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EXAMINER

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte JOHN S. QUARTERMAN, PETER F. CASSIDY, and
GRETCHEN K. PHILLIPS

Appeal 2010-010774
Application 11/087,237
Technology Center 3600

Before: ANTON W. FETTING, MEREDITH C. PETRAVICK, and
MICHAEL W. KIM, *Administrative Patent Judges*.

PETRAVICK, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF CASE

John S. Quarterman, *et al.* (Appellants) seek our review under 35 U.S.C. § 134 from the Examiner's final rejection of claims 1-23. We have jurisdiction under 35 U.S.C. § 6(b).

SUMMARY OF THE DECISION

We REVERSE¹.

THE INVENTION

This invention is a method to determine financial risk related to price insurance premiums and bonds (Specification [0002]).

Claims 1 and 18, reproduced below, are illustrative of the subject matter on appeal [bracketed matter and some paragraphing added].

1. A method for determining financial loss related to performance of an internetwork, comprising:

[A] collecting input information regarding performance of an internetwork using techniques that simultaneously record topology and performance;

[B] detecting at least one anomaly in at least one portion of said internetwork;

[C] translating said at least one anomaly into at least one operational risk for a financial entity that underwrites insurance premiums and bonds by:

[D] adding information about a first plurality of enterprises in an industry;

[E] estimating a total cost for said industry for said plurality of anomalies; and,

¹ Our decision will make reference to the Appellants' Appeal Brief ("App. Br.," filed Dec. 22, 2009) and Reply Brief ("Rep. Br.," filed May 14, 2010), as well as the Examiner's Answer ("Ans.," mailed Mar. 16, 2010).

[F] determining respective costs for claims on insurance policies for said industry based on said total cost;

or,

[G] interrogating at least a portion of the network topology;

[H] making estimates of internetwork conditions at the time of an anomaly resulting in a loss; and,

[I] calibrating a disbursement against a covered party's claims with respect to the at least one anomaly.

18. A method for determining financial loss related to performance of the Internet, comprising:

[A] collecting, detecting, and characterizing input information regarding performance of an internetwork;

[B] detecting at least one anomaly in at least one portion of said internetwork;

[C] translating said at least one anomaly into at least one operational risk for a financial entity that underwrites insurance premiums and bonds;

[D] determining a spread in time and space of effects of at least one anomaly and said at least one peril in the Internet on the at least one subset of the Internet;

[E] collating said plurality of known anomalies according to type and for each said type, computing a probability of occurrence, duration, and effects;

[F] estimating probabilities of degradation or interruption of connectivity to a subset of nodes;

[G] adding information regarding a transaction to compute transaction risk for a subset using a transaction a number of times;

[F] estimating a cost to a subset of the Internet for at least one operational risk; and,

[H] for an enterprise in an industry, estimating a number of policies to sell and a price at which to sell said number of policies to cover claims associated with said enterprise and provide a level of profit for said financial entity.

THE REJECTIONS

The Examiner relies up on the following as evidence of unpatentability:

Reid	US 2002/0120558 A1	Aug. 29, 2002
Bunker	US 2003/0028803 A1	Feb. 6, 2003
Masuoka	US 2004/0167793 A1	Aug. 26, 2004
Ryan	US 2005/0096944 A1	May 5, 2005
Golan	US 2005/0097320 A1	May 5, 2005
Gearhart	US 2005/0132225 A1	Jun. 16, 2005

Marsh/NERA, “Operational Risk and the New Basel Capital Accord,”
Federal Reserve Bank of Boston, Marsh & McLennan Companies, (2001).
[Hereinafter, Marsh.]

Shepherd, Chris N., “Justify the Return on Security Investments to Company
Stakeholders: Crafting a quantifiable business case,” ICCT Corp., (2003).
[Hereinafter, Shepherd.]

Gordon, Lawrence A., Loeb, Martin P., and Sohail, Tashfeen, “A
Framework for Using Insurance for Cyber-Risk Management,
Communications of the ACM, Vol. 46, No. 3, (2003). [Hereinafter, Gordon.]

The following rejections are before us for review:

1. Claims 1, 2, 19, and 20 are rejected under 35 U.S.C. § 103(a) as unpatentable over Masuoka, Marsh, and Reid.

2. Claims 2, 3, 8, 9, 11-15, 17, 21, and 23 are rejected under 35 U.S.C. § 103(a) as unpatentable over Masuoka², Marsh, Reid, and Gearhart.
3. Claim 4 and 22 are rejected under 35 U.S.C. § 103(a) as unpatentable over Masuoka, Marsh, Reid, and Ryan.
4. Claim 5 is rejected under 35 U.S.C. § 103(a) as unpatentable over Masuoka, Marsh, Reid and Shepherd.
5. Claim 6 and 16 are rejected under 35 U.S.C. § 103(a) as unpatentable over Masuoka, Marsh, Reid, and Bunker.
6. Claim 7 is rejected under 35 U.S.C. § 103(a) as unpatentable over Masuoka, Marsh, Reid, and Golan.
7. Claim 10 is rejected under 35 U.S.C. § 103(a) as unpatentable over Masuoka, Marsh, Reid and Gordon.
8. Claim 18 is rejected under 35 U.S.C. § 103(a) as unpatentable over Masuoka, Marsh, Ryan, Gordon, Shepherd, Bunker, and Golan.

ISSUES

The first issue is Marsh discloses estimation of total costs for an industry, and whether Reid discloses making estimates of internetwork conditions at the time of an anomaly resulting in a loss as required by claims 1 and 19.

² The statements of the rejections for dependent claims 2-17 and 20-23 under 35 U.S.C. § 103(a) fail to include the Masuoka and Reid references, which were used to reject parent independent claims 1 and 19. *See* Ans. 4-12. We consider this omission a typographical error.

The second issue is whether Shepherd discloses collating anomalies according to type as required by claim 18.

FINDINGS OF FACT

We find that the following findings of fact, which appear in the Analysis below, are supported by at least a preponderance of the evidence. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (explaining the general evidentiary standard for proceedings before the Office).

ANALYSIS

The rejection of claims 1, 2, 19, and 20 are rejected under 35 U.S.C. § 103(a) as unpatentable over Masuoka, Marsh, and Reid

We are persuaded by the Appellants' arguments (App. Br. 13-15, Rep. Br. 17) that the Examiner erred in rejecting claim 1 as unpatentable over Masuoka, Marsh, and Reid. Initially, we note that claim 1's translating step, marked C above, can be met by performing the step marked D-F *or* the steps marked G-I. However, as the Appellants argue (App. Br. 13-15, Rep. Br. 17), the prior art relied upon by Examiner does not teach steps E or H, and therefore does not teach step C.

Turning to step E, the Examiner relies upon pages 10, 13-15 and 18 of Marsh to teach this step in the rejection. Ans. 5. The Examiner further reasons, in response to Appellants' argument, that based on the cited portions of Marsh, step E's estimating a total cost for an industry would be obvious. *See* Ans. 25-26. We disagree. The relied upon portion of Marsh are concerned with the risk of loss at an individual bank or set of banks in a common loss and not an entire banking industry. The limitation

unambiguously estimates cost for an entire industry and not only those whose risk is being transferred, as the art describes.

Further, even assuming that “[i]t is obvious that estimating an insurance underwriting for an insurance underwriting for an insurance policy to complement losses due to operational risks would involve estimating total losses possible due to a threat or risk” (Ans. 26), the Examiner has not provided any evidence that this would lead to estimating the total cost for an industry and not just a bank.

Turning to step H, the Examiner relies upon paragraphs [0034]-[0035], [0037]-[0038], and [0041] of Reid to teach this limitation. Ans. 5. The Examiner further relies upon paragraphs [0019]-[0020] of Reid, in response to Appellants’ argument, to conclude that this limitation would have been obvious. Ans. 26-27. We agree with the Appellants (App. Br. 15-16, Reply. Br. 17-18) that none of the cited portions teach estimating *internetwork* conditions *at the time of an anomaly* resulting in a loss.

Independent claim 19 recites similar limitation and is rejected using the same rationale discussed above (*see* Ans. 4-5). Accordingly, we reverse the rejection of claims 1 and 19, and claims 2 and 20, dependent thereon, under 35 U.S.C. § 103(a) over Masuoka, Marsh, and Reid.

The rejections of claims 2-17 and 21-23 under 35 U.S.C. § 103(a)

These rejections are directed to claims dependent on claims 1 and 19, whose rejection we have reversed above. For the same reasons, we will not sustain the rejections of claims 2-17 and 21-23 over the cited prior art. *Cf. In re Fritch*, 972 F.2d 1260, 1266 (Fed. Cir. 1992) (“[D]ependent claims are

nonobvious if the independent claims from which they depend are nonobvious.")

The rejection of claim 18 under 35 U.S.C. § 103(a) as unpatentable over Masuoka, Marsh, Ryan, Gordon, Shepherd, Bunker, and Golan

Independent claim 18 recites the step marked E above, which recites “collating said plurality of known anomalies according to type and for each said type, computing a probability of occurrence, duration, and effects.”

We are persuaded by Appellants’ argument that the Examiner erred in rejecting claim 18 under 35 U.S.C. § 103(a) as unpatentable over Masuoka, Marsh, Ryan, Gordon, Shepherd, Bunker, and Golan. Specifically, we agree with the Appellants (App. Br. 21-22, Rep. Br. 24) that pages 6-8 of Shepherd, relied upon by the Examiner (Ans. 5, 28-29), do not teach the collating and computing step marked E above.

Accordingly, the rejection of claim 18 under 35 U.S.C. § 103(a) as being unpatentable over Masuoka, Marsh, Ryan, Gordon, Shepherd, Bunker, and Golan is reversed.

DECISION

The decision of the Examiner to reject claims 1-23 is REVERSED.

REVERSED

JRG