UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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CAMBRIDGE ASSOCIATES, LLC,
Petitioner,

v.

CAPITAL DYNAMICS,
Patent Owner.

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CBM2014-00079
Patent 7,698,196 B1

Before FRANCISCO C. PRATS, GRACE KARAFFA OBERMANN, and
DONNA M. PRAISS, *Administrative Patent Judges.*

PRAISS, *Administrative Patent Judge.*

DECISION
Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

I. INTRODUCTION

Cambridge Associates, LLC ("Petitioner") filed a Corrected Petition (Paper 4, "Pet.") on March 19, 2014 seeking covered business method patent review of U.S. Patent No. 7,698,196 B1 ("the '196 Patent") pursuant to § 18 of the Leahy-Smith America Invents Act, Pub. L. No. 112–29, § 6, 125 Stat. 284, 299–305 (2011) ("AIA"). Capital Dynamics ("Patent Owner") filed a Preliminary Response (Paper 8, "Prelim. Resp.") on June 12, 2014. We have jurisdiction under 35 U.S.C. § 324.

The standard for instituting a covered business method patent review is set forth in 35 U.S.C. § 324(a), which provides as follows:

THRESHOLD--The Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.

Petitioner challenges claims 1-17 of the '196 Patent as unpatentable for failure to comply with 35 U.S.C. §§ 101 and 103. Having considered the information presented in the Corrected Petition and Patent Owner's Preliminary Response, we determine that it is more likely than not that the challenged claims are unpatentable. Pursuant to 35 U.S.C. § 324 and § 18(a) of the AIA, we authorize a covered business method patent review of claims 1-17 of the '196 Patent on the grounds identified in the Order section of this decision.

II. BACKGROUND

A. Pending Litigation

A person may not file a petition under the Transitional Program for Covered Business Method Patents unless the person or the person's real

party in interest or privy has been sued for infringement or has been charged with infringement under that patent. *See* AIA § 18(a)(1)(B). Petitioner represents that it has been sued for infringement of the '196 Patent by Patent Owner in *Capital Dynamics AG and Capital Dynamics, Inc. v. Cambridge Associates, LLC*, 1:13-cv-07766 (S.D.N.Y.). Pet. 9.

B. The '196 Patent (Ex. 1001)

The '196 Patent is 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 or other index." Ex. 1001, 1:15-18, 7:58-65. An example of a financial product having an irregular cash flow is a private equity investment where funds are invested into an asset (referred to as draw downs) and funds are returned to the investor (referred to as disbursements). *Id.* at 1:26-29. An example of a public index is exchange traded securities. *Id.* at 1:40-42. A direct comparison between these two types of assets is said to be difficult because the former is measured in terms of an internal rate of return while the latter is measured by time weighted returns. *Id.* at 1:35-42. Therefore the method of the invention uses the traditional asset class as a benchmark or standard in a way that will determine, predict, or model how the non-traditional asset, which has a limited performance history (*id.* at 3:62-65), "would perform under various market scenarios for which actual performance data for the private equity is not available." *Id.* at 1:24-25. The method of the '196 Patent is said to "permit more accurate analysis of the performance of private equity assets relative to the performance of a public index, and also permit the simulation of private equity asset behavior." *Id.*, Abstract.

C. Illustrative Claim

Claim 1 of the '196 Patent is illustrative of the claims at issue:

1. A method for benchmarking relative to an index a performance of a financial product having an irregular cash flow, said being method implemented with a computer system comprising one or more computer processors, the method comprising the steps of:

receiving using at least one of said computer processors first cash flow data for the financial product over a period of time, the data including at least one input event and at least one output event;

receiving using at least one of said computer processors values for the index over the period of time;

determining using at least one of said computer processors a performance characteristic of the financial product;

determining using at least one of said computer processors a value of a scaling function, wherein a performance characteristic of an investment of a second cash flow in shares valued relative to the index during the period of time has a specified relationship to the performance characteristic of the financial product, the second cash flow corresponding to the first cash flow modified by the scaling function;

the determined value of the scaling function providing a measure of the performance of the financial product relative to the index.

D. The Prior Art

Petitioner relies on the following prior art:

Reference	Publication	Date	Exhibit No.
Long	US 7,421,407 B2	Sept. 2, 2008	Ex. 1003
Ang	Andrew Ang et al., *Downside Correlation and Expected Stock Returns* (USC Finance & Business Econ., Working Paper No. 01-25, 2002).	Mar. 12, 2002	Ex. 1004
Beezer	Robert A. Beezer, *Module 750: Closing in on the Internal Rate of Return, in* Tools for Teaching 1996 47–78 (COMAP, Inc. ed., 1997).	1997	Ex. 1005

E. The Asserted Grounds

Petitioner challenges claims 1-17 of the '196 Patent on the following grounds:

Basis	Description	Claims Challenged
§ 101	Lack of patentable subject matter	1-17
§ 103(a)	Obvious over Long	1-7, 10, 11, and 17
§ 103(a)	Obvious over Long and Ang	8 and 12-16
§ 103(a)	Obvious over Long and Beezer	9

F. Claim Interpretation

During a review before the Board, we provide claims with the broadest reasonable interpretation in light of the specification. 37 C.F.R. § 42.300(b); *see* 77 Fed. Reg. 48,680, 48,697-98 (August 14, 2012). We begin our analysis with the plain language of the claims themselves, but look to the specification for guidance as to how one skilled in the art would have understood the ordinary meaning of the claims at the time of the invention. In interpreting claims care must be exercised, as there is a fine line between

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