item that may or may not result in a trade.

[0028-0029] This statement is questionable. The examiner is relying upon unreliable information upon which to assess the validity of the claims in the present invention. The MSRB and NASD had been moving toward trade reporting since the mid 1990's other systems reported trades on their own platform since at least 1998. Garban ETC now ICAP and Cantor Fitzgerald's E-speed reported not just trades but price changes and active markets in US treasury securities well before the filing of Finebaum.

Finebaum has nothing to do with the display of bids on Auction items in real-time Additionally if considering the prior art as a whole the methodology and technology used to update such content in Finebaum in real-time would not meet the claim of the present

invention in that there is no consideration of network limitations inherent to the use of the technology described in said prior art.

Finebaum goes on in 0045-0055 to expound on the virtues of JAVA and completely fails to recognize any of the down falls which the present invention is designed to and does effectively eliminate, namely open easy access to all participants and interested parties.

[0025] discloses "controlled offer disclosure and trade execution system" the applicant would interpret controlled offer disclosure as the ability to control when how much and at what price an offering is disclosed. This is not relevant to the present invention in fact this contrary to the claim. Depth of market presented in a quoted market is not the same as bids displayed on an auction they are two different trading methods. Depth of market is well known on quoted markets but in auctions it is usually only displayed to a seller when bidding is complete.

[0361] there is no client application to be installed or data feed required to use the present invention. These are barriers to access that the present invention eliminates. The prior art fails to even recognize this problems. The office action seems to interpret something in the claim as referring to the public. There is no mention of the term Public in any claim or in the specification of the present invention. While the public would most certainly be included in the group of "interested parties" so would the sophisticated user behind corporate firewalls and on proxy servers who would have far more restrictions placed on their internet access than an individual on a home network. The term "All" is intended to mean exactly that All encompassing not just the public but those who have restricted internet access as well.

In a prior interview the applicant demonstrated the present invention to the Examiner. At that time examiner was unable to access the full functionality of the invention because it was still in a development environment. There is currently a fully

working version of the invention online which the applicant would be happy to demonstrate to the Examiner. Surely the USPTO can be considered a sophisticated network with restrictions at least equal to those in place at many securities firms. Such a demonstration would clearly illustrate the functionality represented in the claims and make apparent the benefits of the present invention. There is nothing in the prior art that even contemplates let alone comes close to this degree of access to real time dynamic content.

(Lawrence col. 8, lines 20-50) Teaches a method of alerting potential bidders of approaching deadlines for bids to be submitted this is referred to in the art as “Rounding up” it is addressed in the specification of the present invention (0041) but is not the subject matter of these claims. While time remaining may be information pertaining to the auction this claim is not limited to such information and would certainly include other information such as the status of the auction and the bids. In reviewing Lawrence as a whole it is evident that interim advisories would not contain such data.

#### As to The Combination

The motivation supplied in the office action for the combination of Finebaum and Lawrence of “creating a transparent and open bond market” is not fully supported in the references cited. Finebaum cites Lawrence in [0012] and then goes on to state the problem to which it is directed [0013]. There is no further mention of auctions or bid wanted in all of Finebaum, as broad as it is. Clearly Finebaum is aware of Lawrence and has dismissed it as not pertinent to the solution it presents as the applicant has as well. In doing so Finebaum, by implication teaches away from the suggested combination [Lawrence col.3 lines 30-40] states a far more focused scope of its bond trading system, the problem it addresses [col. 3lines 30-40] and the solution it teaches. While “creating a transparent and open bond market” may be part of the solution to their problems the prior art is not directed to solving it. It is a motivation for the present

invention which is not or cannot be furthered by any combination of the prior art. The references take mutually exclusive paths to reach a solution to a similar problem. Since they teach away from each other it would not be logical to combine them additionally each reference is complete and functional in itself, so there would be no reason to use parts from or add or substitute parts to any reference

Neither prior art reference contains any suggestion (express or implied) that they be combined. In 2007 the U.S. Supreme court held that an invention should not be held obvious over several prior art references unless there is a suggestion that the references can or should be combined. *KSR v. Teleflex (2007)*.

Claim 32, 35

As discussed in prior amendments CUSIP and par value are data elements required by regulation in securities trading. All trading systems contain this or comparable data points. Additionally as discussed above in the response when the office action cited Finebaum [0055, 0056] The applicant fails to understand how the mere mention of a term used in the claims of the present invention which is present in cited prior art renders the claim obvious. The office action makes no clear articulation of the reason(s) why the claimed invention would have been obvious in view of the use of the terms CUSIP and Par value, terms which are basic to the art.

The office action sites Finebaum 361 the applicant addressed this above in this paper.

As per Finebaum 0029 while addressed above it is important to view the prior art in context as one of ordinary skill in the art would have at the time of the invention. Trade reporting had been a regulatory initiative since the 1990's by the time the present invention specification was written most trades in Municipal and corporate bonds markets were reported in real time basis subject to only a slight delay to provide for

processing time these trades were then disseminated by TRACE in the corporate market and MSRB in the municipal market. The applicant agrees with the office action that the monitoring of reported trade data on its own should certainly be well known to one of ordinary skill in the art however, the regulatory initiative for transparency in the post trade environment implemented years prior to the present invention has no correlation to the display of bids on an auction item in a pre trade environment. The specification of the present invention teaches a method of monitoring trades (0045) but it is not the subject matter of these claims. It is covered in Claim 26 which is dependent on and adds additional information to Claim 24 which is in turn dependent on and adds new information to Claim 21, which makes it a fortiori and independently patentable over the references.

Claims 24, 25, 26, 28, 30, 31, 36, 37

These are dependent Claims and incorporate all the subject matter of their corresponding independent claims and each adds additional subject matter, which make it a fortiori and independently patentable over the references.

### ***Response to Arguments***

In the Response to Arguments presented in the last Office Action

1. It is important to note that the present invention is not concerned with quoted markets as Finebaum is. It is concerned with an Auction. A completely different method of trading with different conventions. These are discussed in the specification of the present invention as well as later on in this paper. A single bond or the term bond in the singular form in this context is not intended to mean a par value of one bond either in Finebaum or the applicants remarks it is intended as one of ordinary skill in the art would know to mean a specific lot of bonds regardless of the par value of the lot example "the market on the bond is 100 -  $\frac{1}{4}$  500 up" this means the market on the Bond is par bid for 500 , 100  $\frac{1}{4}$  offering for 500 the amount can change the terminology remains the same. In this case the term bond is interchangeable with Bonds, Name, Issue or even CUSIP in certain instances.
2. The office action notes "What is conventional to one in trading might not to another" This certainly is not consistent with interpreting claims from the view of one of ordinary skill in the art. If Traders were to have different conventions markets would cease to function. A basic tenant of establishing the level of knowledge of one of ordinary skill in the art would be to understand the trading conventions. Without this knowledge one would have no skill in the art. In support of this the last office action issued by the USPTO in the prosecution Finebaum on 5/18/2010 The Examiner refers to the market orders as well known ( page 7) and Finebaum itself refers to them as conventional (0035)
3. The applicant has presented the facts concerning Java-Script verses JAVA Programming repeatedly and it has been completely ignored. To circumvent the failure to acknowledge this issue the applicant removed the reference of Java-script from the claim. 98% of browsers are java-script enabled. Weather

it is there or not is of no importance to the claim. If desired the applicant will re-insert the term. The teachings of Finebaum or any other cited prior art that have to do with the real-time updating of content will not function without the use of JAVA or an equivalent as they teach. Additionally which they fail to recognize is that the Java Virtual Machine or an equivalent, which is not an actual piece of hardware but software, must be installed on the user's computer to interpret the JAVA code and displays it in a browser, or in its own window for any version of the application that must be installed. Finebaum does not specify such requirements but in fact without the use of additional software on the client side, which causes the network issues the present invention circumvents; Finebaum and the other cited references would be inoperable. This is a matter of scientific fact not opinion.

4. The applicant has never argued Public access or non-public access in any manner and does not rely upon such argument to establish the validity of the claims. The argument presented is open easy access. The specification discusses technological barriers to access and this is clearly reflected in the claims "Accessible by participants and other interested parties with a standard (or if the Examiner prefers a standard java-script enabled) web browser. The removal of technological barriers to access is a primary component of the present invention. The fact that the prior art does not recognize or disclose the limitations inherent in their inventions should weigh in favor of establishing the non-obviousness of the present invention.
5. Please see 4 above. The applicant does not believe, claim or state anywhere in the specification, claims or any related documentation that his invention is directed to a publicly accessible invention. Certainly the public would be able to access the invention but it is not the subject matter of the specification or the claims.
6. The specific reference cited against Claim 21(c) Lawrence col. 8 lines 20-50 teaches 2 different components of an auction. (Lines 30-50) clearly is

concerned with “rounding up bids” and the applicant reiterates his statements in the previous amendment this part of the reference has nothing to do with the disposition of an auction item it is intended to remind potential bidders that the time at which bids are due is approaching. Lines 20-29 teach an auction method known to those of ordinary skill in the art as “Bid Wanted”. Yes Bid Wanted is accurately described as a silent auction (line 15) and elsewhere in Lawrence, the applicant has no question as to that and has complete firsthand knowledge of all aspects of the Lawrence patent. Lawrence is completely different from the claimed invention in that the bids are never disclosed during the auction process and when they are they are only disclosed to the seller. In the present invention as claimed bids and the status of the auction item are disclosed to all in real time. The applicant can only respond to cited references and attempting to explain what the cited reference refers to.

7. This point is responded to above. In “As to The Combination” I will say this here, knowledge of two or more pieces of prior art and the skill to combine them is not a reason to do so. There is no apparent benefit to combine these two references and even if they were combined the result would not meet the claims of the present invention. The auction component of the present invention completely defies Lawrence and the technical aspect along with the results produced are beyond the scope of the prior art in any modification or combination.
8. The reason the applicant does not specifically argue independent claim 29 is that the Office Action mailed 11/30/2009 as well as the one mailed 4/16/2010 States that Claim 29 is rejected for essentially the same reason as claim 21. It would therefore be impossible for the applicant to craft an appropriate response that is substantively different than the response to the rejection of Claim 21.

9. In regards to claim 32 and 35 The question remains as to why the claimed invention would be considered obvious based on the use of the terms “CUSIP” and “Par” both of which are well known in the art and essential to defining the scope of and describing the present invention. The argument that Finebaum requires an application to be installed or a data feed provided is from Finebaum (0361) it is also referenced in at least 8 claims and elsewhere in Finebaum. The present invention has no such requirement. It is this very requirement that causes the un-recognized prevalent problem in all the sited prior art, which the present invention solves.

### **Conclusion**

The claims are technically adequate for which the applicant thanks the Examiner for the guidance he provided. The patent process can be challenging. The assistance provided by the Examiner and in the Office Actions is greatly appreciated.

The applicant respectfully traverses the last Office Action mailed 4/16/2010 which rejects all claims for obviousness. The applicant requests the Examiner reconsider these objections in light of this response. The applicant holds that the present invention including the claims, as presented, are in full condition for allowance which the applicant respectfully requests. If the examiner disagrees but believes that further modification to the Claims would help define the scope of the invention and place the application in condition for allowance the applicant would consider adopting such suggestions.

The present invention accomplishes three important objectives which are to simplify the trading process, open access to pertinent information and remove technical barriers to said access. It is important to note that the invention is not just an auction system it encompasses a technical aspect that is ahead of its time even as this paper is written nearly 4 years since the original specification. As mentioned above the applicant would be pleased to demonstrate the fully functional invention at any time.

Perhaps the ambiguity of the cited prior art contributed to the conclusion presented in the Office Action. It is the applicant's sincere intent that this paper may aid in the process of clarifying the application in view of the prior art and move this application forward for allowance.

Very respectfully,  
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