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KHATTAR, RAJESH

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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* ROBERT SCHEINERMAN

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Appeal 2017-000720  
Application 12/636,308<sup>1</sup>  
Technology Center 3600

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Before JAMES R. HUGHES, ERIC S. FRAHM, and  
MATTHEW J. McNEILL, *Administrative Patent Judges*.

FRAHM, *Administrative Patent Judge*.

DECISION ON APPEAL

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<sup>1</sup> According to Appellant, the real party in interest is American International Group, Inc. App. Br. 1.

STATEMENT OF THE CASE

Appellant appeals under 35 U.S.C. § 134(a) from a rejection of claims 2–10 and 16–18. Claims 1 and 11–15 have been canceled. We have jurisdiction under 35 U.S.C. § 6(b).

We affirm.

Appellant’s application relates to reducing the risk of an institution in providing a guaranteed benefit, e.g., an annuity, to customers based on underlying investment products. *See* Spec. 4. In particular, the charge to a customer for the guaranteed benefit can be calculated to precisely account for the risk of a customer’s specific investment allocation. *See id.* Claim 2, reproduced below, is illustrative of the claimed subject matter:

2. A method for behavior based pricing of a guaranteed benefit of an investment product by a provider, the investment product being owned by a customer and associated with an account containing money, the investment product having a plurality of funds in which a customer can invest money from the associated account, each fund having a risk characteristic associated therewith, the method comprising:

using a computer processor to execute a fee calculation application stored on a physical, non-transitory computer-readable medium, the fee calculation application configured to display a user interface over a communication network, the fee calculation application performing steps of:

receiving from the customer through the electronic user interface across the communication network an investment allocation including at least some of the money in the account of the investment product in at least one of the funds, and

calculating a charge to the customer for the guaranteed benefit of the investment product based on the amount of money from the account in each fund in the investment allocation and each risk characteristic of each fund in the investment allocation, the risk characteristic associated with each fund being correlated to the risk of the fund based upon a designated historical performance of the fund, and wherein each of the funds has a charge associated therewith, the charge of each fund based upon the risk characteristic associated therewith, and the fee calculation application calculates the charge for the guaranteed benefit of the investment product by summing, for each fund, the percent amount of the total funds in the account that are allocated to said fund multiplied by the charge for said fund, and

notifying the customer of the charge for the guaranteed benefit of the investment product.

## REJECTION

The Examiner made the following rejection:<sup>2</sup>

Claims 2–10 and 16–18 stand rejected under 35 U.S.C. § 101 as being directed to patent ineligible subject matter.

## ANALYSIS

### *Patent Ineligible Subject Matter*

Appellant's patent eligibility arguments are directed to independent claim 2, while Appellant asserts claims 3–10 and 16–18 are patent eligible for the same reasons as claim 2. *See* Br. 5–8. Accordingly, we address claim 2 below as representative of all pending claims.

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<sup>2</sup> The Examiner has withdrawn the rejection of claims 2–10 and 16–18 under 35 U.S.C. § 103(a). Ans. 2.

Under 35 U.S.C. § 101, a patent may be obtained for “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” The Supreme Court has “long held that this provision 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 *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 589 (2013)).

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*, 134 S.Ct. at 2355. Assuming that a claim nominally falls within one of the statutory categories of machine, manufacture, process, or composition of matter, the first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* For example, abstract ideas include, but are not limited to, fundamental economic practices, methods of organizing human activities, an idea of itself, and mathematical formulas or relationships. *Id.* at 2355–57. If the claim is directed to a judicial exception, such as an abstract idea, the second step is to determine whether additional elements in the claim “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* at 2355 (quoting *Mayo*, 566 U.S. at 78). This second step is described as “a search for an “‘inventive concept’”—*i.e.*, an element or combination of elements that is ‘. . . significantly more than . . . the [ineligible concept] itself.’” *Id.* at 2355 (alteration in original) (quoting *Mayo*, 566 U.S. at 72–73).

Appellant has not presented specific arguments under step one of the *Alice* analysis alleging the Examiner erred in finding claim 2 is directed to an abstract idea. *See* Br. 5. Rather, Appellant’s arguments focus on whether claim 2 amounts to significantly more than an abstract idea under step two. *See* Br. 5–7. We thus limit our analysis to step two of the *Alice* analysis.

The second step in the *Alice* analysis requires a search for an “inventive concept” that “must be significantly more than the abstract idea itself, and cannot simply be an instruction to implement or apply the abstract idea on a computer.” *Bascom Global Internet Services, Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1349 (2016). There must be more than “computer functions [that] are ‘well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S.Ct. at 2359 (second alteration in original) (quoting *Mayo*, 566 U.S. at 73).

Appellant contends claim 2 amounts to significantly more than an abstract idea because it satisfies the machine-or-transformation test by requiring “particular devices and a particularly-programmed machine.” Br. 5. Appellant also contends claim 2 “includes steps and features that apply its claimed concepts to a new and useful end” and “is a significant improvement over any existing technological process known at the time of the invention.” Br. 5–6. Further, Appellant contends claim 2 provides a solution “rooted in computer technology in order to satisfy persistent needs specifically arising in the field of investment products.” Br. 6. We are not persuaded by Appellant’s arguments, which we address in turn.

The Federal Circuit has found the machine-or-transformation test remains “a ‘useful clue’ in the second step of the *Alice* framework.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014). “A claimed process can be patent-eligible under § 101 if: ‘(1) it is tied to a

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particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.” *Id.* (quoting *In re Bilski*, 545 F.3d 943, 954 (Fed. Cir. 2008) (en banc), *aff’d on other grounds*, *Bilski v. Kappos*, 561 U.S. 593 (2010)). Appellant argues claim 2 recites steps that require a particular machine under the first prong of the machine-or-transformation test, namely, “using a *computer processor* to execute a fee calculation application stored on a *physical, non-transitory computer-readable medium*, the fee calculation application being configured to display a user interface over a *communication network*.” Br. 5. However, the claimed “computer processor,” “computer-readable medium,” and “communication network” are merely generic computer components that could be used for any computerized method. Claim 2 does not recite the particular programming of the claimed “computer processor” that accomplishes the method steps. Rather, the recited steps performed by the processor are merely conventional steps of receiving an investment allocation, calculating a charge to a customer based on certain charges for each investment fund in the allocation, and notifying the customer of the charge. Accordingly, while not conclusive, here the machine-or-transformation test provides a reason why claim 2 contains no more than conventional steps under step two of *Alice*.

Appellant’s argument that claim 2 provides new and useful steps that represent an improvement over existing technological processes (Br. 5) also fails to persuade us that the claim contains more than conventional steps. Although the second step of the *Alice* framework is described as a search for an “inventive concept,” 134 S. Ct. at 2355, the analysis is not an evaluation of novelty or non-obviousness. A novel and non-obvious claim directed to a purely abstract idea is, nonetheless, patent-ineligible. *See Mayo*, 566 U.S. at 90; *see also Synopsys, Inc. v. Mentor Graphics Corp.*, 839 F.3d 1138, 1151

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(Fed. Cir. 2016) (“[A] claim for a *new* abstract idea is still an abstract idea. The search for a § 101 inventive concept is thus distinct from demonstrating § 102 novelty.”). In this case, even if Appellant’s method of calculating a charge for an investment allocation is novel, claim 2 does not rely on any non-conventional computer functions for performing the method. That is, there is no technological improvement embodied by the steps of claim 2.

We also disagree with Appellant’s argument that the “claimed solution is rooted in computer technology” (Br. 6). In *DDR Holdings, LLC v. Hotels.com, L.P.*, the Federal Circuit found claims drawn to “generating a composite web page that combines certain visual elements of a ‘host’ website with content of a third-party merchant” provided a “solution necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” 773 F.3d 1245, 1248, 1257 (Fed. Cir. 2014). In contrast, claim 2 solves a problem of risk management for a guaranteed benefit. *See Spec.* ¶ 4. This risk management problem is not a problem of computer technology, but rather exists in the realm of investing. Claim 2 does no more than apply a risk management solution on a conventional computer.

Further, we find claim 2 is analogous to claims in other cases where the Federal Circuit has found there to be no elements or a combination of elements amounting to significantly more than an abstract idea. Claim 2 calculates a charge for a customer’s specific investment allocation by receiving the investment allocation through an electronic user interface over a communication network, calculating the charge, and notifying the customer. The Federal Circuit has repeatedly found that claims directed to making financial decisions, where computer components perform no more than receiving and sending information and making calculations in an

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unspecified way, fail to provide an inventive concept. *See, e.g., Credit Acceptance Corp. v. Westlake Services*, 859 F.3d 1044 (Fed. Cir. 2017) (providing financing packages to a customer for products in a dealer's inventory based on customer financial information transmitted to a server via a communication network); *LendingTree, LLC v. Zillow, Inc.*, 656 Fed.Appx. 991 (Fed. Cir. 2016) (non-precedential) (providing positive credit decisions to an Internet user from a number of lending institutions based on user credit data, and receiving user decisions regarding the positive credit decisions); *Mortgage Grader, Inc. v. First Choice Loan Services Inc.*, 811 F.3d 1314 (Fed. Cir. 2016) (allowing a borrower to anonymously search via a computer interface for loan packages the borrower qualifies for based on the borrower's credit grading); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014) (performing a transaction performance guaranty service for online commercial transactions).

For at least the reasons above, we are not persuaded of Examiner error in the rejection of independent claim 2 as being directed to patent-ineligible subject matter under § 101. We thus sustain the § 101 rejection of claim 2, and also dependent claims 3–10 and 16–18 not specifically argued separately.

## CONCLUSION

The Examiner did not err in rejecting claims 2–10 and 16–18 under 35 U.S.C. § 101.

## DECISION

We affirm the Examiner's decision to reject claims 2–10 and 16–18 under 35 U.S.C. § 101 as being drawn to patent-ineligible subject matter.

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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