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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte ROBERT FRANCIS O'DONNELL, MARC JOSEPH BUZZELLI,
ROBERT ALAN FISHBEIN, JACOB M. HERSCHLER,
FIONA ALEXANDRA JACKMAN-WARD, DANIEL O. KANE,
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STEVEN LEE PUTTERMAN, POLLY RAE, DAIN ERIC RUNESTAD,
ROBERT J. SCHWARTZ, and CHRISTOPHER PATRICK SHECKLEV

Appeal 2016-004645¹
Application 12/848,510²
Technology Center 3600

Before NINA L. MEDLOCK, MATTHEW S. MEYERS, and
ROBERT J. SILVERMAN, *Administrative Patent Judges*.

MEDLOCK, *Administrative Patent Judge*.

DECISION ON APPEAL

¹ Our decision references Appellants' Appeal Brief ("App. Br.," filed September 8, 2015) and Reply Brief ("Reply Br.," filed April 1, 2016), and the Examiner's Answer ("Ans.," mailed February 2, 2016), and Final Office Action ("Final Act.," mailed March 17, 2015).

² Appellants identify The Prudential Insurance Company of America as the real party in interest. App. Br. 2.

STATEMENT OF THE CASE

Appellants appeal under 35 U.S.C. § 134(a) from the Examiner's final rejection of claims 70–81, 84–97, and 100–106. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

CLAIMED INVENTION

Appellants' claimed invention "relates generally to financial instruments and more particularly to a financial instrument providing a guaranteed growth rate and a guarantee of lifetime payments" (Spec. 1, ll. 2–5).

Claims 70, 71, and 87 are the independent claims on appeal.

Claim 70, reproduced below, is illustrative of the claimed subject matter:

70. A data processing system configured to manage a financial instrument, the financial instrument guaranteeing, for the life of one or more designated parties, minimum annual withdrawals from a financial account regardless of investment performance of one or more investments selected for the financial account, the guarantee subject to conditions defined in the financial instrument, the data processing system comprising:

one or more processors; and

one or more memory modules, wherein at least one of the one or more memory modules comprises software configured, when executed by the one or more processors, to:

calculate a protected value, wherein the protected value is at least equal to an account balance of the financial account increasing at a minimum positive growth rate guaranteed under conditions specified by the financial instrument, wherein the account balance is determined as of an effective date of the guarantee of the minimum annual withdrawals, and wherein the minimum positive growth rate is a variable rate;

calculate a guaranteed minimum annual withdrawal amount from the financial account as a function of the protected value;

calculate a step-up to the protected value based at least in part on an account balance of the financial account as determined on a periodic basis;

add, to the protected value, the calculated step-up to the protected value based at least in part upon the account balance;

calculate an increase to the protected value based at least in part on a cumulative total of one or more payments;

add, to the protected value, the calculated increase to the protected value based at least in part upon the cumulative total of one or more payments;

calculate a reduction to the protected value in response to a determination that a cumulative total of one or more withdrawals from the financial account for a certain time period exceeds the guaranteed minimum annual withdrawal amount by an excess amount, wherein the reduction to the protected value calculated by the software is based at least in part on the excess amount, and wherein the certain time period is defined in the financial instrument;

subtract, from the protected value, the calculated reduction; and

calculate, in response to determining an increase in the protected value, a new guaranteed minimum annual withdrawal amount as a function of the increased protected value.

REJECTION

Claims 70–81, 84–97, and 100–106 are rejected under 35 U.S.C. § 101 as directed to non-statutory subject matter.

ANALYSIS

Under 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, however, has long interpreted § 101 to include an implicit exception: “[l]aws of nature, natural phenomena, and abstract ideas” are not patentable. *See, e.g., Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014).

The Supreme Court, in *Alice*, reiterated the two-step framework previously set forth in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (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 Corp.*, 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.” *Id.* If the claims are not directed to a patent-ineligible concept, e.g., 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 there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 566 U.S. at 79, 78).

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*, 566 U.S. at 71. Therefore, the Federal Circuit has instructed that claims are to be considered in their entirety to determine “whether their character as a whole is directed to excluded subject matter.” *McRO, Inc. v. Bandai Namco Games Am., Inc.*, 837 F.3d 1299, 1312

(Fed. Cir. 2016) (quoting *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015)).

Appellants maintain here that the § 101 rejection cannot be sustained because the Examiner has not satisfied the Office’s initial burden of establishing a prima facie case that the claims are directed to non-statutory subject matter (App. Br. 6–8). Appellants charge that the Examiner has repeatedly refused to identify an abstract idea, and has sought to improperly shift the burden to Appellants to establish a prima facie case that the claims are not directed to non-statutory subject matter (*id.* at 6). Appellants argue that the Examiner merely asserts that “the claims are directed to the abstract idea of a method of organizing human activities’ without any further explanation” (*id.* at 6), and further argue that, although the Examiner concludes that the additional elements in the claims do not amount to significantly more than the abstract idea, the Examiner does not identify the additional elements or explain why these particular elements do not amount to significantly more than an abstract idea (*id.* at 7). Appellants, thus, maintain that by not providing any explanation or rationale to support the rejection under § 101, the Examiner has denied Appellants a meaningful opportunity to evaluate the merits of the rejection and provide an effective response (*id.* at 6–7).

Responding, in the Answer, to Appellants’ arguments, the Examiner explains that the claims are directed to a “process for managing a financial instrument guaranteeing minimum periodic withdrawals from a financial account regardless of investment performance,” which the Examiner determines is “similar to a method of organizing human activities found by the courts to be abstract ideas”; and that the claims, when considered as a

whole, do not amount “significantly more” than the abstract idea because the claims do not effect an improvement to another technology or technical field, do not amount to an improvement to the functioning of a computer itself, and do not move beyond a general link of the use of an abstract idea to a particular technological environment (Ans. 3–4). Referencing claim 70, for example, the Examiner notes that the limitations that set forth or describe the abstract idea are:

“calculating” (a protected value; a guaranteed minimal annual withdrawal amount; a step-up to a protected value; an increase to the protected value; a reduction to a protected value; and a new guaranteed minimal annual withdrawal amount), “adding” (the calculated step-up to the protected value; and the calculated increase to the protected value), and “subtracting” (the calculated reduction).

Id. at 3.

Responding in the Reply Brief, Appellants assert that the rejection continues to be improper. Appellants charge that, rather than identifying an abstract idea, the Examiner merely “parrot[s] a short list of claim elements and declare[s] those elements abstract” (Reply Br. 2), and that the Examiner “provides an insufficient explanation for why the identified concept is an abstract idea” (*id.* at 2–3). Appellants, thus, ostensibly maintain that the Examiner still has failed to establish a *prima facie* case of patent-ineligibility. We disagree.

The Federal Circuit has repeatedly observed that “the *prima facie* case is merely a procedural device that enables an appropriate shift of the burden of production.” *Hyatt v. Dudas*, 492 F.3d 1365, 1369 (Fed. Cir. 2007) (citing *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992)). The court has, thus, held that the USPTO carries its procedural burden of establishing a

prima facie case when its rejection satisfies the requirements of 35 U.S.C. § 132 by notifying the applicant of the reasons for the rejection, “together with such information and references as may be useful in judging of the propriety of continuing the prosecution of [the] application.” *See In re Jung*, 637 F.3d 1356, 1362 (Fed. Cir. 2011) (alteration in original). Thus, all that is required of the Office is that it sets forth the statutory basis of the rejection in a sufficiently articulate and informative manner as to meet the notice requirement of § 132. *Id.*; *see also Chester v. Miller*, 906 F.2d 1574, 1578 (Fed. Cir. 1990) (“Section 132 is violated when a rejection is so uninformative that it prevents the applicant from recognizing and seeking to counter the grounds for rejection.”).

The Examiner, in our view, set forth the statutory basis of the rejection in a sufficiently articulate and informative manner as to meet the notice requirement of 35 U.S.C. § 132. And we find that, in doing so, the Examiner set forth a prima facie case of patent-ineligibility such that the burden shifted to Appellants to demonstrate that the claims are patent-eligible.

Addressing the first step of the *Mayo/Alice* framework, Appellants argue that the claims are directed to a tangible system that manages a particular type of financial instrument in a particular way, and not to an abstract idea (Reply Br. 2–3; *see also* App. Br. 8). Yet, although claim 70, for example, recites tangible components, i.e., one or more processors, the recited physical components merely provide the platform on which to perform the abstract idea. As the court noted in *In re TLI Commc’ns LLC Patent Litig.*, 823 F.3d 607 (Fed. Cir. 2016), “not every claim that recites

concrete, tangible components escapes the reach of the abstract-idea inquiry.” *Id.* at 611.

Similar to the situation in *TLI*, the focus of the claims here is not on the improvement of any technology or technical field, but instead on implementation of the abstract idea, i.e., managing a financial instrument to provide guaranteed minimum annual payments regardless of investment performance. Indeed, the Specification supports this view, describing that “the invention may allow an account holder to maintain liquidity in an account while at the same time receiving a guarantee of lifetime income and a guaranteed growth” and that “[c]ertain embodiments may also allow an account holder to receive the potentially higher rates of return associated with variable annuities while . . . avoiding the associated risk of loss by obtaining a guaranteed growth rate” (Spec. 4–5).

Appellants assert that the system “calculates a protected value that is at least equal to an account balance of the financial account”; “calculates the minimum annual withdrawal amount as a function of the protected value”; and “calculates a step-up, an increase, and a reduction to the protected value based on an account balance of the financial account determined on a periodic basis, a cumulative total of one or more payments, or an excess amount” (Reply Br. 3; *see also* App. Br. 8). Yet, we find no indication in the record, nor do Appellants point to anything in the record to indicate, that these operations require any specialized computer hardware or other inventive computer components, invoke any assertedly inventive programming, or that the claimed invention is implemented using other than generic computer components to carry out the claimed operations, which, as the Examiner observes (Ans. 3), involve no more than “calculating,”

“adding,” and “subtracting,” i.e., receiving and processing information, which are generic computer functions. *See Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1354 (Fed. Cir. 2016) (claims held to be directed to an abstract idea where “[t]he advance they purport to make is a process of gathering and analyzing information of a specified content, then displaying the results, and not any particular assertedly inventive technology for performing those functions.”); *DDR Holdings*, 773 F.3d at 1256 (“[A]fter *Alice*, there can remain no doubt: recitation of generic computer limitations does not make an otherwise ineligible claim patent-eligible. The bare fact that a computer exists in the physical rather than purely conceptual realm is beside the point.”) (internal citations and quotation marks omitted).

Also, to the extent that Appellants argue that the claims are patent-eligible because they satisfy the transformation prong of the machine-or-transformation test set forth in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), i.e., that the data processing system “transforms a protected value by calculating and adding various values to the protected value” (App. Br. 8), we note that the alleged “transformation” is a manipulation of data, which is not sufficient to meet the transformation prong under § 101. *See Gottschalk v. Benson*, 409 U.S. 63, 71–72 (1972) (a computer-based algorithm that merely transforms data from one form to another is not patent-eligible).

We are not persuaded, for the reasons set forth above, that the Examiner erred in rejecting claims 70–81, 84–97, and 100–106 under 35 U.S.C. § 101. Therefore, we sustain the Examiner’s rejection.

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DECISION

The Examiner's rejection of claims 70–81, 84–97, and 100–106 under 35 U.S.C. § 101 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