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UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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*Ex parte* HANS–LINHARD REICH,  
GARY HOM,  
and TANUJA PRASAD

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Appeal 2016–005853  
Application 14/087,085  
Technology Center 3600

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Before ANTON W. FETTING, PHILIP J. HOFFMANN, and  
BRUCE T. WIEDER, *Administrative Patent Judges*.  
FETTING, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE<sup>1</sup>

Hans–Linhard Reich, Gary Hom, and Tanuja Prasad (Appellants<sup>2</sup>) seek review under 35 U.S.C. § 134 of a final rejection of claims 1, 2, 4–16, 18–

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<sup>1</sup> Our decision will make reference to the Appellants’ Appeal Brief (“App. Br.,” filed November 9, 2015) and Reply Brief (“Reply Br.,” filed May 13, 2016), and the Examiner’s Answer (“Ans.,” mailed March 14, 2016), and Final Action (“Final Act.,” mailed February 9, 2015).

<sup>2</sup> The real party in interest is Goldman, Sachs & Co. App. Br. 2.

24, and 26–35, the only claims pending in the application on appeal. We have jurisdiction over the appeal pursuant to 35 U.S.C. § 6(b).

The Appellants invented a way of automating transaction compliance checks and, in particular, enforcing trading restrictions placed upon a specific party on the basis of their relationship to an entity such as a financial services institution. Specification para. 2.

An understanding of the invention can be derived from a reading of exemplary claim 1, which is reproduced below (bracketed matter and some paragraphing added).

1. A computer implemented method

for performing compliance checking on a request  
associated with a party to determine

if, in view of a relationship between the party and  
an entity,

the request complies with specified restrictions,

the method comprising the steps of:

(a) receiving a compliance request

having an associated party

and

indicating a particular instrument associated with an  
issuer;

(b) retrieving restrictions associated with the particular  
instrument from a collection of restrictions,

wherein the restrictions are indicated in a plurality of lists

including a first list indicating restrictions related  
to publicly available information

and

a second list indicating restrictions related to non-  
public information;

the priority of rules applying to the first list being greater than the priority of rules applying to the second list;

(c) accessing a compliance rule set

identifying at least one compliance rule selected in accordance with a profile associated with the party, the profile reflecting at least the relationship between the party and the entity;

(d) evaluating at least a portion of the rules in the compliance rule set

using the retrieved restrictions to determine if the request complies with the restrictions;

and

(e) outputting a message in electronic form

indicating a compliance condition in accordance with results of the evaluating step.

Claims 1, 2, 4–16, 18–24, and 26–35 stand rejected under 35 U.S.C. § 101 as directed to non-statutory subject matter.

## ISSUES

The issues of eligible subject matter turn primarily on whether the claims recite more than abstract conceptual advice of what a computer is to provide without implementation details.

## ANALYSIS

Method claim 1 recites receiving data representing a compliance request and restrictions to be complied with, selecting a rule based on the party, and making a logical decision as to whether the request complies with the restrictions and transmitting the result of the decision. Thus, claim 1 recites

receiving data, making a logical decision based on the data, and transmitting data representing the result of the decision. None of the limitations recite implementation details for any of these steps, but instead recite functional results to be achieved by any and all possible means. Data reception, analysis and modification, and transmission are all generic, conventional data processing operations to the point they are themselves concepts awaiting implementation details. The sequence of data reception-analysis-transmission is equally generic and conventional. The ordering of the steps is therefore ordinary and conventional. The remaining claims merely describe parameters associated with the restrictions, with no implementation details.

#### The Supreme Court

set forth a framework for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts. First, [] determine whether the claims at issue are directed to one of those patent-ineligible concepts. [] If so, we then ask, “[w]hat else is there in the claims before us? [] To answer that question, [] consider the elements of each claim both individually and “as an ordered combination” to determine whether the additional elements “transform the nature of the claim” into a patent-eligible application. [The Court] described step two of this analysis as 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 Corp., Pty. Ltd. v. CLS Bank Intl*, 134 S. Ct. 2347, 2355 (2014)  
(citing *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*,  
566 U.S. 66 (2012)).

To perform this test, we must first determine whether the claims at issue are directed to a patent-ineligible concept. The Examiner finds the claims directed to compliance checking, which is a fundamental economic practice of not benefiting from insider trading and compliance with SEC regulation. Final Act. 2.

Although the Court in *Alice* made a determination as to what the claims were directed to, we find that this case's claims themselves and the Specification provide enough information to inform one as to what they are directed to.

The preamble to claim 1 recites that it is a method for performing compliance checking on a request associated with a party to determine if, in view of a relationship between the party and an entity, the request complies with specified restrictions. The steps in claim 1 result in indicating a compliance condition. The Specification at paragraph 2 recites that the invention relates to automating transaction compliance checks and, in particular, enforcing trading restrictions placed upon a specific party on the basis of their relationship to an entity such as a financial services institution. Thus, all this evidence shows that claim 1 is directed to checking compliance with restrictions upon a party, i.e., compliance checking.

It follows from prior Supreme Court cases, and *Bilski* (*Bilski v. Kappos*, 561 U.S. 593 (2010)) in particular, that the claims at issue here are directed to an abstract idea. Like the risk hedging in *Bilski*, the concept of compliance checking is a fundamental economic practice long prevalent in our system of commerce. The use of compliance checking is also a building

block of human ingenuity. Thus, compliance checking, like hedging, is an “abstract idea” beyond the scope of § 101. *See Alice Corp. Pty. Ltd.* at 2356.

As in *Alice Corp. Pty. Ltd.*, we need not labor to delimit the precise contours of the “abstract ideas” category in this case. It is enough to recognize that there is no meaningful distinction in the level of abstraction between the concept of risk hedging in *Bilski* and the concept of compliance checking at issue here. Both are squarely within the realm of “abstract ideas” as the Court has used that term. *See Alice Corp. Pty. Ltd.* at 2357.

Further, claims involving data collection, analysis, and display are directed to an abstract idea. *Elec. Power Grp. LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016) (holding that “collecting information, analyzing it, and displaying certain results of the collection and analysis” are “a familiar class of claims ‘directed to’ a patent ineligible concept”); *see also In re TLI Commc’ns LLC Patent Litig.*, 823 F.3d 607, 611 (Fed. Cir. 2016); *FairWarning IP, LLC v. Iatric Sys., Inc.*, 839 F.3d 1089, 1093–94 (Fed. Cir. 2016). Claim 1, unlike the claims found non-abstract in prior cases, uses generic computer technology to perform data reception, analysis, and transmission, and does not recite an improvement to a particular computer technology. *See, e.g., McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1314–15 (Fed. Cir. 2016) (finding claims not abstract because they “focused on a specific asserted improvement in computer animation”). As such, claim 1 is directed to the abstract idea of receiving, analyzing, and transmitting data.

The remaining claims merely describe parameters associated with the restrictions. We conclude that the claims at issue are directed to a patent-ineligible concept.

The introduction of a computer into the claims does not alter the analysis at Mayo step two.

the 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. Nor is limiting the use of an abstract idea “to a particular technological environment.” Stating an abstract idea while adding the words “apply it with a computer” simply combines those two steps, with the same deficient result. Thus, if a patent’s recitation of a computer amounts to a mere instruction to “implemen[t]” an abstract idea “on . . . a computer,” that addition cannot impart patent eligibility. This conclusion accords with the preemption concern that undergirds our § 101 jurisprudence. Given the ubiquity of computers, wholly generic computer implementation is not generally the sort of “additional featur[e]” that provides any “practical assurance that the process is more than a drafting effort designed to monopolize the [abstract idea] itself.”

*Alice Corp. Pty. Ltd.*, 134 S. Ct. at 2358 (citations omitted).

“[T]he relevant question is whether the claims here do more than simply instruct the practitioner to implement the abstract idea [] on a generic computer.” *Alice Corp. Pty. Ltd.*, 134 S. Ct. at 2359. They do not.

Taking the claim elements separately, the function performed by the computer at each step of the process is purely conventional. Using a computer to receive data and using that data in logical decisions amounts to electronic data query and retrieval—one of the most basic functions of a

computer. All of these computer functions are well-understood, routine, conventional activities previously known to the industry. In short, each step does no more than require a generic computer to perform generic computer functions.

Considered as an ordered combination, the computer components of Appellants' method add nothing that is not already present when the steps are considered separately. Viewed as a whole, Appellants' method claims simply recite the concept of compliance checking as performed by a generic computer. To be sure, the claims recite doing so by advising one to get a request and rules for evaluating the request and testing the request for compliance with the rules and let one know when compliance is found. But this is no more than abstract conceptual advice on the parameters for such compliance checking and the generic computer processes necessary to process those parameters, and do not recite any particular implementation.

The method claims do not, for example, purport to improve the functioning of the computer itself. Nor do they effect an improvement in any other technology or technical field. The 16+ pages of Specification spell out different generic equipment and parameters that might be applied using this concept and the particular steps such conventional processing would entail based on the concept of compliance checking under different scenarios. They do not describe any particular improvement in the manner a computer functions. Instead, the claims at issue amount to nothing significantly more than an instruction to apply the abstract idea of compliance checking using some unspecified, generic computer. Under our

precedents, that is not enough to transform an abstract idea into a patent-eligible invention. *See Alice Corp. Pty. Ltd.* at 2360.

As to the structural claims, they

are no different from the method claims in substance. The method claims recite the abstract idea implemented on a generic computer; the system claims recite a handful of generic computer components configured to implement the same idea. This Court has long “warn[ed] ... against” interpreting § 101 “in ways that make patent eligibility ‘depend simply on the draftsman’s art.’”

*Alice Corp. Pty. Ltd.* at 2360.

We are not persuaded by Appellants’ argument that “[c]laim 1 clearly recites more than the simple concept of compliance checking. Rather, Claim 1 is directed to a method that performs specific functions using specific data to generate specific results. The claims are not directed merely to a patent ineligible concept.” App. Br. 13. As we find *supra*, all of the functions to which Appellants refer are primitive, conventional data processing functions, devoid of implementation details. The nature of the data is discernable only to the human mind and afforded no patentable weight. *See In re Bernhart*, 417 F.2d 1395, 1399 (CCPA 1969).

Further, all such functions may be performed by the human mind. The Federal Circuit has held that if a method can be performed by human thought alone, or by a human using pen and paper, it is merely an abstract idea and is not patent-eligible under § 101. *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1373 (Fed. Cir. 2011) (“[A] method that can be performed by human thought alone is merely an abstract idea and is not patent-eligible under § 101.”). Additionally, mental processes remain

unpatentable even when automated to reduce the burden on the user of what once could have been done with pen and paper. *Id.* at 1375 (“That purely mental processes can be unpatentable, even when performed by a computer, was precisely the holding of the Supreme Court in *Gottschalk v. Benson*, [409 U.S. 63 (1972)].”).

We are not persuaded by Appellants’ argument that

it cannot be said that the Appellant is merely claiming commonplace business methods or applying known business processes. The Examiner has acknowledged that all claims are patentable over the prior art, meaning the Examiner admits Claim 1 is not a commonplace business method or a known business process. It also cannot be said that the particular technique recited in Claim 1 has no particular concrete or tangible form or application or is a building block or basic conceptual framework.

App. Br. 14. “We do not agree . . . that the addition of merely novel or non-routine components to the claimed idea necessarily turns an abstraction into something concrete. In any event, any novelty in implementation of the idea is a factor to be considered only in the second step of the *Alice* analysis.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 715 (Fed. Cir. 2014). “The Supreme Court instructs that groundbreaking, innovative, or even brilliant discovery does not by itself satisfy the § 101 inquiry.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). “[A] claim for a new abstract idea is still an abstract idea. The search for a § 101 inventive concept is thus distinct from demonstrating § 102 novelty.” *Synopsys, Inc. v. Mentor Graphics Corporation*, 839 F.3d 1138, 1151 (Fed. Cir. 2016).

As we find *supra*, claim 1 is a conventional decision block that tests data for meeting specified criteria. As such, it can be said that the particular

technique recited in Claim 1 has no particular concrete or tangible form or application and is a building block or basic conceptual framework.

We are not persuaded by Appellants' argument that

When looking at the limitations of Claim 1 as an ordered combination, Claim 1 as a whole amounts to significantly more than compliance checking. Claim 1 meaningfully limits the covered subject matter through the use of various lists, priorities, profiles, and operations recited in Claim 1.

In addition, it cannot be said that the steps in Claim 1 are purely conventional. While each individual step recited in Claim 1 could theoretically be performed by a conventional computing system, the operations recited in Claim 1 combine to create an ordered combination that is not well-understood, routine, or conventional and that is not previously known to the industry. When viewed as a whole, Claim 1 requires significantly more than mere compliance checking.

App. Br. 15–16. This argument is entirely conclusory and offers no evidence or even reason for its conclusion. Again, lists, priorities, and profiles are data. “Data in its ethereal, non-physical form is simply information that does not fall under any of the categories of eligible subject matter under section 101.” *Digitech Image Technologies, LLC v. Electronics for Imaging, Inc.*, 758 F.3d 1344, 1350 (Fed. Cir. 2014). The operations recited are all primitive data processing commands devoid of implementation details.

We are not persuaded by Appellants' argument that other PTAB decisions found eligible subject matter. App. Br. 16–17. None of those decisions present new controlling law and all of them present substantively different fact situations.

As to claim 16 reciting, “generating a compliance rule set identifying at least one compliance rule . . . by combining a baseline rule set and at least one additional rule set,” we are not persuaded by Appellants’ argument that combining rules is

significantly more than the mere concept of compliance checking. There is no indication that these functions are commonplace business methods or known business processes. Moreover, it cannot be said that the particular technique recited in Claim 16 has no particular concrete or tangible form or application or is a building block or basic conceptual framework. The operations recited in Claim 16 represent an ordered combination that is not well-understood, routine, or conventional and that is not previously known to the industry. In addition, the Office cannot over-generalize Claim 16 and ignore the numerous elements of Claim 16 that extend substantially beyond the mere concept of compliance checking.

App. Br. 19. Combining rules is simply a logical AND operation.

“Adding one abstract idea . . . to another abstract idea . . . does not render the claim nonabstract.” *RecogniCorp, LLC v. Nintendo Co., Ltd.*, 855 F.3d 1322, 1327 (Fed. Cir. 2017)

We are not persuaded by Appellants’ argument that “Claim 21 recites a list server, a rules database, a profile database, and a rules engine, as well as communications between those components. Thus, Claim 21 specifically represents a modern technology that is necessarily dependent on computer systems and an idea that did not exist before the time of computers.” App. Br. 20. “When claims like the Asserted Claims are directed to an abstract idea and merely require generic computer implementation, they do not move into section 101 eligibility territory.” *Smart Systems Innovations, LLC v. Chicago Transit Authority*, 873 F.3d 1364 (Fed. Cir. 2017) (citations and internal quotations omitted). Neither the claims nor the Specification

provide any implementation details for a list server, a rules database, a profile database, and a rules engine, as well as communications between those components. Accordingly, to be adequately enabled, these must encompass conventional computer equipment programmed to perform these functions.

With respect to claim 2 reciting the incorporation of severity levels and the retrieval of a specific restriction based on the highest severity level, Appellants make an argument similar to those in support of claim 16 (App. Br. 21), and we find it equally unpersuasive here. The use of severity levels in applying rules is equivalent to using priorities under another name.

With respect to claim 4 reciting the use of priorities, Appellants make an argument similar to those in support of claim 16 (App. Br. 22), and we find it equally unpersuasive here. The use of priority in applying rules is too notorious to be more than abstract conceptual advice.

With respect to claims 5 and 7 reciting the use of specific restrictions, Appellants make an argument similar to those in support of claim 16 (App. Br. 23), and we find it equally unpersuasive here. The particularity of a restriction is discernable only to the human mind and afforded no patentable weight. *See Bernhart, supra.*

With respect to claims 8 and 9 reciting the incorporation of a baseline rule set and at least one additional rule set, the selection of the additional rule set(s) based on a party profile, the combination of multiple rule sets, the selection of rule exception data based on a party profile, and the removal of rules based on the rule exception data, Appellants make an argument similar to those in support of claim 16 (App. Br. 24), and we find it equally

unpersuasive here. The use of baselines, additions and deletions, and combinations in applying rules is too notorious to be more than abstract conceptual advice.

With respect to claim 12 reciting incorporation of specific logging operations and the re-execution of various steps periodically, Appellants make an argument similar to those in support of claim 16 (App. Br. 25–26), and we find it equally unpersuasive here. The use of logging and repetition in executing rules is too notorious to be more than abstract conceptual advice.

With respect to claim 14 reciting incorporation of an electronic document and the extraction and mapping of certain information from the electronic document, Appellants make an argument similar to those in support of claim 16 (App. Br. 26), and we find it equally unpersuasive here. The use of extracting information from documents for compliance checking is too notorious to be more than abstract conceptual advice.

With respect to claim 15 reciting embedding the compliance condition message in a document, Appellants make an argument similar to those in support of claim 16 (App. Br. 27), and we find it equally unpersuasive here. The use of embedding information in a documents is too notorious to be more than abstract conceptual advice.

With respect to claim 35 reciting use of various lists and associated priorities, hierarchically ordered participant characteristics, baseline and auxiliary rulesets, evaluation orders, and a data record, Appellants make an argument similar to those in support of claims 1 and 16 (App. Br. 28–31), and we find it equally unpersuasive here. The argued lists and associated

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priorities, hierarchically ordered participant characteristics, baseline and auxiliary rulesets, evaluation orders, and a data record are no more than parameters and data discernable only to the human mind.

#### CONCLUSIONS OF LAW

The rejection of claims 1, 2, 4–16, 18–24, and 26–35 under 35 U.S.C. § 101 as directed to non-statutory subject matter is proper.

#### DECISION

The rejection of claims 1, 2, 4–16, 18–24, and 26–35 is affirmed.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R. § 1.136(a)(1)(iv) (2011).

AFFIRMED