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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte CLAUDE B BUNICK and
CHENGYOU XIAO

Appeal 2016-002463
Application 14/224,991¹
Technology Center 3600

Before HUBERT C. LORIN, ANTON W. FETTING, and
ROBERT J. SILVERMAN, *Administrative Patent Judges*.

LORIN, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Claude B. Bunick, et al. (Appellants) seek our review under 35 U.S.C. § 134(a) of the Final Rejection of claims 23–42. We have jurisdiction under 35 U.S.C. § 6(b).

¹ The Appellants identify Guy Carpenter & Company, LLC as the real party in interest. App. Br. 2.

SUMMARY OF DECISION

We AFFIRM and denominate the affirmance as a NEW GROUND OF REJECTION.

THE INVENTION

Claim 23, reproduced below, is illustrative of the subject matter on appeal.

23. A method, comprising:

calculating, by a computing device, an element factor for each of a plurality of elements based on a modeled company loss for a plurality of events and a modeled industry loss for the plurality of events;

calculating, by the computing device, a modeled company index loss for each element based on the element factor and the modeled industry loss for each of the corresponding elements for each of a plurality of events; and

comparing, by the computing device, the modeled company index loss for each element to the modeled company loss for each element for each of the events, wherein the comparing occurs within a layer of interest to determine a basis risk for each of the events.

THE REJECTIONS

The Examiner relies upon the following as evidence of unpatentability:

Lewis	US 2008/0103841 A1	May 1, 2008
Thomas	US 2011/0077978 A1	Mar. 31, 2011

Chieh Ou Yang, *Managing Catastrophic Risk by Alternative Risk Transfer Instruments*, (2010) (hereinafter “Yang”).

The following rejections are before us for review:

1. Claims 23–42 are rejected under 35 U.S.C. § 112, second paragraph, for failing to particularly point out and distinctly claim the subject matter which Appellants regard as the invention.
2. Claims 23–42 are rejected under 35 U.S.C. § 101 as being directed to judicially-excepted subject matter.
3. Claims 23, 26–30, 33–35, and 38–40 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Lewis and Thomas.
4. Claims 24, 25, 31, 32, 36, 37, 41, and 42 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Lewis, Thomas and Yang.

ISSUES

Did the Examiner err in rejecting claims 23–42 under 35 U.S.C. § 112, second paragraph, for failing to particularly point out and distinctly claim the subject matter which Appellants regard as the invention?

Did the Examiner err in rejecting claims 23–42 under 35 U.S.C. § 101 as being directed to non-statutory subject matter?

Did the Examiner err in rejecting claims 23, 26–30, 33–35, and 38–40 rejected under 35 U.S.C. § 103(a) as being unpatentable over Lewis and Thomas?

Did the Examiner err in rejecting claims 24, 25, 31, 32, 36, 37, 41, and 42 rejected under 35 U.S.C. § 103(a) as being unpatentable over Lewis, Thomas, and Yang?

ANALYSIS

The rejection of claims 23–42 under 35 U.S.C. § 112, second paragraph, for failing to particularly point out and distinctly claim the subject matter which Appellants regard as the invention.

The Examiner takes the position that

the limitation “layer of interest” (see claim 1 [sic, 23], 34, & 35) is a relative term which renders the claim indefinite. The term “interest” is not defined by the claim, the specification does not provide a standard for ascertaining the requisite degree, and one of ordinary skill in the art would not be reasonably apprised of the scope of the invention. The phrase “layer of interest” renders the claim indefinite, the metes and bound of layer of interest is unknown. How does the “interest” is quantified?

Ans. 2.

The Appellants respond that

the Specification provides sufficient support to define the “layer of interest” recited in the claims. The layer of interest is defined in the Specification as a range of loss values that is of importance or interest for analysis to the company. *Specification*, ¶ [0049]. Those skilled in the art will understand that the determination of the layer of interest is decided and controlled by the company and may be set based upon any standard and any requirement. However, once set, the layer of interest may subsequently provide various considerations in the modeled loss computations such as used in assigning weights and determining basis risks within the layer of interest. *Id.* at ¶¶ [0050]-[0055], [0061]-[0065]. Therefore, the standard upon which a degree of the layer of interest is selected is based upon company needs and requirements and provides the basis upon which a plurality of subsequent calculations may be performed.

Reply Br. 2–3.

On balance, we find that the Appellants have a stronger argument. This is so because, as the Appellants point out, the Specification discusses

the “layer of interest” extensively and the Examiner’s position does not appear to have taken these disclosures into account. As a general matter, it is well-established that the determination whether a claim is invalid as indefinite “depends on whether those skilled in the art would understand the scope of the claim when the claim is read in light of the specification.” *North Am. Vaccine, Inc. v. Am. Cyanamid Co.*, 7 F.3d 1571, 1579, (Fed. Cir. 1993); *see Miles Lab., Inc. v. Shandon, Inc.*, 997 F.2d 870, 875, (Fed. Cir. 1993). “For purposes of § 112 ¶ 2, it is the disclosure in the specification itself, not the technical form of the disclosure that counts.” *Atmel Corp. v. Information Storage Devices Inc.*, 198 F.3d 1374, 1378 (Fed. Cir. 1999).

However, reading the Specification, one of ordinary skill in the art would understand the claim phrase “layer of interest” to be a company’s personal choice. The Specification exemplifies a “layer of interest” as a set range of expected losses a company is *interested* in hedging against. *See* para. 49. Thus, a “layer of interest” is a construct representing a company’s aspirational goal. The Appellants state: “the determination of the layer of interest *is decided and controlled by the company and may be set based upon any standard and any requirement.*” Reply Br. 2. This suggests that setting the “layer of interest” is a purely subjective exercise based on a company’s value judgment of what the “layer of interest” should be; in other words, it has a scien^{ter} requirement. A company’s value judgment provides no objective standard by which to measure the scope of the phrase “layer of interest.” A company’s value judgment is an insufficient measure. Admittedly “layer of interest” is broad in scope but, like matters of taste and preference, it relies on the “unpredictable vagaries of any one person’s

opinion.”” *Interval Licensing LLC v. AOL, Inc.*, 766 F.3d 1364, 1371 (Fed. Cir. 2014) (quoting *Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342, 1350 (Fed. Cir. 2005)). And for that reason, the rejection is sustained.

Our reasoning departs from that of the Examiner. Accordingly, although we affirm the rejection, we denominate the affirmed rejection as a new ground of rejection.

The rejection of claims 23–42 under 35 U.S.C. § 101 as being directed to judicially-excepted subject matter.

The Appellants argued these claims as a group. *See* App. Br. 4–10. We select claim 23 as the representative claim for this group, and the remaining claims 24–42 stand or fall with claim 23. 37 C.F.R. § 41.37(c)(1)(iv).

Alice Corp. Proprietary Ltd. v. CLS Bank International, 134 S. Ct. 2347 (2014) identifies a two-step framework for determining whether claimed subject matter is judicially-excepted from patent-eligibility under 35 U.S.C. § 101.

According to *Alice* step one, “[w]e must first determine whether the claims at issue are directed to a patent-ineligible concept,” such as an abstract idea. *Alice*, 134 S. Ct. at 2355.

In that regard, the Examiner determined that the claims “are directed to the fundamental economic practice and calculation (determining company loss).” Final Rej. 2.

Step two is “a search for an ‘inventive concept’—*i.e.*, an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible

concept] itself.” *Alice*, 134 S. Ct. at 2355 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1294 (2012)).

In that regard, the Examiner determined “the claim, when considered as a whole, is nothing more than the instruction to implement the abstract idea (i.e. calculating . . . and comparing . . .) in a particular, albeit well understood, routine and conventional technological environment **previously** known to the industry.” Final Rej. 3.

We agree with the Examiner. We do not find the Appellants’ arguments persuasive as to error in the rejection.

As a preliminary matter, we observe that claim 23 is a method comprising two calculating and one comparing step performed “by a computing device.” Said “computing device” covers conventional generic computers. *See* Specification, para. 90 (“Those skilled in the art will understand that the above-described exemplary embodiments may be implemented in any suitable software or hardware configuration or combination thereof.”) Claims such as claim 23 have previously been deemed patent-ineligible. *See Bancorp Services, L.L.C. v. Sun Life Assur. Co. of Canada (U.S.)*, 687 F.3d 1266, 1278 (Fed. Cir. 2012) (“[T]he use of a computer in an otherwise patent-ineligible process for no more than its most basic function—making calculations or computations—fails to circumvent the prohibition against patenting abstract ideas and mental processes.”). *See also Blue Spike, LLC v. Google Inc.*, No. 14-CV-01650-YGR, 2015 WL 5260506 (N.D. Cal. Sept. 8, 2015), *aff’d*, No. 2016-1054, 2016 WL 5956746 (mem) (Fed. Cir. 2016) (“[C]omparing one thing to another” is an abstract idea.) As a general matter, when “[t]he focus of the asserted claims” is “on

collecting information, analyzing it, and displaying certain results of the collection and analysis,” the claims are directed to an abstract idea. *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016). Granted that the steps in claim 23 are specifically directed to calculating information (a), calculating information (b), and comparing (c) “to the modeled company loss for each element for each of the events, wherein the comparing occurs within a layer of interest to determine a basis risk for each of the events”; where (a) is “an element factor for each of a plurality of elements based on a modeled company loss for a plurality of events and a modeled industry loss for the plurality of events” and (b) is “a modeled company index loss for each element based on the element factor and the modeled industry loss for each of the corresponding elements for each of a plurality of events.” But these particulars simply give the calculating and comparing steps a practical application. In that regard, “[t]he Court [*Parker v. Flook*, 437 U.S. 584 (1978)] rejected the notion that the recitation of a practical application for the calculation could alone make the invention patentable.” *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1371 (Fed. Cir. 2011).

We now turn to the Appellants’ arguments.

They begin with a summary of the Examiner’s rejection. App. Br. 3–4 (“A. The Examiner’s Rejection”). We have no issue with what is said there.

The next section, “B. The Claims Are Not Directed to an Abstract Idea” (App. Br. 4–5), seeks to make the case that “the claims are directed toward statutory subject matter and not an abstract idea” (App. Br. 4). The

difficulty here is that the question is not whether the claimed subject matter is statutory. Processes are statutory categories of invention (*see* § 101) and the subject matter of claim 23 appears to fall into that. Rather, the question is whether the claimed subject matter is judicially-excepted from patent-eligibility for being drawn to an abstract idea notwithstanding that it may fall into a statutory class of invention. On that question, the Appellants do not present a persuasive argument challenging the determination that claim 23 is directed to an abstract idea. The analysis the Appellants provide comprises a summary of the *Alice* decision, USPTO guidance, quoting claim 23 in its entirety, and stating that “claim 23 is directed to” while reproducing what claim 23 says. App. Br. 4–5. Summarizing case law and repeating what is claimed does not explain *why* claim 23 is not directed to an abstract idea as the Examiner has determined it to be.

The Appellants argue that “[t]he claim addresses issues of single-loss layer, basis risk reduction and efficient, single-loss layer comparisons of index-linked modeled company and industry losses, specific to comparative index-linked catastrophic loss insurance calculators.” App. Br. 5. Actually, claim 23 is not so limited — so that argument cannot be a persuasive one, as it is not commensurate in scope with what is claimed. That being said, we do not see how a risk reduction goal renders the claimed subject matter any less abstract, especially considering that risk hedging *per se* has already been determined to be an abstract idea. *See Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

The Appellants also state that “[t]his claimed subject matter differs from claims the courts found to recite abstract ideas” App. Br. 5. We

disagree. The Appellants cite no decision and we know of none that has determined that using a generic computer to calculate and compare is necessarily patent-eligible. The opposite is the case — *see e.g., Bancorp*. The Appellants state that the difference here is that the claimed subject matter is “based in computer technology for overcoming a problem specific to comparative index-linked catastrophic loss insurance calculators.” *Id.* While the method of claim 23 is computer-enabled and thus does base the method in computer technology, this is insufficient to overcome the question of whether the claimed subject matter is judicially excepted from patent-eligibility for being an abstract idea. The only claim elements in the claim are “computing device” and the Specification is clear that this covers generic computers. Accordingly, notwithstanding the method of claim 23 is based in computer technology, it is generic technology that acts as a conduit for the abstract idea (i.e., calculating and comparing). That is not enough. “[T]he mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention. Stating an abstract idea ‘while adding the words ‘apply it’” is not enough for patent eligibility.” *Alice* 134 S. Ct. at 2358 (quoting *Mayo*, 132 S. Ct. at 1294).

The next section, “C. The Claims Are Directed to ‘Significantly More’ Than an Abstract Idea: The Claims Do Not Merely State an Abstract Idea and Add the Words ‘Apply It’” (App. Br. 5–7), seeks to make the case that claim 23 provides “‘significantly more’” than the alleged abstract ideas of a known “‘fundamental economic practice’” and “‘calculation . . . [of company losses].’” App. Br. 7. We are unpersuaded.

The Appellants state that “the claims do not merely recite an abstract idea and add the words ‘apply it,’ the claims amount to ‘significantly more’ than an abstract idea.” App. Br. 5. But we do not see anything more claimed than a generic computer calculating and comparing values.

The rest of the section, we think, is attempting to argue that the claimed process materially affects the functioning of a computer. The evidence on the record does not support that. The evidence more strongly supports the view that the “computing device” of claim 23 operates as it is conventionally expected to.

The next section, “D. The Claims Are Directed to ‘Significantly More’ Than an Abstract Idea: The Claims Solve a Technological Problem in Conventional Industry Practice” (App. Br. 7–9), seeks to make the case that “the claims solve a technological problem in conventional industry practice and recite improvements to the functioning of a computer via improved processor performance for comparing” (App. Br. 7). We are unpersuaded.

There is no evidence of technological solution on the present record. The evidence supports the opposite conclusion — that generic computers are employed for their known calculating and data analysis functions to solve a business problem.

The rest of the section attempts to make the case that the claimed process materially affects the functioning of a computer — like the computer-implemented process for curing rubber in *Diamond v. Diehr*, 450 U.S. 175 (1981). App. Br. 8. Suffice it to say that the evidence on this record more strongly supports the view that the “computing device” of claim

23 operates as it is conventionally expected to. The calculating and comparing steps do not materially affect the computer, based on the evidence on this record. Rather the “computing device” affects the mode of calculating and comparing but in the known way one would expect any generic computer to do.

The final section, “E. The Claims Are Directed to ‘Significantly More’ Than an Abstract Idea: Granting the Claims Would Not Preempt the Making, Using, and Selling of Basic Scientific and Technological Tools” (App. Br. 9–10), argues that “granting the claims would not preempt the making, using, and selling of basic tools of scientific and technological work, [because] the claims amount to ‘significantly more’ than an abstract idea” (App. Br. 10).

To support the argument, the Appellants reproduce all of claim 23. App. Br. 10. The difficulty with this argument is that it confuses the pre-emption concern with the level of abstraction describing the abstract idea. With respect to the pre-emption concern, “[w]hat matters is whether a claim threatens to subsume the full scope of a fundamental concept, and when those concerns arise, we must look for meaningful limitations that prevent the claim as a whole from covering the concept’s every practical application.” *CLS Bank Int’l v. Alice Corp. Pty.*, 717 F.3d 1269, 1281 (Fed. Cir. 2013) (Lourie, J., concurring). Here, limitations in claim 23 simply narrows the abstract idea of calculating and comparing so that it is described at a lower level of abstraction. It does not render the abstract idea to which the claim is directed to any less an abstract idea.

To be clear, the proper focus is not preemption *per se*, for some measure of preemption is intrinsic in the statutory right granted

with every patent to exclude competitors, for a limited time, from practicing the claimed invention. *See* 35 U.S.C. § 154. Rather, the animating concern is that claims should not be coextensive with a natural law, natural phenomenon, or abstract idea; a patent-eligible claim must include one or more substantive limitations that, in the words of the Supreme Court, add “significantly more” to the basic principle, with the result that the claim covers significantly less. *See Mayo* 132 S. Ct. at 1294. Thus, broad claims do not necessarily raise § 101 preemption concerns, and seemingly narrower claims are not necessarily exempt.

Id. *See also Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015) (“[w]hile preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.”).

Because the claimed subject matter has been determined to cover patent-ineligible subject matter, the pre-emption concern is necessarily addressed. “Where a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, . . . preemption concerns are fully addressed and made moot.” *Ariosa Diagnostics*, 788 F.3d at 1379.

There being no further arguments, for the foregoing reasons the Appellants have not shown error in the rejection. Accordingly, the rejection is sustained.

The rejection of claims 23, 26-30, 33–35, and 38–40 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Lewis and Thomas.

The rejection of claims 24, 25, 31, 32, 36, 37, 41, and 42 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Lewis, Thomas and Yang.

The Appellants argue that claim 23 requires “comparing . . . the modeled company index loss for each element to the modeled company loss for each element for each of the events, *wherein the comparing occurs within a layer of interest* to determine a basis risk for each of the events” (App. Br. 11) and that Thomas does not disclose this as the Examiner alleges. The Examiner’s position is that Lewis discloses all that is claimed except that

Lewis does not disclose wherein the comparing occurs within a layer of interest. However, Thomas discloses wherein the comparing occurs within a layer of interest [Abstract; ¶31, ¶44, ¶49, ¶105]. It would have been obvious to one ordinary skill in the art to combine the teaching of Lewis and Thomas to provide an insurance product to mitigate risk associated insured loss events proportional to collateral damage. Since the claimed invention is merely a combination of old elements, and in the combination each element merely would perform the same function as it did separately, and one of ordinary skill in the art would recognized that the results of the combination were predictable.

Final Rej. 4.

We do not see in said cited passages of Thomas the “layer of interest” as claimed. These passages disclose various collateral damage coverage levels. Arguably each level is a “layer of interest.” But we do not see why one would be led to perform a comparing in any of these levels.

We understand that Lewis, not Thomas, is relied on as evidence that the prior art discloses the claimed comparing. Ans. 8. But modifying Lewis to include one of Thomas’s collateral damage coverage levels is alone insufficient to lead one of ordinary skill to perform a comparing in one of said collateral damage coverage levels, let alone comparing a modeled

company index loss for an element to a modeled company loss for each element as claimed.

We do not find that the evidence presented preponderantly supports a prima facie case of obviousness.

For the foregoing reasons, the rejection of independent claim 23 (and the claims depending therefrom) is not sustained. The other independent claims 34 and 35 include similar limitations to which the Examiner takes the same position. Final Rej. 3. This rejection (and that of the claims depending therefrom) is also not sustained for the same reasons.

CONCLUSION

The rejection of claims 23–42 under 35 U.S.C. § 112, second paragraph, for failing to particularly point out and distinctly claim the subject matter which Appellants regard as the invention is affirmed but denominated as a new ground of rejection.

The rejection of claims 23–42 under 35 U.S.C. § 101 as being directed to judicially-excepted subject matter is affirmed.

The rejection of claims 23, 26–30, 33–35, and 38–40 rejected under 35 U.S.C. § 103(a) as being unpatentable over Lewis and Thomas is reversed.

The rejection of claims 24, 25, 31, 32, 36, 37, 41, and 42 rejected under 35 U.S.C. § 103(a) as being unpatentable over Lewis, Thomas, and Yang is reversed.

DECISION

The decision of the Examiner to reject claims 23–42 is affirmed but the affirmed rejection under 35 U.S.C. § 112, second paragraph, is denominated as new ground of rejection.

NEW GROUND

This decision contains a new ground of rejection pursuant to 37 C.F.R. § 41.50(b). 37 C.F.R. § 41.50(b) provides “[a] new ground of rejection pursuant to this paragraph shall not be considered final for judicial review.” 37 C.F.R. § 41.50(b) also provides that the Appellants, **WITHIN TWO MONTHS FROM THE DATE OF THE DECISION**, must exercise one of the following two options with respect to the new ground of rejection to avoid termination of the appeal as to the rejected claims:

- (1) *Reopen prosecution.* Submit an appropriate amendment of the claims so rejected or new Evidence relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the prosecution will be remanded to the examiner. . . .
- (2) *Request rehearing.* Request that the proceeding be reheard under § 41.52 by the Board upon the same Record. . . .

Should the Appellants elect to prosecute further before the Examiner pursuant to 37 C.F.R. § 41.50(b)(1), in order to preserve the right to seek review under 35 U.S.C. §§ 141 or 145 with respect to the affirmed rejection, the effective date of the affirmance is deferred until conclusion of the prosecution before the Examiner unless, as a mere incident to the limited prosecution, the affirmed rejection is overcome.

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If Appellants elect prosecution before the Examiner and this does not result in allowance of the application, abandonment or a second appeal, this case should be returned to the Patent Trial and Appeal Board for final action on the affirmed rejection, including any timely request for rehearing thereof.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a).

AFFIRMED
37 C.F.R. § 41.50(b)