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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
12/949,176	11/18/2010	Stephen Edward Holland	TRTA(RG)_003_US1	5315

90879 7590 03/08/2018

Thomson Reuters c/o Intellectual Property
3 Times Square
New York, NY 10036

EXAMINER
DANNEMAN, PAUL

ART UNIT	PAPER NUMBER
3627	

NOTIFICATION DATE	DELIVERY MODE
03/08/2018	ELECTRONIC

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte STEPHEN EDWARD HOLLAND, LEE SCOTT SPRADLING,
and
STEPHEN W. LINDSEY

Appeal 2017-000157
Application 12/949,176
Technology Center 3600

Before JOSEPH L. DIXON, CARLA M. KRIVAK, and
AARON W. MOORE, *Administrative Patent Judges*.

KRIVAK, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellants appeal under 35 U.S.C. § 134(a) from a final rejection of claims 1–4, 6–12, and 32–37. We have jurisdiction under 35 U.S.C. § 6(b).

We affirm.

STATEMENT OF THE CASE

Appellants' invention is directed to "computer-implemented tools, resources, and processes for planning and executing a Single Audit." (Spec. 1:12–13).

Independent claim 1, reproduced below, is exemplary of the subject matter on appeal.

> 1. A method for planning an audit for an entity, the method carried out under the control of one or more computer systems configured with executable instructions and comprising:
>
> determining, using an engagement module of a web server, an audit risk level for the entity;
>
> determining, using a program module of the web server, whether a Single Audit of the entity is to be performed based at least in part on a financial award received by the entity exceeding a first threshold value and on first information, wherein the financial award is associated with at least one funding program and the first information includes information specific to the entity and to the at least one funding program, wherein said information specific to the entity is determined from one or more user responses to a first set of questions provided through a graphical user interface;
>
> if the financial award received by the entity does not exceed the first threshold level, determining, using the program module of the web server, whether a program-specific audit is to be performed for the entity based at least on second information related to the at least one funding program;
>
> determining, using the program module of the web server, whether the at least one funding program is to be evaluated as a major program at least in part by assessing risk and coverage information associated with the financial award and the entity, said determining of the at least one funding program as a major program further comprising automatically determining whether

the at least one funding program can be clustered into a grouping of funding programs and processed as a single funding program based at least in part on whether a set of common compliance requirements can be applied to the at least one funding program, said risk and coverage information comprising audit experience, degree of oversight exercised by a government entity and presence of fraud and determined from one or more user responses to a second set of questions provided through a graphical user interface;

automatically determining, using a compliance module of the web server, at least one compliance procedure from a plurality of compliance procedures for use during the Single Audit or the program-specific audit, said determining of the at least one compliance procedure for use based on at least the determined audit risk level and the determined funding program evaluation;

providing the at least one compliance procedure to conduct the Single Audit or the program-specific audit;

automatically determining, using a diagnostic module of the web server, at least one of an inconsistency, error and missing response from the one or more user responses to the first set of questions and the one or more user responses to the second set of questions; and

providing a diagnostic report outlining the determined one or more inconsistencies, errors and missing responses from the one or more user responses to the first set of questions and the one or more user responses to the second set of questions.

REFERENCES and REJECTIONS

The Examiner rejected claims 1–4, 6–12, and 32–37 under 35 U.S.C. § 101 as directed to non-statutory subject matter (Final Act. 2; Ans. 2).

ANALYSIS

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. Pty. Ltd. 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 these 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.* (citing *Mayo*, 132 S. Ct. at 1296–97). 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. We, therefore, 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 is the abstract idea and merely invoke 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, where 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).

Alice/Mayo—Step 1

Turning to the first part of the *Alice/Mayo* analysis, the Examiner concludes claim 1 is directed to "determining a risk level based on program funding and determining a compliance procedure for conducting an audit," which "is a basic fundamental principle being performed by a generic computer system" (Final Act. 3; Ans. 8).

Appellants contend the "present rejection ignores any of the substantive transformative steps undertaken in planning an audit for an entity carried out under the control of one or more computer systems," and thus, the claims are not directed to an abstract idea (App. Br. 7). We do not agree.

As the Examiner finds, the claims recite a generic computer system that merely automates a set of mental steps for "'determining a risk level for an entity by evaluating user responses to a set of provided question[s] with a set of predefined rules and regulation[s] for various types of funding programs' as found in OMB Circular A-133" (Ans. 8; Final Act. 3).

We also note concepts that courts have found to be abstract have involved processes that humans *can* perform without the aid of a computer, such as processes that can be performed mentally or using pen and paper. *See, e.g.*, *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972) (pointing out that the conversion of binary numerals can be done mentally using a mathematical table). In the instant case, we find Appellants' Specification is merely automating, using a computer, what a CPA would normally do:

> Single Audit is performed by an independent certified public accountant (CPA) and includes two main parts: an audit of the financial statements and a compliance audit of the entity's funding programs. The compliance audit of the funding programs includes (a) gaining an understanding of and testing internal controls over compliance and (b) testing compliance with applicable compliance requirements for major programs, and includes a planning stage and an examining stage. The compliance audit of award programs is integrated with the audit of the entity's financial statements.

(Spec. 2:3–9), and as required by the U.S. Federal Government in accordance with the Single Audit Act of 1997, and regulations described in the Office of Management and Budget's (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations (Spec. 5:12–14).

Thus, we conclude, in light of the claim language and in view of *Benson* and further in view of *CyberSource Corp. v. Retail Decisions, Inc.*, 620 F. Supp. 2d 1068 (N.D. Cal. 2009) (all the steps recited in the claims could be performed in the human mind, or by a human using pen and paper), claims 1–4, 6–12, and 32–37, argued together, are directed to an abstract idea.

Alice/Mayo—Step 2

Appellants contend the claims at issue contain an "improvement[] to a technical field" and "the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks" (App. Br. 7). Specifically, Appellants contend their claims are similar to the claims in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014), which were found patent eligible (*id.*). Appellants assert claim 1 requires "limitations such as determining an audit

risk level, determining or performing a funding program evaluation[,] and automatically determining a compliance procedure based on determined audit risk level and a determined funding program evaluation" (App. Br. 9). These limitations, Appellants contend, "provide meaningful limitations beyond simply linking activities to a generic computer" (*id.*). Appellants then cite to further claim limitations, stating these limitations "transform a patent ineligible abstract idea into a patent eligible application" (App. Br. 10), elements of the claims are "inextricably tied to computer technology, and [are] significantly more than an abstract idea," and the steps recited are not "appropriate for performance by a human but rather are a specific new combination of steps rooted in computer technology to achieve the recited result concerning planning an audit for an entity" (App. Br. 11), without persuasive reasoning or argument. *DDR's* claims, however, do not merely recite the performance of some business practice known from the pre-Internet world, as previously disclosed in *Bilski* and *Alice*, rather they provide a technical solution to a technical problem unique to the Internet, *i.e.*, a "solution [] necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks" (*DDR*, 773 F.3d at 1257).

Contrary to Appellants' contentions, the computers used are merely generic, the computer modules (engagement module, program module, compliance module, diagnostic module) are generic modules, and Appellants have not explained how they are specialized. We also agree with the Examiner that *DDR* is not pertinent (Ans. 9–10). The Court in *DDR* found:

> the claimed solution [in *DDR*] amounts to an inventive concept for resolving this particular Internet-centric problem, rendering the claims patent-eligible. In sum, the '399 patent's claims are unlike the claims in *Alice*, *Ultramercial*, *buySAFE*, *Accenture*, and *Bancorp* that were found to be "directed to" little more than an abstract concept,

as are Appellants' claims (*DDR*, 773 F.3d at 1257). The Court also found that although many of the claims recited in the above cases included "various computer hardware elements, these claims in substance were directed to nothing more than the performance of an abstract business practice on the Internet or using a conventional computer" (*id.* at 1256). Therefore, we do not agree Appellants' claims rise to the level of patent eligibility required by *DDR*.

Appellants' Reply Brief also does not convince us their claims are patent eligible. Appellants cite to *Enfish* and *BASCOM Global Internet Services Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016), as being pertinent. We do not agree. Appellants assert *Enfish's* claims, like their claims, "are directed [to] an improvement to an existing technology" (Reply Br. 6) (emphasis omitted), which, like *Enfish's*, achieve "benefits in the field of single auditing" (Reply Br. 10). The rejected claims, however, are unlike the claims of *Enfish* because they are not "an improvement to computer functionality itself." *Enfish*, 822 F.3d at 1336. Rather, they are similar to the claims of *Electric Power*, because "the focus of the claims is not on such an improvement in computers as tools, but on certain independently abstract ideas that use computers as tools" (*Elec. Power Group, LLC v. Alstom S.A.*, 830 F.3d 1350, 1354 (Fed. Cir. 2016)). Appellants have not stated what those improvements and benefits are with respect to existing technology.

Bascom is also not pertinent to Appellants' claims. *Bascom*, as Appellants state, describes "how its particular arrangement of elements is a technical improvement over prior art ways of filtering such content" (emphasis omitted), and they argue their claims, like *Bascom*, recite a technical improvement in the field (Reply Br. 11). *Bascom's* "inventive concept," as described and claimed in *Bascom's* '606 patent, is the "installation of a filtering tool at a specific location, remote from end-users, with customizable filtering features specific to each end user" (*Bascom*, 827 F.3d at 1350). *Bascom's* installation of an Internet content filter at a particular network location is "a technical improvement over prior art ways of filtering such content" because such an arrangement advantageously allows the Internet content filter to have "both the benefits of a filter on a local computer and the benefits of a filter on the ISP server" and "to give users the ability to customize filtering for their individual network accounts" (*id.* at 1350, 1352). Appellants have not stated what their technical improvement is.

Thus, we agree with the Examiner that Appellants' claims do not recite something "significantly more" under the second prong of the *Alice* analysis. In light of the above, we sustain the Examiner's rejection of claims 1–4, 6–12, and 32–37 under 35 U.S.C. § 101 as being patent-ineligible.

DECISION

The Examiner's decision rejecting claims 1–4, 6–12, and 32–37 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