UNITED STATES PATENT AND TRADEMARK OFFICE

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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 CHRISTOPHER RODERICK OLSON, RYAN JOHN
BOTHOMLEY, GERARD FRANCIS MACKIE,
GREGORY HUGH HODGKISS, and THOMAS JOHN O'BRIEN

_____

Appeal 2018-008524
Application 14/363,496
Technology Center 3600

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Before CARL W. WHITEHEAD JR., MELISSA A. HAAPALA, and
DAVID J. CUTITTA II, *Administrative Patent Judges*.

CUTITTA, *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, 4–10, and 12–15.[2] We have
jurisdiction under 35 U.S.C. § 6(b).

We REVERSE.

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[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 Data
Insurance Holdings Ltd. Appeal Br. 2.
[2] Claims 2, 3, and 11 are cancelled. Appeal Br. 2.

CLAIMED SUBJECT MATTER

Invention

Appellant's invention relates to setting a data capacity limit for data stored on an external data backup/storage system based on a user-selected data storage capacity value associated with an insurance product. Spec. ¶ 37.[3]

Illustrative Claims

Independent claims 1 and 10 are illustrative of the claimed subject matter and are reproduced below:

> 1. An electronic data insurance management system comprising:
>
> at least one computing device configured to
>
> prompt a user, for a selected insurance product, to identify an indemnity level for insuring against loss to one or more electronic data sets,
>
> receive input identifying the indemnity level,
>
> link an identifier for one of the one or more electronic data sets with a data insurance policy or policy certificate defined by the identified indemnity level,
>
> create a data storage account for the one of the one or more electronic data sets on a data management system using the identifier such that an association is formed between the data storage account and the data insurance policy or policy certificate,

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[3] We refer to: (1) the originally filed Specification filed June 6, 2014 ("Spec."); (2) the Final Office Action mailed April 14, 2017 ("Final Act."); (3) the Appeal Brief filed February 14, 2018 ("Appeal Br."); and (4) the Examiner's Answer mailed June 12, 2018 ("Ans.").

prompt the user to select among a universe of maximum capacities for storage of the one or more electronic data sets that is defined by the selected insurance product,

receive input selecting one of the maximum capacities,

link at least a portion of the selected maximum capacity with the identifier, and

set the storage capacity for the data storage account according to the selected maximum capacity.

10. A method for managing electronic data comprising:

prompting a user, for a selected insurance product, to identify an indemnity level for insuring against loss to one or more electronic data sets;

receiving input identifying the indemnity level;

linking an identifier for one of the one or more electronic data sets with a data insurance policy certificate defined by the identified indemnity level;

creating a data storage account for the one of the one or more electronic data sets on a data management system using the identifier;

forming an association between the data storage account and the data insurance policy or policy certificate via the identifier;

prompting the user to select among a universe of maximum capacities for storage of the one or more electronic data sets that is defined by the selected insurance product;

receiving input selecting one of the maximum capacities;

linking at least a portion of the selected maximum capacity with the identifier; and

setting the storage capacity for the data storage account
according to the selected maximum capacity.

Appeal Br. Appendix 1, 2 (CLAIMS APPENDIX).

REJECTION

The Examiner rejects claims 1, 4–10, and 12–15 under 35 U.S.C.
§ 101 as reciting patent-ineligible subject matter. Final Act. 2–6.

OPINION

We review the appealed rejection for error based upon the issues
identified by Appellant and in light of Appellant's arguments and evidence.
Ex parte Frye, 94 USPQ2d 1072, 1075 (BPAI 2010) (precedential).
Arguments not made are waived. *See* 37 C.F.R. § 41.37(c)(1)(iv) (2017).

I. Principles of Law

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

In determining whether a claim falls within an excluded category, we
are guided by the Court's two-step framework, described in *Alice* and *Mayo*.
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 to what concept the claim is directed. *See Alice*, 573 U.S. at 219 ("On their face, the claims before us are drawn to the concept of intermediated 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.").

If the claim is directed to an abstract idea, we turn to the second part of the *Alice* and *Mayo* framework, in which "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 (quotation marks 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.*

The Office published revised guidance on the application of § 101. *2019 Revised Patent Subject Matter Eligibility Guidance*, 84 Fed. Reg. 50 (Jan. 7, 2019) (hereinafter "Guidance"). In October 2019, the USPTO published an update to that guidance. *October 2019 Patent Eligibility Guidance Update*, 84 Fed. Reg. 55,942 (hereinafter "Guidance Update"). Under the Guidance and the Guidance Update, in determining whether a claim falls within an excluded category, we first look to whether the claim recites:

(1) Step 2A — Prong One: any judicial exceptions, including certain groupings of abstract ideas (i.e., mathematical concepts, certain methods of organizing human activity, such as a fundamental economic practice, or mental processes); and

(2) Step 2A — Prong Two: additional elements that integrate the judicial exception into a practical application (*see* MPEP[4] § 2106.05(a)–(c), (e)–(h)).

See Guidance, 84 Fed. Reg. 54–55 ("Revised Step 2A"). 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 (Step 2B):

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

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

See id. at 56 ("*Step 2B: If the Claim Is Directed to a Judicial Exception, Evaluate Whether the Claim Provides an Inventive Concept.*").

II. The Examiner's § 101 Rejection

The Examiner determines that illustrative[5] claims 1 and 10 are directed to a judicial exception: an abstract idea. Final Act. 6–10; Ans. 9– 11. According to the Examiner, "[t]he claims are directed to an abstract idea of managing electronic data with respect to identifying an indemnity level

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[4] All Manual of Patent Examining Procedure ("MPEP") citations herein are to MPEP, Rev. 08.2017, January 2018.

[5] Appellant argues claims 1, 4–10, and 12–15 as a group with respect to the § 101 rejection. Appeal Br. 3–4. We select independent claims 1 and 10 as exemplary of the group. *See* 37 C.F.R. § 41.37(c)(1)(iv).

for insuring against loss to one or more electronic data sets," which is "a fundamental economic practice long prevalent in our system of commerce." Final Act. 7. The Examiner identifies additional limitations in the claims and determines claims 1 and 10 do not integrate the abstract idea into a practical application because "the claims do not purport to improve the functioning of the computer itself, or to improve any other technology or technical field." *Id.* at 9. The Examiner further determines the "limitations of the independent claims taken alone or as an ordered combination do not amount to significantly more than the abstract idea." *Id.*

III. Appellant's Arguments

We summarize Appellant's arguments in favor of eligibility as follows: (1) "[e]lectronic data insurance cannot effectively be implemented using a mere law of nature, natural phenomenon, or abstract idea because an attempt at such would rely exclusively on the computer infrastructure of the data owner" (Appeal Br. 4); (2) the claims do not merely recite "some computerized implementation of a method of conducting business" but instead use "computer technology to remove the data-owner-to-data-owner variability in computer infrastructure that can confound attempts to offer electronic data insurance on a wide scale" (*id.*); and (3) "the claimed EDIMS [(electronic data insurance management system)] sets a limit as to the amount of electronic data the user may have stored for purposes of indemnification. As a result, the claims improve the technical field of systems for administering electronic data insurance." (*id.*).

IV. Our Review, Guidance, Step 1

We analyze the claims and the Examiner's rejection in view of the Guidance, and we adopt the nomenclature for the steps used in the Guidance. As an initial matter, the claims must recite at least one of four recognized statutory categories, namely, machine, process, article of manufacture, or composition of matter. MPEP § 2106(I); *see* 35 U.S.C. § 101. Appellant's claims 1 and 4–9 recite a system (i.e., a "machine") and claims 10 and 12–15 recite a method (i.e., a "process"). *Id.* Thus, the pending claims recite a recognized statutory category of § 101 and we turn to the two-step *Alice/Mayo* analysis applied in accordance with the Guidance.

V. Step 2A, Prong 1 in the Guidance (Alice/Mayo–Step 1)
(Judicial Exceptions)

Here, we determine whether exemplary claims 1 and 10, being directed to a statutory class of invention, nonetheless fall within a judicial exception. Guidance, 84 Fed. Reg. 51. Claim 10 recites a method comprising steps including "prompting a user, for a selected insurance product, to identify an indemnity level," "receiving input identifying the indemnity level," and "linking an identifier for one of the one or more electronic data sets with a data insurance policy certificate defined by the identified indemnity level." Claim 1's system includes similar limitations. We agree with the Examiner that these limitations recite a fundamental economic practice, which is a certain method of organizing human activity. Final Act. 3. According to the Guidance, fundamental economic practices that qualify as abstract ideas may include claims that relate to "hedging,

insurance, mitigating risk" or "agreements in the form of contracts; legal obligations; advertising, marketing or sales activities or behaviors; [or] business relations." Guidance, 84 Fed. Reg. 52. Claims 1 and 10 relate to insurance and sales activities; therefore we agree with the Examiner's conclusion that claims 1 and 10 recite a fundamental economic practice.

Because we conclude the independent claims recite an abstract idea, we proceed to Prong Two to determine whether the claims recite a practical application.

VI. Step 2A, Prong Two in the Guidance
(Integration into a Practical Application)

We now determine whether the recited judicial exception is integrated into a practical application of that exception by: (a) identifying whether there are any additional elements recited in the claim beyond the judicial exception or exceptions; and (b) evaluating those additional elements individually and in combination to determine whether they integrate the exception into a practical application. Guidance, 84 Fed. Reg. 54–55. This evaluation requires an additional element or a combination of additional elements in the claim to apply, rely on, or use 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 exception. *Id* at 54.

The Examiner determines claims 1 and 10 recite additional elements including an electronic data insurance management system, memory, and processors. Final Act. 8. The Examiner determines the additional elements

do not integrate the recited judicial exception into a practical application of the exception:

> Employing a computer in a generic way to managing electronic data with respect to identifying an indemnity level for insuring against loss to one or more electronic data sets does not meaningfully limit the abstract idea. Receiving and transmitting data does not improve the functioning of the computer itself nor does it improve any other technology or technical field. Therefore the claims do not purport to improve the functioning of the computer itself, or to improve any other technology or technical field. Use of an unspecified computer does not transform an abstract idea into a patent-eligible invention.

Id. at 9.

We disagree with the Examiner, however, that the additional elements do not integrate the recited judicial exception into a practical application of the exception. The last limitation of claim 1 recites "at least one computing device configured to . . . set the storage capacity for the data storage account according to the selected maximum capacity." Likewise, the last limitation of claim 10 recites "setting the storage capacity for the data storage account according to the selected maximum capacity." Appellant's Specification explains,

> The user selected data storage capacity value 42x associated with the insurance product 34x may be used by the one or more computing devices 12 to set a data capacity limit for the data stored on the relevant external data backup/storage system 22x defined by the data set identifiers 44x associated with the product 34x.

Spec. ¶ 37. By setting a storage limit for data stored on an external computer backup/storage system according to a maximum capacity that is defined by a user-selected insurance product, Appellant's claims 1 and 10

recite a practical application. The claimed method and system prevent storage of data over the maximum-data threshold insured by the user-selected policy to preclude user-breach of the policy by "non-adherence," resulting in possible "insurer claim rejection." Spec. ¶ 1. In doing so, the claims transform the state of certain portions of external computer storage from functional to non-functional and this amounts to more than the mere manipulation of data. *See* MPEP § 2106.05(c) ("'[T]ransformation and reduction of an article 'to a different state or thing' is the clue to patentability.'. . . If such a transformation exists, the claims are likely to be significantly more than any recited judicial exception. . . . A new or different function or use can be evidence that an article has been transformed." (citations omitted)).

Accordingly, claims 1 and 10 integrate the abstract idea into a practical application and thus are ***not directed to*** a judicial exception. "If the recited exception is integrated into a practical application of the exception, then the claim is eligible at Prong Two of revised Step 2A. This concludes the eligibility analysis" and, thus, we need not reach step 2B of the *Alice/Mayo* inquiry. Guidance, 84 Fed. Reg. 54.

For these reasons, under the Guidance, we do not sustain the patent eligibility rejection of independent claims 1 and 10, as well as the rejection of dependent claims 4–9 and 12–15, which are rejected for similar reasons.

CONCLUSION

We reverse the Examiner's decision to reject claims 1, 4–10, and 12–15 under 35 U.S.C. § 101.

DECISION SUMMARY

In summary:

Claims Rejected	35 U.S.C. §	Basis	Affirmed	Reversed
1, 4–10, 12–15	101	Eligibility		1, 4–10, 12–15

REVERSED