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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte STEPHEN J. STONE

Appeal 2017-001294
Application 12/817,788[1]
Technology Center 3600

Before CAROLYN D. THOMAS, IRVIN E. BRANCH, and MICHAEL J. ENGLE, *Administrative Patent Judges*.

ENGLE, *Administrative Patent Judge*.

DECISION ON APPEAL

Appellant appeals under 35 U.S.C. § 134(a) from a final rejection of claims 1–6, 9–13, 15, 16, and 19–23, which are all of the claims pending in the application. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

Technology

The application relates to "determining a fee for an investment product having a guaranteed benefit . . . based upon at least one measurement of market volatility." Spec. Abstract.

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[1] According to Appellant, the real party in interest is American International Group, Inc. App. Br. 1.

Illustrative Claim

Claim 1 is illustrative and reproduced below:

> 1. A computer-implemented system for determining a variable fee for a guaranteed benefit of an investment product, the investment product having a term including a plurality of time periods, the system comprising:
>
> a physical computer-readable medium including an investment product pricing program;
>
> a processor adapted to execute the investment product pricing program contained on the physical computer-readable medium; and
>
> a web server in communicative relationship with the processor and to an external network;
>
> wherein the investment product pricing program includes a pricing module having computer executable instructions adapted to periodically determine the variable fee for the guaranteed benefit based upon market volatility data for the period received by the processor from an information source via the web server, the market volatility data including a numerical volatility value correlated to a measure of market volatility such that the numerical value increases as the market volatility increases, the numerical volatility value being correlated to hedging costs associated with the guaranteed benefit, the pricing module being adapted to calculate the variable fee for the period based upon a non-discretionary formula including the numerical volatility value.

Rejection on Appeal

Claims 1–6, 9–13, 15, 16, and 19–23 stand rejected under 35 U.S.C. § 101 as being directed to ineligible subject matter. Final Act. 3.[2]

[2] The Examiner withdrew the rejection under 35 U.S.C. § 103. *See* Ans. 2.

ISSUE

Did the Examiner err in determining that claim 1 did not add significantly more than the abstract idea?

ANALYSIS

To determine patentable subject matter, the Supreme Court has set forth a two part test. "First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts" of "laws of nature, natural phenomena, and abstract ideas." *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2355 (2014). In the second step, we "consider the elements of each claim both individually and 'as an ordered combination' to determine whether the additional elements 'transform the nature of the claim' into a patent-eligible application." *Id.* (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 79, 78 (2012)). The Supreme Court has "described step two of this analysis 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." *Id.* (quotation omitted).

Here, the Examiner concludes that claim 1 is directed to "a mathematical relationship/formula for hedging" that is "analogous to *Bilski v. Kappos*." Ans. 5. Appellant only argues step 2 of the *Alice/Mayo* framework. App. Br. 5; Ans. 5.

Appellant argues "the applied [prior art] reference fails to render claim 1 unpatentable" under § 103 and the invention "is a significant improvement over any existing technological system/process known at the time of the invention." App. Br. 7. We agree with the Examiner, however, that § 101 is a different requirement than § 102 or § 103. Ans. 8. As the

Federal Circuit has said, "under the *Mayo/Alice* framework, a claim directed to a newly discovered law of nature (or natural phenomenon or abstract idea) cannot rely on the novelty of that discovery for the inventive concept necessary for patent eligibility." *Genetic Techs. Ltd. v. Merial L.L.C.*, 818 F.3d 1369, 1376 (Fed. Cir. 2016).

Appellant also argues "[t]he claimed solution is rooted in computer technology in order to satisfy persistent needs specifically arising in the field of investment products." App. Br. 7. "But, as we have said before, merely limiting the field of use of the abstract idea to a particular environment does not render the claims any less abstract." *Smart Sys. Innovations, LLC v. Chicago Transit Auth.*, 873 F.3d 1364, 1373 (Fed. Cir. 2017) (quotation omitted); *see also* Ans. 5. We also agree with the Examiner that "[t]he claim is not rooted in computer technology. Rather, it deploys computer technology." Ans. 7. The Examiner correctly found that all of the recited computer elements (e.g., "a physical computer-readable medium"; "a processor"; "a web server"; and "an external network") were merely "a recitation of generic computer structure that serves to perform generic computer functions that are well-understood, routine, and conventional activities." *Id.* at 6. As the Supreme Court has said, "simply implementing a mathematical principle on a physical machine, namely a computer, [is] not a patentable application of that principle." *Mayo*, 132 S. Ct. at 1301. That is particularly true when, as here, "the computer implementation [i]s purely conventional" because "the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention." *Alice*, 134 S. Ct. at 2358.

Here, the invention is not any technology but rather the abstract idea of setting a variable fee for a guaranteed benefit based on market volatility. As Appellant points out, this correlates the fee with hedging costs. App. Br. 6; *see also* claim 1 ("the numerical volatility value being correlated to hedging costs associated with the guaranteed benefit"); Ans. 5 ("a mathematical relationship/formula for hedging"). We agree with the Examiner that the claims here are analogous to that in *Bilski v. Kappos*, which involved "a claimed invention that explains how buyers and sellers of commodities in the energy market can protect, or hedge, against the risk of price changes." *Bilski v. Kappos*, 561 U.S. 593, 599 (2010). The Supreme Court there held that "[t]he concept of hedging . . . is an unpatentable abstract idea." *Id.* at 611. The same is true here for the particular form of hedging in claim 1.

Accordingly, we sustain the rejection of claim 1 under § 101, and claims 2–5, 9–13, 15, 16, and 19–23, which Appellant argues are patentable for similar reasons. *See* App. Br. 8–12; 37 C.F.R. § 41.37(c)(1)(iv).

DECISION

For the reasons above, we affirm the Examiner's decision rejecting claims 1–6, 9–13, 15, 16, and 19–23 under § 101.

No time for taking 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