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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte STUART SILVERMAN

Appeal 2016-005003
Application 13/569,343[1]
Technology Center 3600

Before NINA L. MEDLOCK, BRUCE T. WIEDER, and ALYSSA A. FINAMORE, *Administrative Patent Judges*.

WIEDER, *Administrative Patent Judge*.

DECISION ON APPEAL

This is a decision on appeal under 35 U.S.C. § 134 from the Examiner's non-final rejection of claims 1–34. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

CLAIMED SUBJECT MATTER

Appellant's "invention relates generally to retirement funds that provide periodic payments to participants." (Spec. ¶ 1.) In particular,

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[1] According to Appellant, the real party in interest is Milliman, Inc. (Appeal Br. 2.)

Appellant's invention relates to "operating a longevity retirement protection fund that provides payments to fund participants based upon the participants' contributions to the fund, the projected longevity of the participants, and the investment performance of the fund." (*Id.*)

Claims 1 and 20–22 are the independent claims on appeal. Claim 1 is illustrative. It recites (emphasis added):

> 1. A method of providing periodic financial payments to participants in a longevity retirement protection system that provides periodic payments for the duration of the participants' lifetimes, the method comprising:
>
> *receiving a financial investment from each participant and associating such financial investment with an account for such financial participant with an account maintenance processor*;
>
> determining a projected longevity for each participant with a projected longevity processor;
>
> *investing the financial investments from the participants with an investment management processor*;
>
> determining projected cumulative assets and projected periodic redemption payments for the system;
>
> monitoring periodic redemption payments and actual cumulative assets of the system;
>
> determining the difference between the periodic redemption payments and the projected periodic redemption payments;
>
> determining the difference between actual cumulative assets of the system and projected cumulative assets of the system;
>
> adjusting the periodic redemption payments if the difference between the periodic redemption payments and the projected periodic redemption payments is greater than a first predetermined difference or if the difference between actual cumulative assets of the system and projected cumulative assets of the system is greater than a second predetermined difference;

> providing periodic redemption payments with a redemption payment processor to each participant in an amount that is based upon at least that participant's financial investment and the projected longevity of that participant;
>
> ceasing to make the periodic redemption payments to participants upon their death; and
>
> using a surplus remaining from the financial investments from participants who die prior to the expiration of their projected longevity to fund the periodic redemption payments made to participants who live longer than their projected longevity.

REJECTIONS

Claims 1–34 are rejected under 35 U.S.C. § 101 as directed to non-statutory subject matter.

Claims 1–10, 12, and 16–18 are rejected under 35 U.S.C. § 103(a) as unpatentable in view of Dellinger (US 2011/0131149 A1, pub. June 2, 2011) and Chen (US 2003/0233301 A1, pub. Dec. 18, 2003).[2]

Claims 11 and 30 are rejected under 35 U.S.C. § 103(a) as unpatentable in view of Dellinger, Chen, and Lyons (US 2008/0281742 A1, pub. Nov. 13, 2008).

Claims 13–15 are rejected under 35 U.S.C. § 103(a) as unpatentable in view of Dellinger, Chen, and Lutnick (US 2007/0226123 A1, pub. Sept. 27, 2007).

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[2] Although part 7 of the Non-Final Action refers to rejecting "[c]laims 1–10, 12, 16–18, 20–29, and 31" in view of Dellinger and Chen (*see* Non-Final Action 4), only claims 1–10, 12, and 16–18 are discussed in part 7 (*see id.* at 4–14).

Claim 19 is rejected under 35 U.S.C. § 103(a) as unpatentable in view of Dellinger, Chen, and Anderson (US 5,754,980, iss. May 19, 1998).

Claims 20–34 "are rejected under the same rational of [sic] claims 1–19." (Non-Final Action 22.)

ANALYSIS

The § 101 rejection

"Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." 35 U.S.C. § 101. Section 101, however, "'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 *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 589 (2013)).

Alice applies a two-step framework, earlier set out 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*, 134 S. Ct. at 2355.

Under the two-step framework, it must first be determined if "the claims at issue are directed to a patent-ineligible concept." *Id.* If the claims are determined to be directed to a patent-ineligible concept, then the second step of the framework is applied to determine if "the elements of the claim . . . contain[] an 'inventive concept' sufficient to 'transform' the claimed abstract idea into a patent-eligible application." *Id.* at 2357 (citing *Mayo*, 566 U.S. at 72–73, 79).

With regard to step one of the *Alice* framework, the Examiner determines that the claims are directed to "the abstract idea of processing a financial transaction," and, in particular, to "providing a periodic payment from an investment fund." (Non-Final Action 3.)

Appellant disagrees and argues that "because the method claims represent a practical application of an abstract idea, these claims do not encompass substantially all uses of the abstract idea. Without such preemption, . . . the present method claims should be considered as directed to patentable subject matter." (Appeal Br. 9.)

We do not find Appellant's argument persuasive of error. Preemption is not a separate test.

> To be clear, the proper focus is not preemption *per se*, for some measure of preemption is intrinsic in the statutory right granted with every patent to exclude competitors, for a limited time, from practicing the claimed invention. *See* 35 U.S.C. § 154. Rather, the animating concern is that claims should not be coextensive with a natural law, natural phenomenon, or abstract idea; a patent-eligible claim must include one or more substantive limitations that, in the words of the Supreme Court, add "significantly more" to the basic principle, with the result that the claim covers significantly *less*. *See Mayo* 132 S. Ct. at 1294 [566 U.S. at 72–73].

CLS Bank Int'l v. Alice Corp. Pty. Ltd., 717 F.3d 1269, 1281 (Fed. Cir. 2013) (Lourie, J., concurring), *aff'd*, 134 S. Ct. 2347 (2014). Moreover, "[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*

Diagnostics, Inc. v. Sequenom, Inc., 788 F.3d 1371, 1379 (Fed. Cir. 2015). In other words, "preemption may signal patent ineligible subject matter, [but] the absence of complete preemption does not demonstrate patent eligibility." *Id.*

We now look to step two of the *Alice* framework. Step two of the *Alice* framework has been described "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*, 134 S. Ct. at 2355 (citing *Mayo*, 566 U.S. at 72–73).

"[T]he 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 2359. They do not. (*See* Answer 3–4.)

Appellant argues that "the account maintenance processor, projected longevity processor, investment management processor, and redemption payment processor perform particular functions pursuant to instructions from program software and, therefore, satisfy the machine-or-transformation test." (Appeal Br. 8–9.)

We do not find this argument persuasive of error.

> While the Supreme Court in *Bilski v. Kappos* noted that the machine-or-transformation test is a "useful and important clue" for determining patent eligibility, 561 U.S. 593 . . . (2010), it is clear today that not all machine implementations are created equal. For example, in *Mayo*, the Supreme Court emphasized that satisfying the machine-or-transformation test, by itself, is not sufficient to render a claim patent-eligible . . . .

DDR Holdings, LLC v. Hotels.com, L.P., 773 F.3d 1245, 1255–56 (Fed. Cir. 2014).

Additionally, we agree with the Examiner's finding that

> [i]n paragraph [0036] of the current specification, the specialized processors such as the account maintenance processor, projected longevity processor, investment management processor and redemption payment processor are described as either being "separate components or as virtual components integrated in the main processor." As such, the claims (under the broadest reasonable interpretation) describe a general purpose computer with a main processor that is able to carry out the described functions of the method. The generic application of the computing devices in the current claims similarly does not make the invention patent-eligible.

(Answer 3.) In other words, the introduction of a computer or browser into the claim does not alter the analysis in 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 pre-emption 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, 134 S. Ct. at 2358 (citations omitted).

In view of the above, we are not persuaded that the Examiner erred in rejecting claim 1 under § 101. Dependent claims 2–19 and independent claims 20 and 21 are not separately argued and fall with claim 1. *See* 37 C.F.R. § 41.37(c)(1)(iv).

Appellant argues that "[c]laims 22-34 are system claims with numerous hardware elements. As such, Appellant submits that these claims clearly fall into one of the four categories of statutory subject matter." (Appeal Br. 9.)

We do not find this argument persuasive of error because it does not explain why such "numerous hardware elements" exclude claims 22–34 from the implicit exceptions to § 101. *See Alice*, 134 S. Ct. at 2354. In particular, Appellant does not explain why such "numerous hardware elements" are not merely conventional computer elements performing routine computer functions. And using a conventional computer to perform an abstract business practice does not make the claim patent-eligible. *DDR Holdings*, 773 F.3d at 1256.

In view of the above, we are also not persuaded that the Examiner erred in rejecting claims 22–34 under § 101.

The § 103(a) rejection of claims 1–10, 12, 16–18, and 20–22

The Examiner finds that paragraph 14 of Dellinger teaches "receiving a financial investment from each participant and associating such financial investment with an account for such financial participant with an account maintenance processor," as recited in claim 1. (Non-Final Action 4.) The Examiner also finds that paragraph 14 teaches "investing the financial investments from the participants with an investment management processor." (*Id.*)

Paragraph 14 of Dellinger discloses, in its entirety:

> For variable annuities, "accumulation units" are the measure of value during the accumulation phase. Each specific fund or "subaccount", such as a domestic common stock fund, has an accumulation unit value that increases daily by realized and unrealized capital appreciation, dividends, and interest, and that decreases each day by realized and unrealized capital losses, taxes, and fees. The worth of a variable annuity contract owner's account is the number of accumulation units owned in each fund multiplied by the accumulation unit value of each fund as of the most recent valuation date (typically daily).

(Dellinger ¶ 14.)

Appellant argues that "the cited paragraph [0014] from Dellinger does not teach using an account maintenance processor to receive a financial investment from a participant, nor does it teach using an investment management processor for investing the financial investment." (Appeal Br. 11.)

We agree with Appellant. Paragraph 14 of Dellinger teaches measuring the value of a variable annuity in terms of "accumulation units." It teaches that the worth of an account of a contract owner, i.e., a fund participant, can be calculated by multiplying the number of accumulation units in each fund by the accumulation unit value of each fund. (*See* Dellinger ¶ 14.) It is unclear where paragraph 14 teaches "receiving a financial investment from each participant," as recited in claim 1. It follows that it is also unclear where paragraph 14 teaches investing such a financial investment. Nor does claim 14 refer to use of a processor. The Examiner does not rely on Chen to cure these deficiencies. Therefore, we are persuaded that the Examiner erred in rejecting claim 1.

Independent claims 20–22 contain similar language and for similar reasons we are persuaded that Examiner erred in rejecting independent claims 20–22, and dependent claims 2–10, 12, and 16–18.

The § 103(a) rejections of dependent claims 11, 13–15, 19, and 23–34

In rejecting dependent claims 11, 13–15, 19, and 23–34, the Examiner does not rely on any of the additionally-cited references to cure the above discussed deficiencies in Dellinger. (*See* Non-Final Action 14–22). Therefore, for the reasons discussed above, we are persuaded that the Examiner erred in rejecting claims 11, 13–15, 19, and 23–34.

DECISION

The Examiner's rejection of claims 1–34 under 35 U.S.C. § 101 is affirmed.

The Examiner's rejections of claims 1–34 under 35 U.S.C. § 103(a) are reversed.

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