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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte MARK H. BERENS, JEROME A. HARRIS, and
DAVID N. THOMPSON

Appeal 2017-009024
Application 11/049,326
Technology Center 3600

Before ELENI MANTIS MERCADER, BETH Z. SHAW, and
JASON M. REPKO, *Administrative Patent Judges*.

MANTIS MERCADER, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellants appeal under 35 U.S.C. § 134 from a rejection of claims 57, 58, 60–63, and 67–69. We have jurisdiction under 35 U.S.C. § 6(b).

We affirm.

CLAIMED SUBJECT MATTER

The claims are directed to methods and apparatus for securitizing insurance, reinsurance, and retrocessional risk. Abstract.

Claim 57, reproduced below, is illustrative of the claimed subject matter:

57. A computerized method for securitizing risk, the method comprising:

raising capital through a sale of securities of a business entity by the business entity to investors, the business entity having a predetermined period of existence, the predetermined period including an underwriting phase of a first predetermined duration followed by a runoff phase of a second predetermined duration;

actively underwriting and assuming a plurality of risks by the business entity, with a server, in exchange for premium during the underwriting phase, the plurality of risks including at least one of an insurance risk, a reinsurance risk, and a retrocessional risk;

ending the active underwriting and assumption of risks by the business entity at an end of the underwriting phase;

presenting, through the server, a first option to investors at one or more client devices in the securities at the end of the underwriting phase, the first option including at least one option for (i) requiring a redemption by the business entity of securities in the business entity, (ii) requiring the business entity to roll over securities in the business entity to a second business entity, and (iii) remaining invested in the business entity;

purchasing, with the server, reinsurance-to-close by the business entity to discharge risk of the business entity proportional to the securities being redeemed by the investor as an exercise of the first option and to shares utilized to roll over securities in the business entity to the second business entity as an exercise of the first option;

discharging risk remaining after the purchase of reinsurance-to-close by the business entity during the runoff phase; and

ending the existence of the business entity at an end of the runoff phase, wherein any risk remaining at the end of the runoff phase is discharged by purchasing reinsurance-to-dose.

REJECTIONS

Claims 57, 58, 60–63, and 67–69 stand rejected under 35 U.S.C § 101 because the claimed invention is directed to a judicial exception (abstract idea) without significantly more.

OPINION

We adopt the Examiner’s findings in the Answer and Final Action and we add the following primarily for emphasis. We note that if Appellants failed to present arguments on a particular rejection, we will not unilaterally review those uncontested aspects of the rejection. *See Ex parte Frye*, 94 USPQ2d 1072, 1075 (BPAI 2010) (precedential); *Hyatt v. Dudas*, 551 F.3d 1307, 1313–14 (Fed. Cir. 2008) (The Board may treat arguments Appellants failed to make for a given ground of rejection as waived).

Appellants argue that while the individual step of a primary insurer obtaining reinsurance may be similar to the abstract idea of hedging (*Bilski*), claim 57 is directed to the process of creating a business entity, and the securitization of risk is merely a component. App. Br. 13–14.

The Examiner responds that even if the claimed invention is directed to the creation of a business entity in which securitization of risk is merely a component, this does not make the claimed invention less abstract. Ans. 2. The creation of a business entity as recited in the claim is part of the identified abstract idea. *Id.*

We do not agree with Appellants' argument. In determining whether a claim falls within the excluded category of abstract ideas, we are guided in our analysis by the Supreme Court's two-step framework, described in *Mayo* and *Alice*. *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2355 (2014) (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 75–78 (2012)). We must first determine whether claim 57 is “directed to” a patent-ineligible abstract idea. Claim 57 is similar to the disputed claims in *Bilski* which were drawn to the concept of intermediated settlement, i.e., the use of a third party to mitigate settlement risk. *See 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.”).

We are also not persuaded by Appellants' argument regarding the claim not being abstract because it is directed to the process of creating a business entity. *See App. Br.* 13–14. Merely combining several abstract ideas (such as the organization of human activity in a specific field, like academic peer review, mathematical algorithms, and/or a fundamental business practice) does not render the combination any less abstract. *RecogniCorp, LLC v. Nintendo Co., LTD.*, 855 F.3d 1322, 1327 (Fed. Cir. 2017) (“Adding one abstract idea . . . to another abstract idea . . . does not render the claim non-abstract.”); *see also FairWarning IP, LLC v. Iatric Sys., Inc.*, 839 F.3d 1089, 1094 (Fed. Cir. 2016) (determining the pending claims were directed to a combination of abstract ideas.). Thus, including the abstract idea of securitizing risk into the abstract idea of creating a business entity does not render the combination any less abstract.

We further agree with the Examiner's findings that all the steps of claim 57 are similar to the kind of “organizing human activity” at issue in

Alice. Ans. 3; also see *Alice*, 134 S. Ct. at 2355. Moreover, we also agree with the Examiner that the additional claim limitations do not transform the abstract idea into a patent eligible subject matter. *Id.* The Examiner in particular finds, and we agree, that the action of raising capital, underwriting and assuming a plurality of risk, ending the underwriting and assumption of risk, presenting options to investors, purchasing reinsurance-to-close, discharging risk remaining after said purchase and ending the existence of the business entity at the end of the runoff phase, as recited in the claim rejection, are all considered to be “organizing human activities” since these activities can be performed manually without the additional components such as the devices and processors recited in the claim.

Therefore, because claim 57 is “directed to” a patent-ineligible abstract idea, we next consider the elements of the claim—both individually and as an ordered combination—to assess whether the additional elements transform the nature of the claim into a patent-eligible application of the abstract idea as required by step two of *Alice*. *Alice*, 134 S. Ct. at 2355. This is a search for an “inventive concept”—an element or combination of elements sufficient to ensure that the claim amounts to “significantly more” than the abstract idea itself. *Id.* “[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. We conclude that they do not. We agree with the Examiner’s finding that the computer or technology is used as a tool to carry out the steps of the abstract idea. See Ans. 4.

Lastly, Appellants’ assertion regarding pre-emption (App. Br. 14–17) is unpersuasive, because “[w]hile preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate

patent eligibility Where 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); *see also OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362–63 (Fed. Cir. 2015) (holding “that the claims do not preempt all price optimization or may be limited to price optimization in the e-commerce setting do not make them any less abstract”).

Appellants further argue that the Examiner did not address claims 58, 60–63, and 67–69. App. Br. 29–33. We note Appellants did not argue with particularity why the claims are not directed to an abstract idea or amount to significantly more. *See id.* We also understand the Examiner to have considered each claim. Ans. 5. Nonetheless, Patent eligibility is a question of law that is reviewable *de novo*. *Dealertrack, Inc. v. Huber*, 674 F.3d 1315, 1333 (Fed. Cir. 2012). Accordingly, we also review these claims *de novo*. The disputed claims are reproduced below and we italicized the limitations of these claims for emphasis:

58. The method of claim 57, wherein *actively underwriting and assuming the plurality of risks by the business entity comprises actively underwriting and assuming the plurality of risks at a plurality of times.*

60. The method of claim 57, further comprising *presenting a second option, with the server, to an investor, at one of the one or more client devices, at the end of the runoff phase, the second option including at least one option for (i) receiving a final distribution in liquidation of the business entity and (ii) rolling over equity in the business entity to the second business entity.*

61. The method of claim 57, wherein *the underwriting phase assumes more than one risk.*

62. The method of claim 57, wherein *the underwriting phase assumes more than one package of risks.*

63. The method of claim 57, further comprising *transferring all underwriting risk and associated opportunity for income by the business entity to a third party through the use of derivatives.*

67. The method of claim 57, wherein *the underwriting of the plurality of risks conforms to underwriting guidelines and promote a diversification of the plurality of risks.*

68. The method of claim 67, further comprising *performing an analysis of premium trends and loss trends.*

69. The method of claim 57, wherein *raising capital comprises a sale of common shares in the business entity and at least one of preferred shares in the business entity, surplus notes, and other debt instruments.*

Claims 58, 60–63, and 67–69.

Similar to claim 57, all the italicized limitations are “directed to” a patent-ineligible abstract idea without significantly more. In particular, they are drawn to the business options pertaining to the underwriting phase or liquidation or raising capital, all of which are considered to be “organizing human activities” since these activities can be performed manually without the additional components such as the devices and processors recited in the claim. Additionally, all of our findings above with respect to claim 57 also extend to these claims without having to repeat them herein.

Accordingly, we affirm the Examiner’s rejection of claim 57 and for the same reasons the rejections of claims 58, 60–63, and 67–69.

DECISION

The Examiner’s rejection of claims 57, 58, 60–63, and 67–69 is affirmed.

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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. § 1.136(a)(1)(iv).

AFFIRMED