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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 MICHAEL RECCE and ANTONY JAMES WICKS

_____

Appeal 2018-003514
Application 12/079,717
Technology Center 3600

_____

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

HOFFMANN, *Administrative Patent Judge.*

DECISION ON APPEAL

STATEMENT OF THE CASE

Pursuant to 35 U.S.C. § 134(a), Appellant[1] appeals from the
Examiner's decision to reject claims 1, 3–7, 9–13, and 15–24. We have
jurisdiction under 35 U.S.C. § 6(b). Appellant and the Board conducted on
oral hearing on March 2, 2020.

We AFFIRM.

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[1] We use the word "Appellant" to refer to "applicant" as defined in
37 C.F.R. § 1.42. According to Appellant, "[t]he real parties in interest . . .
are Actimize Limited . . . and NICE Ltd. . . . Actimize Limited is a wholly
owned subsidiary of NICE Ltd." Appeal Br. 1.

According to Appellant, the invention "relates to a method and system for determining a level of risk associated with doing business with a party." Spec. ¶ 1. Below, we reproduce independent claim 1, as illustrative of the appealed claims:

> 1. A computer-implemented method comprising:
>
> determining, by a computerized customer risk monitor, a first risk score for a first party, based on a presented characteristic of said first party;
>
> associating, by said computerized customer risk monitor, said first party with a second party, based on said first risk score;
>
> determining, by said computerized customer risk monitor, a second risk score, wherein the second risk score depends on an activity involving said first party and said second party;
>
> wherein the activity is an electronic record of a financial occurrence in the form of at least one of a monetary transaction that involves said first party and said second party, and a non-monetary transaction that involves said first party and said second party;
>
> determining, by said computerized customer risk monitor, a resultant risk score that characterizes said first party, based on said first and second risk scores; and
>
> based on the resultant risk score, generating by said computerized customer risk monitor one or more alerts.

REJECTIONS

The Examiner rejects the claims as follows:

I.   Claims 1, 3–7, 9–13, and 15–24 under 35 U.S.C. § 101 as

reciting only patent-ineligible subject matter[2]; and

II.   Claims 7, 9–12, 21, and 22 under 35 U.S.C. § 112, second

paragraph, as indefinite.[3]

PRINCIPLES OF LAW CONCERNING 35 U.S.C. § 101

An invention is patent eligible if it claims a "new and useful process,
machine, manufacture, or composition of matter." 35 U.S.C. § 101. The
Supreme Court has long interpreted 35 U.S.C. § 101 to include implicit
exceptions, however: "[l]aws of nature, natural phenomena, and abstract
ideas" are not patentable. *E.g.*, *Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208,
216 (2014) (citation omitted).

In determining whether a claim falls within an excluded category, the
Supreme Court's two-step framework, described in *Mayo* and *Alice*, guides
us. *See id.* at 217–18 (citing *Mayo Collaborative Servs. v. Prometheus
Labs., Inc.*, 566 U.S. 66, 75–77 (2012)). In accordance with that framework,
we first determine what concept the claim is "directed to." *Id.* at 219 ("On
their face, the claims before us are drawn to the concept of intermediated

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[2] As discussed below, we sustain the Examiner's § 101 rejection of
claims 13, 15–18, 23 and 24 "because the . . . [claims are] directed to a
judicial exception . . . without significantly more." Non-Final Action 6.
Accordingly, we do not reach the Examiner's § 101 rejection of these claims
as "directed to non-statutory subject matter . . . [because the] claim[s]
cover[] a signal." *Id.* 5–6.

[3] Although the Examiner appears to reject claim 8 as indefinite, the claim is
canceled. *See* Non-Final Action 4–5; *see* Appeal Br., Claims App.

settlement, *i.e.*, the use of a third party to mitigate settlement risk."); *see also Bilski v. Kappos*, 561 U.S. 593, 611 (2010) ("Claims 1 and 4 in petitioners' application explain the basic concept of hedging, or protecting against risk.").

Concepts that the courts determined to be abstract ideas—and, thus, patent ineligible—include certain methods of organizing human activity, such as fundamental economic practices (*Alice*, 573 U.S. at 219–20; *Bilski*, 561 U.S. at 611); mathematical formulas (*Parker v. Flook*, 437 U.S. 584, 594–95 (1978)); and mental processes (*Gottschalk v. Benson*, 409 U.S. 63, 67 (1972)). Concepts that the courts determined to be patent eligible include physical and chemical processes, such as "molding rubber products" (*Diamond v. Diehr*, 450 U.S. 175, 191 (1981)); "tanning, dyeing, making water-proof cloth, vulcanizing India rubber, smelting ores" (*id.* at 182 n.7 (quoting *Corning v. Burden*, 56 U.S. 252, 267–68 (1853))); and manufacturing flour (*Benson*, 409 U.S. at 69 (*citing Cochrane v. Deener*, 94 U.S. 780, 785 (1876))).

In *Diehr*, although the claim at issue recited a mathematical formula, the Supreme Court held that "a claim drawn to subject matter otherwise statutory does not become nonstatutory simply because it uses a mathematical formula." *Diehr*, 450 U.S. at 187; *see also id.* at 191 ("We view respondents' claims as nothing more than a process for molding rubber products and not as an attempt to patent a mathematical formula."). Nonetheless, the Supreme Court also indicated that a claim "seeking patent protection for that formula in the abstract . . . is not accorded the protection of our patent laws, and this principle cannot be circumvented by attempting to limit the use of the formula to a particular technological environment."

Id. (citing *Benson* and *Flook*); *see, e.g.*, *id.* at 187 ("It is now commonplace that an *application* of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection.").

If the claim is "directed to" an abstract idea, we turn to the second step of the *Alice* and *Mayo* framework, where "we must examine the elements of the claim to determine whether it contains an 'inventive concept' sufficient to 'transform' the claimed abstract idea into a patent-eligible application." *Alice*, 573 U.S. at 221 (citation omitted). "A claim that recites an abstract idea must include 'additional features' to ensure 'that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].'" *Id.* (quoting *Mayo*, 566 U.S. at 77). "[M]erely requir[ing] generic computer implementation[] fail[s] to transform that abstract idea into a patent-eligible invention." *Id.*

2019 Revised Patent Subject Matter Eligibility Guidance

Last year, the U.S. Patent and Trademark Office published revised guidance on the application of § 101. *See 2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50 (Jan. 7, 2019) ("Guidance"). Under that Guidance, we first look to whether the claim recites:

> (1) any judicial exceptions, including certain groupings of abstract ideas (i.e., mathematical concepts, certain methods of organizing human activity such as i) a fundamental economic practice, or ii) managing personal behavior or relationships or interactions between people, or mental processes); and

> (2) additional elements that integrate the judicial exception into a practical application (*see* MANUAL OF PATENT EXAMINING PROCEDURE ("MPEP") § 2106.05(a)–(c), (e)–(h) (9th Ed., Rev. 08.2017, Jan. 2018)).

A practical application "appl[ies], rel[ies] on, or use[s] the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such

that the claim is more than a drafting effort designed to monopolize the judicial exception." Guidance at 54.

Only if a claim (1) recites a judicial exception and (2) does not integrate that exception into a practical application, do we then look to whether the claim either:

> (3) adds a specific limitation beyond the judicial exception which is not "well-understood, routine, [or] conventional" in the field (*see* MPEP § 2106.05(d)); or

> (4) simply appends well-understood, routine, and conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception.

See generally Guidance.

ANALYSIS

Rejection I—Rejection under § 101

Initially, we note that Appellant argues against the Examiner's § 101 rejection of the claims as a group. *See, e.g.*, Appeal Br. 13. We choose independent claim 1 for our analysis, and the remaining claims stand or fall with claim 1. *See* 37 C.F.R. § 41.37 (c)(1)(iv). For the following reasons, we sustain the Examiner's rejection of the claims as patent-ineligible.

We determine that in accordance with point (1) of the Guidance referenced above, independent claim 1 recites at least one judicial exception, including an abstract idea. More specifically, as described in further detail, the abstract idea includes certain methods of organizing human activity, such as a fundamental economic practice.

With reference to claim 1, the claim recites a method, which comprises: determining a first risk score for a first party, based on a characteristic of the first party; associating the first party with a second

party, based on the first risk score; determining a second risk score that depends on an activity involving the first and second parties, wherein the activity is an electronic record of a financial occurrence in the form of either a monetary or non-monetary transaction that involves the first and second parties; determining a resultant risk score that characterizes the first party, based on the first and second risk scores; and generating an alert based on the resultant risk score. *See* Appeal Br., Claims App. (Claim 1).

It is well settled that managing financial risk is a fundamental economic practice, and, therefore, managing financial risk is an abstract idea. *See* MPEP § 2106.04(a)(2)(I)(B); *Alice*, 573 U.S. at 219–20 ("intermediated settlement" is a fundamental economic practice, and, thus, an abstract idea); *Bilski*, 561 U.S. at 611 ("hedging" is a fundamental economic practice, which is an abstract idea).

In accordance with point (2) of the Guidance referenced above, claim 1 does not recite any additional element that integrates the judicial exception into a practical application—i.e., something that "appl[ies], rel[ies] on, or use[s] the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception." Guidance at 54. Aside from the abstract idea described above, the claim only generically recites the use of certain arguably-physical hardware—i.e., a computerized customer risk monitor—and, thus, this hardware does not meaningfully limit the claim. Further, in the Specification, Appellant does not describe the risk monitor in such a way as to indicate that the monitor is anything other than generic hardware. For example, paragraph 181 of Appellant's Specification describes components of customer rick

monitor 100 as including generic components such as "user interface 705, . . . processor 710, and . . . memory 715," and describes that the customer risk monitor "may be implemented on a general purpose microcomputer." Spec. ¶ 181. Thus, claim 1 does not integrate the abstract idea into a practical application, and does not affect an improvement in any technology or technical field.

Therefore, for the above reasons, independent claim 1 is directed to an abstract idea, and does not integrate any judicial exception into a practical application.

In accordance with points (3) and (4) of the Guidance referenced above, claim 1 fails to recite a specific limitation beyond the judicial exception which is not well understood, routine, and conventional in the field, but instead simply appends well-understood, routine, and conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception. Taking the claim elements separately, the claimed hardware, as well as the functions performed by the claimed hardware, are purely conventional. Specifically, claim 1 uses known, generic components—i.e., a customer risk monitor that, according to the Specification, includes generic components such as an interface, processor, and memory—to perform their known, basic functions. Although, arguably, the information processed and transmitted differs, the claim recites the hardware only at a high level of generality. In other words, here the claim recites only well-understood, routine, and conventional functions. *See In re Katz*, 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.").

For the following reasons, when considered as an ordered combination, claim 1's hardware does not add anything that is not already present when we consider the steps separately. The hardware and its technological configuration remains the same before, during, and after transmitting the recommendation to the user. Thus, the claim amounts to nothing significantly more than instructions to apply the abstract idea with generic hardware, and does not improve the hardware. Accordingly, the claim recitations are insufficient to transform the abstract idea into a patent-eligible invention. *See Alice*, 573 U.S. at 225–26.

We have considered all of Appellant's arguments in the Briefs, but Appellant does not persuade us of error. *See* Appeal Br. 6–13; *see* Reply Br. 2. We now address certain arguments below.

Appellant's argument with reference to *BASCOM Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016), is not persuasive of error. *See* Appeal Br. 7–9, 11–12. In *BASCOM*, the Court did not find claims eligible, but rather found that appellee did not provide sufficient evidence to support a 12(b)(6) motion to dismiss in which facts are presumed in the non-movant's favor. Regardless, a key fact in *BASCOM* was the presence of a structural change by "installation of a filtering tool at a specific location, remote from the end users, with customizable filtering features specific to each end user. This design gives the filtering tool both the benefits of a filter on a local computer and the benefits of a filter on the ISP server." *BASCOM*, 827 F.3d at 1350. Appellant's claim 1, for example, does not provide an analogous structural benefit.

Appellant's argument with respect to *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016) also is unpersuasive. Appeal Br. 8–10. Unlike Appellant's claims, the claims in *Enfish* recited a "specific improvement to the way computers operate"—i.e., an improved database configuration that permitted faster and more efficient searching. *Id.* at 1330–33, 1336. The Federal Circuit later explained that the claims in *Enfish* "did more than allow computers to perform familiar tasks with greater speed and efficiency" but "actually permitted users to launch and construct databases in a new way." *Finjan, Inc. v. Blue Coat Sys., Inc.*, 879 F.3d 1299, 1305 (Fed. Cir. 2018). The Federal Circuit also explained that the claims in *Enfish* "focused on an improvement to computer functionality itself, not on economic or other tasks for which a computer is used in its ordinary capacity." *Secured Mail Sols. LLC v. Universal Wilde, Inc.*, 873 F.3d 905, 910 (Fed. Cir. 2017). In contrast, Appellant's claims may improve the business process involved with computing financial risk, but Appellant's claims do not have an effect on the manner, or speed, with which the customer risk monitor (i.e., any non-abstract hardware) calculates risk.

We are not persuaded by Appellant's argument with respect to *McRO, Inc. dba Planet Blue v. Bandai Namco Games America Inc.*, 837 F.3d 1299 (Fed. Cir. 2016). Appeal Br. 8–13. In *McRO* the claims were directed to a specific asserted improvement in computer animation—i.e., the automatic use of rules of a particular type. *Id.* at 1313. Appellant's claim 1, for example, recites a customer risk monitor that receives information, computes a risk score, and generates an alert based on the computed risk score. Thus, unlike *McRO*, Appellant's claim 1 is not directed to an improvement to a computer process. In this regard, the problem solved by Appellant's claims

is not a technical problem but rather a business problem—evaluating business risk by using know-your-customer (KYC) risk assessment and transactional monitoring "synergistically." Spec. ¶ 3.

Rejection II—Rejection under § 112

The Examiner rejects independent claim 7, and its dependent claims 9–12, 21, and 22, as indefinite. Non-Final Action 4–5. Claim 7 recites the following:

> 7.   A system comprising:
>
> a memory comprising:
>
>> a module that determines a first risk score that characterizes a first party, based on a presented characteristic of said first party;
>>
>> a module that associates said first party with a second party, based on said first risk score;
>>
>> a module that determines a second risk score that characterizes an activity involving said first party and said second party, wherein the activity is an electronic record of a financial occurrence in the form of at least one of a monetary transaction that involves said first party and said second party, and a non-monetary transaction that involves said first party and said second party;
>>
>> a module that determines a resultant risk score that characterizes said first party, based on said first and second risk scores; and
>>
>> a module that generates one or more alerts based on the resultant risk score; and
>
> a processor to execute instructions stored in the memory.

Appeal Br., Claims App.

The Examiner interprets each of the claimed memory "module[s]" in accordance with 35 U.S.C. § 112, sixth paragraph. Non-Final Action 2–5.

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According to the Examiner, the claims are indefinite because Appellant's Specification does not describe structure sufficient to perform any of the claimed functions performed by the modules—i.e., structure "that determines a first risk score that characterizes a first party . . . ," "that associates said first party with a second party . . . ," "that determines a second risk score that characterizes an activity involving said first party and said second party . . . ," "that determines a resultant risk score that characterizes said first party . . . ," and "that generates one or more alerts based on the resultant risk score . . . ," as claimed. *Id.*; Appeal Br., Claims App. (Claim 7). According to Appellant, "[t]he claims should not be interpreted as including means-plus-function limitations." Appeal Br. 4; *see id.* 4–6. Regardless, according to Appellant, the Specification describes structure sufficient to perform the claimed function. *Id.* 5–6. Specifically, according to Appellant, the Specification describes that "[p]rogram 720" performs the claimed functions. *Id.*

Based on our review of the record, we sustain the indefiniteness rejection. The Examiner properly interprets the claimed memory modules in accordance with § 112, sixth paragraph. "'Module' is a well-known nonce word that can operate as a substitute for 'means' in the context of § 112, para[graph] 6." *Williamson v. Citrix Online, LLC*, 792 F.3d 1339, 1350 (Fed. Cir. 2015).

"For means-plus-function limitations where the disclosed structure is a computer programmed to implement an algorithm, the patent must disclose enough of an algorithm to provide the necessary structure under 35 U.S.C. § 112 ¶ 6." *In re Aoyama*, 656 F.3d 1293, 1297 (Fed. Cir. 2011). The

portion of the Specification that Appellant cites in the Appeal Brief—

"paragraph [0183]" (Appeal Br. 5)—states in relevant part that

> [p]rogram 720 may be implemented as a single module or as a
> plurality of modules that operate in cooperation with one
> another. The term "module" is used herein to denote a
> functional operation that may be *embodied either as a stand-*
> *alone component or as an integrated configuration of a*
> *plurality of subordinate components*.

Spec. ¶ 183 (emphasis added). This statement that the module is one or

more components does not set forth any algorithm that performs the claimed

function, and does not otherwise describe structure sufficient to perform any

of the claimed functions. Appellant further cites paragraphs 181–185 of the

Specification. Appeal Br. 6. None of these paragraphs discloses either

structure or an algorithm that performs the claimed functions, however.

Based on the foregoing, Appellant does not persuade us that the

Examiner's indefiniteness rejection is in error. Consequently, we sustain the

Examiner's rejection of independent claim 7, and its dependent claims 9–12,

21, and 22, under § 112, second paragraph.

CONCLUSION

We AFFIRM the Examiner's §§ 101 and 112, second paragraph,

rejections of clams 1, 3–7, 9–13, and 15–24.

In summary:

Claims Rejected	35 U.S.C. §	Reference(s)/Basis	Affirmed	Reversed
1, 3–7, 9–13, 15–24	101	Eligibility	1, 3–7, 9–13, 15–24	
7, 9–12, 21, 22	112, second paragraph	Indefiniteness	7, 9–12, 21, 22	
Overall Outcome			1, 3–7, 9–13, 15–24	

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. § 41.50(f).

AFFIRMED