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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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Ex parte JOHN R. MEYER

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Appeal 2020-000694
Application 14/157,938
Technology Center 3600

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Before NORMAN H. BEAMER, ADAM J. PYONIN, and GARTH D. BAER, *Administrative Patent Judges*.

PYONIN, *Administrative Patent Judge*.

DECISION ON APPEAL

Pursuant to 35 U.S.C. § 134(a), Appellant[1] appeals from the Examiner's rejection. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

[1] We use the word "Appellant" to refer to "applicant" as defined in 37 C.F.R. § 1.42. Appellant identifies New York Life Insurance Company as the real party in interest. Appeal Br. 2.

STATEMENT OF THE CASE

Introduction

The application is directed to "stabilizing revenue derived by a variable annuity provider from variable annuities having a mortality and expense fee computed based on at least one variable that is not directly affected by market conditions." Abstract. Claims 1, 3–5, 9, 10, 12–14, and 18–23 are pending; claims 1, 10, and 19 are independent. Appeal Br. 17–22. Claim 1 is reproduced below for reference, with emphasis added:

> 1. A computerized method for offering variable annuities, the method comprising:
>
> receiving, by a processing device, annuitant information from a client device;
>
> electronically generating, via the processing device, a variable annuity with a guaranteed minimum death benefit for an individual using the annuitant information, wherein the guaranteed minimum death benefit comprises a payment based on an accumulation of premium payments by the individual;
>
> electronically determining, via the processing device, *at least one variable including an annual rate having a value that is dependent on the guaranteed minimum death benefit and independent of an accumulated value of the investments*;
>
> monitoring, via the processing device, an annuity database of the premium payments for the variable annuity;
>
> tracking, via the processing device, the value of the investments associated with the variable annuity;
>
> electronically calculating, via the processing device, a mortality and expense fee for a plurality of periods based on the at least one variable and the accumulation of the premium payments corresponding to the guaranteed minimum death benefit, the mortality and expense fee is independent of the accumulated value of the investments;
>
> transmitting, via the processing device, data corresponding to the generated variable annuity, amount of the premium payments, and the mortality and expense fee to an annuity administrator system component;

> generating, via the processing device, interface data for the annuity administrator system component, the interface data including instructions that allow interface software installed on a client device to access the annuity administrator system and the transmitted data;
>
> transmitting, via the processing device, the interface data over a network to the client device; and
>
> causing, by the annuity administrator system component, the interface software on the client device to display the interface data and to enable a network connection via a link to the annuity administrator system component when the client device is communicatively connected to the processing device and the processing device is online;
>
> wherein the mortality and expense fee funds, at least in part, a risk associated with the guaranteed minimum death benefit of the variable annuity.

The Examiner's Rejections

Claims 1, 3–5, 9, 10, 12–14, and 18–23 stand rejected under 35 U.S.C. § 112(a) as failing to comply with the written description requirement. Final Act. 2.

Claims 1, 3–5, 9, 10, 12–14, and 18–23 stand rejected under 35 U.S.C. § 101 because the claimed invention is directed to a judicial exception (i.e., a law of nature, a natural phenomenon, or an abstract idea) without significantly more. Final Act. 6.

Claims 1, 3–5, 9, 10, 12–14, and 18–23 stand rejected under 35 U.S.C. § 103 as being unpatentable over Fisher (US 2006/0111998 A1; May 25, 2006) and Flagg (US 6,456,979 B1; Sept. 24, 2002). Final Act. 9.

ANALYSIS

We have reviewed the Examiner's rejections in light of Appellant's arguments. Arguments Appellant could have made but chose not to make are waived. *See* 37 C.F.R. § 41.37(c)(1)(iv).

35 U.S.C. § 112(a)

The Examiner finds that, "while the Specification states that M&E fees computed based on at least one variable independent of the value of the annuity investments (Specification: Para [0024]), there is no support for variable value dependent on the GMDB." Final Act. 3.

Appellant argues that the claims "are improperly rejected under 35 U.S.C. § 112" (Appeal Br. 6) and "directs attention to . . . portions of the Specification." Appeal Br. 7, quoting Spec. 7:16–23, 9:16–19, 9:23–10:2, 10:19–22.

We are not persuaded of Examiner error. The Examiner finds, and we agree, that

> Appellant has failed to point out where in [Spec. 7:16–23, 9:16–19, 9:23–10:2, 10:19–22], the Specification discloses the limitation of "at least one variable having a value that is dependent on the guaranteed minimum death benefit." The Specification or Drawings do not disclose any formulas setting forth the relationship between M&E [Mortality and Expense] fees, variables and death benefits.

Ans. 4. The Examiner further finds, and we agree, that

> M&E fees may be based on fixed rate ($100) that may be increased periodically ($150); they may be based on percentage of the premium (0.1 %); or they may be based on a variable such as return of premium. But there is no support for M&E fees being based at least one variable and on accumulated premium payments corresponding to the guaranteed minimum death benefit.

Ans. 6, citing Spec. 8:13–9:2, 9:1–10, 9:16–10:2. We find no error in the Examiner's detailed findings, and Appellant does not respond as no Reply Brief was filed. Accordingly, we sustain the Examiner's written description rejection of claims 1, 3–5, 9, 10, 12–14, and 18–23.

35 U.S.C. § 101

The Examiner determines the claims are patent ineligible under 35 U.S.C. § 101 because the "claimed invention is directed to a judicial exception (i.e., a law of nature, a natural phenomenon, or an abstract idea) without significantly more." Final Act. 6; *see also Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208, 217 (2014) (describing the two-step framework "for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts").

After the filing of the Appeal Brief—but prior to the mailing of the Answer—the USPTO published revised guidance on the application of § 101 ("Guidance"). *See, e.g.*, USPTO 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019) ("Memorandum"); USPTO October 2019 Update: Subject Matter Eligibility (Oct. 17, 2019) ("Update"), noticed at 84 Fed. Reg. 55942 (Oct. 18, 2019).

Under Step 2A of the Guidance, the Office looks to whether the claim recites:

(1) Prong One: any judicial exceptions, including certain groupings of abstract ideas (i.e., mathematical concepts, certain methods of organizing human activity such as a fundamental economic practice, or mental processes); and

(2) Prong Two: additional elements that integrate the judicial exception into a practical application (*see* MPEP §§ 2106.05(a)-(c), (e)-(h)).

Only if a claim (1) recites a judicial exception and (2) does not integrate that exception into a practical application, does the Office then look, under Step 2B, to whether the claim:

(3) adds a specific limitation beyond the judicial exception that is not well-understood, routine, conventional in the field (*see* MPEP § 2106.05(d)); or

(4) simply appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception.

See Memorandum, 84 Fed. Reg. at 54–56.

Appellant does not separately argue the claims. *See* Appeal Br. 8–13. We select claim 1 as representative. *See* 37 C.F.R. §41.37(c)(1)(iv). We are not persuaded the Examiner's rejection is in error. We adopt the Examiner's findings and conclusions as our own, and we add the following primarily for emphasis and clarification with respect to the Guidance.

A. Step 2A, Prong One

Claim 1 recites a "computerized method for offering variable annuities," including various computing components (i.e., a processing device, an annuity database, an annuity administrator system component, and a client device). Pursuant to Step 2A, Prong One of the Guidance, we agree with the Examiner that claim 1 recites a judicial exception. *See* Final Act. 6–8, Ans. 7–8. Particularly, claim 1 recites the steps of "electronically

generating . . . a variable annuity," "electronically determining . . . at least one variable," "monitoring . . . an annuity database," "tracking . . . the value of the investments associated with the variable annuity," and "electronically calculating . . . a mortality and expense fee."

These limitations are intended to handle "certain instances [in which] the M&E fee may not properly reflect the risk assumed by the company providing the variable annuity" (Spec. 2:18–20) by "provid[ing] a level or stable M&E fee and consequently a level or stable revenue stream derived from M&E fees" (Spec. 2:22–23). They recite "fundamental economic principles or practices" that include "hedging, insurance, and mitigating risk." Memorandum, 84 Fed. Reg. at 52. Thus, the claim recites the abstract concept of certain methods of organizing human activity. *See id*.

Accordingly, we conclude the claims recite a judicial exception under Prong One of the Guidance. *See* Memorandum, 84 Fed Reg. at 54.

B. Step 2A, Prong Two

Appellant argues that "[t]he present claims solve a problem in the communication and interoperability between various software components." Appeal Br. 11. Particularly, Appellant contends claim 1's limitations of

> generating, via the processing device, interface data for the annuity administrator system component, the interface data including instructions that allow interface software installed on a client device to access the annuity administrator system and the transmitted data;
>
> transmitting, via the processing device, the interface data over a network to the client device; and
>
> causing, by the annuity administrator system component, the interface software on the client device to display the interface data and to enable a network connection via a link to the annuity

> administrator system component when the client device is communicatively connected to the processing device and the processing device is online,

(*see* Appeal Br. 10–11), serve to

> recite a system that allows server components to be accessed through software from a client device. This technical improvement allows adding functionalities to software on local devices that are provided through the server.

Appeal Br. 11, citing *DDR Holdings, LLC v. Hotels.com et al.*, 773 F.3d 1245 (Fed. Cir. 2014).

We are not persuaded the Examiner's rejection is in error pursuant to Step 2A, Prong Two of the Guidance. *See* Final Act. 6–8, Ans. 6–19. The features asserted by Appellant—such as the generation and transmission of interface data used to connect the annuity administrator system component to the client device—are part of the abstract idea discussed above, and do not integrate the judicial exception into a practical application. Further, present claim 1 is unlike the claimed e-commerce outsourcing system in *DDR Holdings*, as Appellant has not shown the communication between the client device and the annuity administrator system component, and the display of interface data on the client device, is improved. *See* Memorandum n. 25 ("improvements in the functioning of a computer or to any other technology or technical field, including a discussion of the exemplar provided herein, which is based on DDR Holdings"); *cf. Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1355 (Fed. Cir. 2016) ("The claims at issue here do not require an arguably inventive device or technique for displaying information.").

Here, the claims do not change the underlying or other technology, rather the claimed techniques merely transmit and display information (the interface data), allowing annuity administration. Appellant's assertion that the claimed method "allows adding functionalities to software on local devices that are provided through the server" is unsupported attorney argument, as Appellant supplies no citation to the disclosure to support this assertion. We note that the only support we can find in the disclosure is that

> agent interface 202 may transmit data to the server 214 and the server 214, ***equipped with appropriate software to perform the back end functionality***, including performing the appropriate computations and communicating data to the agent interface 202, causing the agent interface 202 ***to display information, such as information related to the premium or fees***.

Spec. 16:4–8, emphasis added. The disclosure is devoid of any description of the "appropriate software to perform the back end functionality," and as further discussed below in Step 2B, the disclosure describes server 214 and agent interface 202 as generic computer components. *See, for example*, Spec. 14:5–7 ("[t]he agent interface 202 is at least one of a programmable calculator, or a personal computer or special purpose computer having appropriate software").

Accordingly, the claimed additional elements "merely use[] a computer as a tool to perform an abstract idea" or "do[] no more than generally link the use of a judicial exception to a particular technological environment." Memorandum, 84 Fed. Reg. at 55; *see Customedia Techs., LLC v. Dish Network Corp.*, No. 2018-2239, 2020 WL 1069742, at *3 (Fed. Cir. Mar. 6, 2020) ("We have held that it is not enough, however, to merely

improve a fundamental practice or abstract process by invoking a computer merely as a tool.").

Accordingly, we determine claim 1 does not integrate the judicial exception into a practical application. *See* Memorandum, 84 Fed. Reg. at 54. As the claim recites a judicial exception and fails to integrate the exception into a practical application, the claim is "directed to the . . . judicial exception." *Id*. at 54.

C. Step 2B

We are not persuaded the Examiner errs in determining that "viewed as an ordered combination, the claims simply recite the conventional methods of creating and administering variable annuities using generic computers." Ans. 14. As identified above, the disclosure describes agent interface 202 using generic computer components. Similarly, server 214 is generically described as including "an annuity calculator 220, an M&E fee calculator 240, [and] an annuity administrator 260" (Spec. 15:11) or as including "at least one database, such as an annuity database 210, and/or an annuity features database 212." Spec. 15:12–13. The disclosure contains no further description of these calculators or databases.

We find the Examiner's determination to be reasonable, in view of the record before us. *See* Spec. 14:1–16:8, Fig. 2; *see also Alice*, 573 U.S. at 226 ("Nearly every computer will include a 'communications controller' and 'data storage unit' capable of performing the basic calculation, storage, and transmission functions required by the method claims."); *Trading Techs. Int'l, Inc. v. IBG LLC*, 921 F.3d 1378, 1385 (Fed. Cir. 2019). Thus, we find

independent claim 1's elements, individually and as an ordered combination, do not provide significantly more than the recited judicial exception.

Accordingly, we agree with the Examiner that independent claim 1 is patent ineligible, as well as independent claims 10 and 19, and all claims dependent therefrom. *See* App. Br. 8–13.

35 U.S.C. § 103

Appellant argues that "Flagg discusses 'premium-based charges,' 'cash-value based charges,' and 'fixed-type charges'" but "fails to teach or suggest an annual rate that is dependent on the presently claimed guaranteed minimum death benefit. Charges, as discussed by Flagg, do not depend on a guaranteed minimum death benefit." Appeal Br. 14, citing Final Act. 22.

We agree. The Examiner finds that Flagg discloses that "cost of insurance for a given policy depends on the COI [cost of insurance] rate and the type of death benefit (level or increasing)." Ans. 20, citing Flagg 3:40–60. The cited portion of Flagg describes cost of insurance amounts for both "permanent life insurance policies" that have either a "level death benefit" or an "increasing death benefit" and states that

> the actual COIs for a given policy will be a function of the COI rate provided by the insurance company for each year of a given policy, the net amount at risk in each of those years of the given policy, and the design of the policy death benefit (i.e. level death benefit or increasing death benefit) for the given policy.

Flagg 3:3:57–62. Elsewhere Flagg defines "Cost of Insurance Charges" as "deductions from permanent life insurance policies to cover anticipated payments for claims." Flagg 2:11–13. The Examiner fails to provide a finding explaining why a ***level or increasing death benefit for a permanent***

life insurance policy corresponds to the claimed "variable annuity with a guaranteed minimum death benefit." While a death benefit payable via variable annuity is similar to a payment from a simple life insurance policy in that both payments occur at the death of the policy holder, the Examiner fails to explain why one skilled in the art would consider the particular cost structures of a permanent life insurance policy to teach or suggest cost structures of a variable annuity. Accordingly, we are constrained by the record to reverse the obviousness rejection of independent claim 1, as well as independent claims 10 and 19 commensurate in scope, and all dependent claims therefrom.

CONCLUSION

The Examiner's decision is affirmed because we have affirmed at least one ground of rejection with respect to each claim on appeal. *See* 37 C.F.R. § 41.50(a)(1).

DECISION SUMMARY

Claims Rejected	35 U.S.C. §	Basis	Affirmed	Reversed
1, 3–5, 9, 10, 12–14, 18–23	112(a)	Written Description	1, 3–5, 9, 10, 12–14, 18–23	
1, 3–5, 9, 10, 12–14, 18–23	101	Eligibility	1, 3–5, 9, 10, 12–14, 18–23	
1, 3–5, 9, 10, 12–14, 18–23	103	Fisher, Flagg		1, 3–5, 9, 10, 12–14, 18–23

Overall Outcome			1, 3–5, 9, 10, 12–14, 18–23	

TIME PERIOD FOR RESPONSE

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