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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte WILLIAM P. HENSON, ROBERT S. JAKACKI,
NORTON H. REAMER, and ALEXANDER G. VON YORK

Appeal 2018-001302
Application 12/474,679¹
Technology Center 3600

Before MURRIEL E. CRAWFORD, JOSEPH A. FISCHETTI, and PHILIP
J. HOFFMANN, *Administrative Patent Judges*.

CRAWFORD, *Administrative Patent Judge*.

DECISION ON APPEAL
STATEMENT OF THE CASE

Appellant seeks our review under 35 U.S.C. § 134 of the Examiner's final rejection of claims 21–24 and 32–53. We have jurisdiction under 35 U.S.C. § 6(b).

SUMMARY OF DECISION

We AFFIRM.

¹ We use the word “Appellant” to refer to “Applicant” as defined in 37 C.F.R. § 1.42(a). Appellant identifies the real party in interest as Asset Management Finance LLC. Brief 3.

THE INVENTION

Appellant claims a revenue share interest method for financing an asset management firm or any other financial services firm. Spec. ¶ 1, Title.

Claim 21 is representative of the subject matter on appeal.

21. A programmable computer system for evaluating financing for an asset management firm, the computer system comprising:

 a processor and associated memory, wherein the processor is programmed to:

 input, to a model in the computer system, a set of assumptions to define the financing, the assumptions relating to revenue share interest percentage and to at least one of: management fee and revenue items, term of financing proposed consideration, financing provider costs, financing provider capital requirements, and financing provider return requirements; wherein a revenue share interest is obtained in the asset management firm, excluding an ownership interest during the term of the revenue share interest, wherein the revenue share interest is a portion of the revenue derived from asset management, and not using debt;

 input, to the model in the computer system, information associated with the asset management firm;

 generate at least one cash flow analysis with the model in the computer system, the cash flow analysis comprising a deterministic, Monte Carlo, or historical sampling analysis; and

 determine whether the results of at least one cash flow analysis comply with financing guidelines.

THE REJECTION

Claims 21–24 and 32–53 are rejected under 35 U.S.C. § 101 as directed to a judicial exception without significantly more.

Claims 21–24 and 32–53 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the written description requirement.

Claims 21–24 and 32–53 are rejected under 35 U.S.C. § 112, second paragraph, as indefinite for failing to distinctly claim the subject matter which the inventor regards as the invention.

ANALYSIS

35 U.S.C. §112, FIRST PARAGRAPH REJECTION

The Examiner rejects claims 21–24 and 32–53 under the first paragraph of 35 U.S.C. §112 for failing to comply with the written description requirement. The Examiner directs our attention to the following recitation in claim 21:

return requirements; wherein a revenue share interest is obtained in the asset management firm, excluding an ownership interest during the term of the revenue share interest, wherein the revenue share interest is a portion of the revenue derived from asset management, and not using debt.

Claim 21.

The Examiner finds that there is not sufficient disclosure or details in the Specification on how one of ordinary skill in the art can practice such non-ownership and non-debt involved revenue share interest. According to the Examiner, there is not enough detail on how one can perform the claimed “not using debt.” As such, according to the Examiner, the ability of one skilled in the art to make and use the claimed invention does not satisfy the written description requirement. We do not agree.

The Specification discloses that in the past, revenue sharing techniques have been combined with ownership during the term of the revenue share interest to secure financing for asset management firms. In return for financing, the asset management firm, the financing entity gained partial or total ownership of the asset management firm. The problem was that when such ownership is passed to the financing entity, the autonomy of the asset management firm is lost. Spec. ¶6. The present invention uses revenue share interests, with no ownership interest and no debt to finance the

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asset management firm. Spec. ¶8. Under the terms of the financing agreement, the financing provider agrees to give money to the entity in return for the entity paying the financing provider a share of the entity's future revenue. This arrangement allows the financing provider to share in the revenue of the asset management firm without creating an obligation of the asset management firm to pay the financing provider. If there is no revenue, there is no obligation to pay and therefore debt is not used. In view of these disclosures, we agree with the Appellant that there is written description support for the recitation of "not using debt."

35 U.S.C. §112, SECOND PARAGRAPH REJECTION

In making this rejection, the Examiner argues that it is unclear what not using debt means, and that this recitation is inconsistent and unclear claim language. The Examiner contends that "not using debt" may broadly be interpreted as an obligation to pay, which would be in direct contradiction to not using debt. Final Act. 11.

In our view, Appellant has provided sufficient details for this recitation. In the claimed arrangement, the financing provider has no ownership or other controlling interest in the asset management firm and no debt is used. The Specification defines "no debt" as no fixed payment schedule, no interest, no amortization and no obligation to repay a principal amount. Spec. ¶22. We agree with the Appellant that when the claim is read in light of the Specification, the recitation of "no debt" is clear. Brief 8.

In view of the foregoing, we will not sustain this rejection as it is directed to claim 21. We will not sustain this rejection of the remaining claims for the same reason.

We will sustain the rejection of claims 21–24 and 32–53 U.S.C. § 101.

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, . . . 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 Int’l, 573 U.S. 208, 217-218 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 72–73 (2012)) (citations omitted).

To perform this test, we must first determine whether the claims at issue are directed to a patent-ineligible concept. The Federal Circuit has explained that “the ‘directed to’ inquiry applies a stage-one filter to claims, considered in light of the [S]pecification, based on whether ‘their character as a whole is directed to excluded subject matter.’” *See Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016) (quoting *Internet Patents Corp.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015)). It asks whether the focus of the claims is on a specific improvement in relevant technology or

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on a process that itself qualifies as an “abstract idea” for which computers are invoked merely as a tool. *See id.* at 1335–36.

In so doing we apply a “directed to” two-prong test: 1) evaluate whether the claim recites a judicial exception, and 2) if the claim recites a judicial exception, evaluate whether the judicial exception is integrated into a practical application. *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 FR 50, pp 50–57 (Jan. 7, 2019).

The Examiner determines that the claims are directed to creating a contractual relationship which has been found to be abstract. Final Act. 14. The Examiner also determines that the claims are interpreted as comparing cash flow analysis results (new information) and stored guidelines for determining compliance. Comparing new and stored information and using rules to identify options and organizing information through mathematical correlations is an abstract idea. Final Act. 15.

The Specification discloses that the claimed invention is directed to methods of financing an asset management firm. Spec. ¶8. A finance provider enters into an agreement with the entity (asset management firm). Spec. ¶9. Therefore, the Specification supports the Examiner’s determination that the claims recite creating a contractual relationship. The Specification also discloses that the financing provider’s decision to enter into the agreement with the entity may be informed, evaluated, and priced by use of an analytical model with probabilistic aspects. The model may receive, as inputs, assumptions relating to the agreement terms, and factors impacting asset value over time. Spec. ¶11. As such, the Specification also supports the Examiner’s determination that the claims are directed to comparing new and stored information and using rules to identify options and organizing information through mathematical correlations.

The recitations of claim 21 also support the determination that the claims recite creating a contractual relationship by reciting “evaluating financing for an asset management firm,” “input, to a model . . . a set of assumptions to define the financing,” “the assumptions relating to . . . management fee and revenue items, terms of financing, proposed consideration, financing provider costs, financing provider capital requirements and financing provider return requirements.” Claim 21 also supports the determination that the claims are directed to comparing new and stored information and using rules to identify options and organizing information through mathematical correlations by reciting “input, to a model . . . a set of assumptions” “input, to the model . . . information,” “generate at least one cash flow analysis with the model,” and “determine whether the results . . . comply with financing guidelines.”

We thus agree with the Examiner that claim 21 recites a method of creating a contractual relationship and a method that compares new and stored information, and uses rules to identify options and organize information through mathematical correlations, which are both judicial exceptions.

Turning to the second prong of the “directed to test,” claim 1 merely requires a “computer system comprising: a processor and associated memory.” The recitation of these words do not impose “a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception.” *Guidance*, 84 Fed. Reg. at 53. We find no indication in the Specification, nor do Appellant directs us to any indication, that the operations recited in independent claim 21 invoke any inventive programming, require any specialized computer hardware or other inventive computer components, i.e., a particular machine, or that the

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claimed invention is implemented using other than generic computer components to perform generic computer functions. *See DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1256 (Fed. Cir. 2014) (“[A]fter *Alice*, there can remain no doubt: recitation of generic computer limitations does not make an otherwise ineligible claim patent-eligible.”). In fact, the Specification discloses that a computer or computer system may be a wireless or wireline variety of a microcomputer, laptop, personal assistant, wireless email device, cellular phone, pager, processor or any other programmable device capable of configuration for transmitting and receiving data over a network thereby disclosing that the computer system claimed is a generic computer. Spec. ¶63. The memory is likewise disclosed as generic as it can be any means for storing software including a hard disk, an optical disk, floppy disk, ROM, RAM, PROM, EEPROM and other computer-readable media.

We also find no indication in the Specification that the claimed invention effects a transformation or reduction of a particular article to a different state or thing. Nor do we find anything of record, short of attorney argument, that attributes any improvement in computer technology and/or functionality to the claimed invention or that otherwise indicates that the claimed invention integrates the abstract idea into a “practical application,” as that phrase is used in the revised Guidance. *See Guidance*, 84 Fed. Reg. at 55.

In this regard, the recitations do not affect an improvement in the functioning of a computer, memory or other technology, and do not recite a particular machine or manufacture that is integral to the claims, and do not transform or reduce a particular article to a different state or thing. *Id.* Thus, the claim is directed to judicial exceptions. These judicial exceptions

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are not integrated into a practical application and thus claim 21 is directed to an “abstract idea.”

Turning to the second step of the *Alice* analysis, because we find that the claims are directed to abstract ideas, the claims must include an “inventive concept” in order to be patent-eligible, i.e., there must be an element or combination of elements that is sufficient to ensure that the claim in practice amounts to significantly more than the abstract idea itself. *See Alice*, 573 U.S. at 217–18 (alteration in original) (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 72–73 (2012)).

The Examiner finds that the claims recite no improvement to another technology or another technical field or device or functioning of the computer system itself, and do not amount to significantly more than the abstract idea. The alleged improvement lies in the drafting of the agreement.

Final Act. 15. The Examiner finds:

It is noted that a cash flow analysis is a mathematical algorithm considered abstract by itself. Performing an algorithm with a computer does not add meaningful limitation to the method of creating a revenue sharing agreement. These generic computing elements do not amount to significantly more than the judicial exception.

Final Act. 15.

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

[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. 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, 573 U.S. at 223 (alterations in original) (citations omitted).

Instead, “the relevant question is whether the claims here do more than simply instruct the practitioner to implement the abstract idea . . . on a generic computer.” *Id.* at 225. 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 retrieve, select, and apply decision criteria to data and modify the data as a result 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 trading industry. *See Elec. Power Grp.*, 830 F.3d at 1354; *see also In re Katz Interactive Call Processing Patent Litig.*, 639 F.3d 1303, 1316 (Fed. Cir. 2011) (“Absent a possible narrower construction of the terms ‘processing,’ ‘receiving,’ and ‘storing,’ . . . those functions can be achieved by any general purpose computer without special programming”). In short, each step does no more than require a generic computer to perform generic computer functions. As to the data operated upon, “even if a process of collecting and analyzing information is ‘limited to particular content’ or a

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particular ‘source,’ that limitation does not make the collection and analysis other than abstract.” *SAP Am. Inc. v. InvestPic, LLC*, 890 F.3d 1016, 1022 (Fed. Cir. 2018).

Considered as an ordered combination, the computer components of Appellant’s claims add nothing that is not already present when the steps are considered separately.

The claims do not, for example, purport to improve the functioning of the computer itself. As we stated above, the claims do not affect an improvement in any other technology or technical field. The Specification spells 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 information access under different scenarios. *See, e.g.*, Spec. ¶ 63. Thus, the claims at issue amount to nothing significantly more than instructions to apply the abstract idea of information access using some unspecified, generic computer. Under our precedents, that is not enough to transform an abstract idea into a patent-eligible invention. *See Alice*, 573 U.S. at 226.

We have reviewed all the arguments (Brief 11–22) Appellant has submitted concerning the patent eligibility of the claims before us that stand rejected under 35 U.S.C. § 101. We find that our analysis above substantially covers the substance of all the arguments, which have been made. But, for purposes of completeness, we will address various arguments in order to make individual rebuttals of same.

We are not persuaded of error on the part of the Examiner by Appellant’s argument that there is no evidence that the claims are merely directed to an agreement or contractual relationship. Brief 14.

First, the Examiner did not determine that the claims were *merely*

directed to an agreement or contractual relationship. The Examiner acknowledged that there were other recitations in claim 21, for example, a “computer system comprising a processor and associated memory.” The Examiner addressed these “additional recitations” in the second step of the *Alice* analysis where it is determined whether there is something recited in the claims that is significantly more than the abstract idea.

Second, we agree that while, at times, an Examiner should provide evidentiary support before a conclusion is made that a claim is directed to an abstract idea, the need for such a showing is evaluated on a case-by-case basis. Although, sometimes evidence may be helpful, e.g., where facts are in dispute, we are unpersuaded that there is a categorical rule that evidence is always needed. *See Mortgage Grader, Inc. v. First Choice Loan Services, Inc.*, 811 F.3d 1314, 1325–26 (Fed. Cir. 2016) (“[I]t is also possible, as numerous cases have recognized, that a § 101 analysis may sometimes be undertaken without resolving fact issues.”). To that end, we are not persuaded that it is needed here where the Specification and the claim recitations support the Examiner’s determinations and there is no genuine factual dispute.

We are not persuaded of error on the part of the Examiner by Appellants argument that the Examiner has oversimplified its analysis by ignoring both the combination of claimed operations and the substance of the operations, essentially abstracting the claims to meaningless operations. Brief 14. However, the Examiner’s characterization here is fully consistent with the Specification, as discussed above. That independent claim 21 includes more words than the phrase the Examiner used to articulate the abstract idea to which the claim is directed is an insufficient basis to persuasively argue that the claim language has been mischaracterized or that

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the Examiner has otherwise failed to consider all of the limitations of the claim. *See Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1240 (Fed. Cir. 2016):

An abstract idea can generally be described at different levels of abstraction. As the Board has done, the claimed abstract idea could be described as generating menus on a computer, or generating a second menu from a first menu and sending the second menu to another location. It could be described in other ways, including, as indicated in the specification, taking orders from restaurant customers on a computer.

We are not persuaded of error on the part of the Examiner by Appellant's argument that the specific ordered combination of operations do not preempt all techniques of evaluating financing of an asset management firm. Brief 15. While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility." *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015); *see also OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362-63 (Fed. Cir. 2015), cert, denied, 136 S. Ct. 701, 193 (2015) ("[T]hat the claims do not preempt all price optimization or may be limited to price optimization in the e-commerce setting do not make them any less abstract."). And, "[w]here a patent's claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot." *Ariosa*, 788 F.3d at 1379.

We are not persuaded of error on the part of the Examiner by Appellant's argument that the claims focus on a specific means or methods that improves the relevant technology and provides a significant improvement over previous techniques. Brief 16. Appellant specifically

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argues that in previous techniques financing entities gained ownership in the asset management firm which was undesirable and unworkable because the asset management firm forfeited autonomy. We do not agree with the Appellant that the claimed recitations improve relevant technology and are necessarily rooted in technology to provide solutions that overcome technological problems within a computer network. Appellant may be correct that the recitations in claim 21 provide improvements over previous techniques. However these improvements are improvements to the financing of asset management firms not improvements to the computer used or any other technology. In addition, while there are advantages to performing the method using computer technology, this, however, does not, in itself, remove the claimed subject matter from the realm of the abstract as “necessarily rooted in technology.” *See Alice*, 134 S.Ct. at 2352 (holding a “computerized scheme for mitigating ‘settlement risk’ “as unpatentable subject matter); *In re TLI Commc’ns Patent Litig.*, 823 F.3d 607, 612-13 (Fed. Cir. 2016) (holding unpatentable a method for recording imaging with a phone, storing the images digitally, transmitting to a server and sorting based on classification information).

We are unpersuaded of error on the part of the Examiner by Appellant’s arguments that there is an expanding body of case law supporting the eligibility of software enabled patents. Appellants, provides citation to various cases, but because the Appellant does not explain how the cases are relevant to the recitation in claim 21, this argument is not persuasive. Brief 19.

In view of the foregoing, we will sustain the Examiner’s rejection of claim 21. We will also sustain the rejection as it is directed to the remaining claims because Appellant has not argued the separate eligibility of these

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claims.

CONCLUSIONS OF LAW

We conclude that the Examiner did err in rejecting the claims under 35 U.S.C. §112, first and second paragraphs.

We conclude the Examiner did not err in rejecting appealed claims under 35 U.S.C. § 101.

DECISION

The decision of the Examiner to reject claims 21–24 and 32–53 under 35 U.S.C. §101 is affirmed.

The decision of the Examiner to rejection claims 21–24 and 32–53 under 35 U.S.C. §112, first paragraph and second paragraph is not 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).

AFFIRMED