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LOWENSTEIN SANDLER LLP / Red Hat
Patent Docket Administrator
One Lowenstein Drive
Roseland, NJ 07068

EXAMINER	
OYEBISI, OJO O	

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte JAMES MICHAEL FERRIS and GERRY EDWARD RIVEROS

Appeal 2016-005941
Application 12/628,156
Technology Center 3600

Before ALLEN R. MacDONALD, CHARLES J. BOUDREAU, and MICHAEL M. BARRY, *Administrative Patent Judges*.

MacDONALD, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellants appeal under 35 U.S.C. § 134(a) from a Final Rejection of claims 1–20. We have jurisdiction under 35 U.S.C. § 6(b).

Appellants' Invention

This invention is directed to "Methods And Systems For Generating A Software License Knowledge Base ***For Verifying*** Software ***License Compliance*** In Cloud Computing Environments." Title (emphasis added).

Representative Claim

Representative claim 1 under appeal reads as follows (emphasis and bracketed letters added).

> 1. A method comprising:
>
> [A.] identifying, by a processor, a cloud computing process that is associated with a user;
>
> [B.] ***identifying***, by the processor, a software ***program*** utilized by the cloud computing process;
>
> [C.] ***identifying***, by the processor, a software ***vendor*** associated with the software program;
>
> [D.] ***transmitting***, to a server of the software vendor, a request for a software ***license requirement*** associated with the software program;
>
> [E.] ***receiving***, in response to the request, the software ***license requirement***;
>
> [F.] obtaining, by the processor, information about the cloud computing process;
>
> [G.] ***verifying***, in view of the information, whether the cloud computing process ***complies with*** the software ***license requirement***; and

> [H.] terminating the cloud computing process in response to determining that the cloud computing process ***does not comply*** with the software ***license requirement***.

Rejection

The Examiner rejected claims 1–20 under 35 U.S.C. § 101 "because the claim(s) as a whole, considering all claim elements both individually and in combination, do not amount to significantly more than an abstract idea" (Final Act. 2), i.e., for being directed to patent-ineligible subject matter.[1]

Issue on Appeal

Did the Examiner err in rejecting claim 1 for being directed to patent-ineligible subject matter?

ANALYSIS

We have reviewed the Examiner's rejection in light of Appellants' Reply Brief arguments that the Examiner has erred.[2] We disagree with Appellants' conclusions and concur with the conclusions reached by the Examiner. Except as noted below, we adopt as our own the reasoning set forth by the Examiner in the Examiner's Answer. We highlight the following points.

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[1] We select claim 1 as representative. Separate patentability, in compliance with 37 C.F.R. § 41.37(c)(iv), is not argued for claims 2–20. *See* App. Br. 6–12; Reply Br. 6–14. Except for our ultimate decision, this rejection of claims 2–20 is not discussed further herein.

[2] Appellants submitted the Reply Brief as "a substitute brief replacing the original brief." Reply Br. 1. The Reply Brief reiterates the arguments made in the Appeal Brief. *Compare* App. Br. 6–12, *with* Reply Br. 6–14.

A. *Section 101 Case Law*

Under 35 U.S.C. § 101, a patent may be obtained for "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." The Supreme Court has "long held that this provision contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable." *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014) (quoting *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013)). The Supreme Court in *Alice* reiterated the two-step framework previously set forth in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1300 (2012), "for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts." *Alice*, 134 S. Ct. at 2355. The first step in that analysis is to "determine whether the claims at issue are directed to one of those patent-ineligible concepts," such as an abstract idea. *Id.* The Court acknowledged in *Mayo* that "all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas." *Mayo*, 132 S. Ct. at 1293. Therefore, we look to whether the claims focus on a specific means or method that improves the relevant technology or are instead directed to a result or effect that itself is the abstract idea and otherwise merely recite generic processes and machinery. *See Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016). If the claims are not directed to an abstract idea, the inquiry ends. Otherwise, the inquiry proceeds to the second step, in which the elements of the claims are considered "individually and 'as an ordered combination' to determine

whether the additional elements 'transform the nature of the claim' into a patent-eligible application." *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1298, 1297).

B. *Alice/Mayo - Step 1*

1

The Examiner determines claim 1 is

> directed towards the abstract idea of cloud computing related services and products. Cloud computing is a fundamental economic practice and a method of organizing human activity; and as a result, claims 1-20 include an abstract idea.

Final Act. 2.

Appellants contend "Claims 1-20 are Directed to Statutory Subject Matter and are Patentable Under 35 U.S.C. § 101" (Reply Br. 6; *see also* App. Br. 6) (emphasis omitted). Specifically, Appellants contend claim 1 is not directed to an ***abstract idea*** under 35 U.S.C. § 101 because:

> Appellant[s] respectfully submits that the Examiner fails to provide sufficient support that "cloud computing" is a ***fundamental economic practice***. The Subject Matter Eligibility Update states "the phrase 'fundamental economic practices' is used to describe concepts relating to the economy and commerce, such as ***agreements between people in the form of contracts, legal obligations, and business relations***." Both the Federal Register and Subject Matter Eligibility Update list multiple examples found by courts, such as "mitigating settlement risk; hedging; . . . using advertising as an exchange or currency; processing information through a clearing house." Federal Register 74622 (parentheticals omitted). The Federal Register also cites to MPEP 2106(11), which similarly lists "hedging, insurance, financial transactions, marketing" Federal Register 74622; MPEP 2106(Il)(B)(l)(d)(f).
>
> It is not clear why the Examiner considers cloud computing to be a "fundamental economic principle" ***when it is***

> ***in no way described as such in the specification of the present application***.

Reply Br. 8–9; *see also* App. Br. 7–8 (emphasis added).

The Examiner responds:

> In the first analysis, while it is found that the claim (claim 1) is directed to a process, which is one of the statutory categories of invention (i.e., a series of acts for verifying whether cloud computing process complies with the software license requirement on a computer processor via a computer network); however, the claim is further determined to be directed to one of the abstract ideas above [i.e., "Fundamental economic practices," and "Certain methods of organizing human activities"]. The recited process [in claim 1] of
>
>> *verifying* whether cloud computing process complies with the software license requirement;
>> *identifying* a software program utilized by the cloud computing process;
>> *identifying* a software vendor associated with the software program;
>> *transmitting* to software vendor, a request for a software license requirement associated with the software program;
>> *receiving*, in response to the request, the software license requirement;
>> *obtaining* information about the cloud computing process; [and]
>> *terminating* the cloud computing process in response to determining that the cloud computing process does not comply with the software license requirement
>
> is simply a fundamental economic practice which can be performed mentally. It is similar to other concepts that have been identified as abstract by the courts. Therefore, the claim is directed to an abstract idea.

Ans. 2–3 (emphasis and formatting added).

We are unpersuaded by Appellants' arguments. Contrary to Appellants' assertion, we conclude the character of claim 1 as a whole is directed to a fundamental economic practice in the form of verifying license compliance (which is performed in the environment of cloud computing software).[3] Appellants acknowledge "the phrase 'fundamental economic practices' is used to describe concepts relating to the economy and commerce, such as ***agreements between people in the form of contracts, legal obligations, and business relations***." Reply Br. 9; *see also* App. Br. 7 (emphasis added). We conclude "verifying license compliance" is an amalgam of all of these fundamental economic practices.

Further, contrary to Appellants' statement that the claimed cloud computing process "is in no way described as [a fundamental economic principle] in the specification of the present application" (Reply Br. 9; *see also* App. Br. 8), Appellants Specification is replete with discussion of license related agreements between people in the form of contracts, legal obligations, and business relations, e.g., "the license requirements such as type of license (fee based, open source, etc.), terms of the license (number of instances allowed, allowed usage, usage restrictions, duration of the license, etc.)"; and "type of fee structure, such as duration based subscription fee, number of software program included based subscription fee, fee per software program." Spec. ¶¶ 52–56.

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[3] While we are concerned with Examiner's initial statement that the cloud computing is the fundamental economic practice (Final Act. 2), the Examiner clarifies in the Answer that the fundamental economic practice to which the claim is directed is the process for verifying license requirements (recited to take place within cloud computing) (Ans. 2–3). We agree.

2

Appellants also contend claim 1 is not directed to an ***abstract idea*** because:

> [I]ndependent claims 1, 8, and 15 cannot be considered abstract when analyzing "the claim ***as a whole***" as required by the Subject Eligibility Matter Test. For example, each of independent claims 1, 8 and 15 recites "identifying, by a processor, a cloud computing process" and "terminating the cloud computing process in response to determining that the cloud computing process ***does not comply with the software license requirement***." Although the independent claims recite the term "software license requirement," [they use] the term in the context of "***verifying*** . . . whether the cloud computing process ***complies with the software license requirement***" and ***not as a financial transaction of buying or selling software licenses or for forming an agreement between people***.

Reply Br. 10; *see also* App. Br. 8 (emphasis added).

Further, Appellants contend claim 1 is not directed to an ***abstract idea*** because:

> When analyzing claim 1, for example, it is clear that as a whole it is related to a "cloud computing process" and recites many of the operations ***as being performed "by the processor***," therefore it is not a method of organizing human activity.

Reply Br. 11; *see also* App. Br. 9 (emphasis added).

> [W]ith respect to the Examiner's allegation that "the recited process . . . is simply ***a fundamental economic practice*** which can be performed mentally," Applicant respectfully disagrees with the Examiner's allegation. The operations recited by independent claims 1, 8, and 15 are structured such that they are performed by a processor with respect to a cloud computing system, and they would be impossible to be performed mentally. For example, the limitation "terminating the cloud computing process in response to determining that the cloud computing process does not comply with the software license requirement" would not be possible to be performed mentally, as "***terminating***

> ***[a] cloud computing process" is not a mental process, but a physical one that modifies transistor states to terminate a cloud computing process***.

Reply Br. 9–10 (emphasis added).

We are not persuaded by Appellants' arguments. The Examiner correctly concluded that the claims here are directed to using a fundamental economic practice for verifying license requirements. That the claims are for a specific purpose of verifying license requirements within cloud computing does not change that the claims are directed to an abstract idea. As the Supreme Court has said, "if a claim is directed essentially to a method of calculating, using a mathematical formula, even if the solution is for a specific purpose, the claimed method is nonstatutory." *Parker v. Flook*, 437 U.S. 584, 595 (1978) (quoting *In re Richman*, 563 F.2d 1026, 1030 (CCPA 1977)). "The Supreme Court and this court have repeatedly made clear that merely limiting the field of use of the abstract idea to a particular existing technological environment does not render the claims any less abstract." *Affinity Labs of Texas, LLC v. DirecTV, LLC*, 838 F.3d 1253, 1259 (Fed. Cir. 2016) (citing *Alice*, *Mayo*, *et alia*.).

To the extent that Appellants are arguing claim 1 recites additional elements that amount to "significantly more" than the judicial exception, that issue is distinct from whether claim 1 is directed to the abstract idea of verifying license requirements. Appellants' arguments that claim 1 is directed to "significantly more" are addressed *infra*.

C. *Alice/Mayo - Step 2*

Turning to the second part of the *Alice*/*Mayo* analysis, Appellants contend "the Examiner has failed to prove that the claims do not recite additional elements that amount to 'significantly more' than the judicial exception." Reply Br. 14; *see also* App. Br. 9.

1

Appellants contend claim 1 ***recites significantly more*** because:

> In addition, the presently claimed invention is also an improvement because it is executed by ***a processor*** as opposed to a user.

Reply Br. 13; *see also* App. Br. 11 (emphasis added).

We do not agree. The law is clear that simply programming a computer to perform what would otherwise be an abstract idea is not sufficient to impart patent eligibility. *See Alice*, 134 S. Ct. at 2359. Federal Circuit precedent is clear that "generic computer components such as an 'interface,' 'network,' and 'database' . . . . do not satisfy the inventive concept requirement." *Mortgage Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1324–25 (Fed. Cir. 2016).

2

Appellants also contend claim 1 ***recites significantly more*** because:

> Throughout the specification the Appellants describe[] improvements due to the claimed invention.

Reply Br. 13; *see also* App. Br. 11.

> When all of the claim elements of claim 1 are considered, claim 1 cannot be construed as merely an abstract idea because the combination of claim elements recites a ***specific, concrete*** method of verifying whether a cloud computing process complies with the software license requirement and terminating noncompliant cloud computing processes.

Reply Br. 10 (emphasis added).

We are not persuaded by Appellants' arguments. The issue before us is what is claimed, rather than what is disclosed. Beyond a general allegation that improvements are due to the claimed invention, Appellants' argument fails to specify particular limitations in claim 1 which provide any disclosed technical improvement.

Appellants further contend claim 1 ***recites significantly more*** because:

> The issue of managing cloud computing processes as new cloud computing processes are ***automatically spawned***, is an issue unique to cloud computing, and is only necessitated by cloud computing. The operations to perform such a complicated task, as recited by the independent claims, amount to significantly more than an abstract idea since they recite ***specific*** and ***concrete*** operations to improve performance of a computer, and furthermore to improve performance of the computer in the specific context of cloud computing systems technology.

Reply Br. 12 (emphasis added).

We are not persuaded by Appellants' argument. We see no reason on the record to question the Appellants' assertion that "[t]he issue of managing cloud computing processes as new cloud computing processes are ***automatically spawned***, is an issue unique to cloud computing, and is only necessitated by cloud computing." Reply Br. 12 (emphasis added). Nor do we see any reason on the record to question the Appellants' assertion that such an automated spawning process would "improve performance of the computer in the specific context of cloud computing systems technology." *Id*. However, Appellants' claimed invention is not directed to and does not recite managing cloud computing processes such as automatic spawning. Rather, Appellants' claimed invention is directed to verifying license requirements within cloud computing environments in general.

Further, we do not find where Appellants point to any section of their disclosure as asserting that their invention is directed to meaningful cloud computing limitations such as automatically spawning. Rather, the Specification indicates that spawning new cloud processes is a typical cloud computing feature. Spec. ¶ 3. That is, Appellants' invention is directed to tracking and verifying licenses within a typical, known cloud computing environment.

CONCLUSION

(1) The Examiner has not erred in rejecting claims 1–20 under 35 U.S.C. § 101, as being directed to non-statutory subject matter.

(2) Claims 1–20 are not patentable.

DECISION

The Examiner's rejection of claims 1–20 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)(1)(iv).

AFFIRMED