US Federal Circuit Confirms That Mere Inclusion Of A Computer Limitation Is Not Dispositive of Patent-Eligibility

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Bancorp Servs v Sun Life Assur Co of Can, 687 F 3d 1266, Fed Cir, 26 July 2012

Abstract

The US Court of Appeals for the Federal Circuit held the claims of a computer-implemented financial management patent to be ineligible under 35 USC §101 as directed to the abstract idea of managing a stable value protected life insurance policy.

Legal context

The question of patent-eligible subject matter under 35 USC §101 has borne many differing approaches over the years. The US Supreme Court, despite having twice addressed this subject in the past two years, has not provided much clear guidance on the proper methodology for conducting a patent eligibility analysis: see *Bilski v Kappos*, 130 S Ct 3218 (US 2010); *Mayo Collaborative Servs v Prometheus Labs, Inc*, 132 S Ct 1289 (US 2012). Accordingly, recent decisions of the US Court of Appeals for the Federal Circuit have expressed a wide divergence of views on patent-eligibility (see eg *MySpace, Inc v Graphon Corp*, 672 F 3d 1250 (Fed Cir 2012); *DealerTrack, Inc, v Huber*, 674 F 3d 1315 (Fed Cir 2012)). Thus some judges agree that abstractness must exhibit itself manifestly for a claim to be invalidated as directed to patent-ineligible subject matter, while others push for a more robust application of § 101.

Recently, a divided panel at the Federal Circuit put forward two dramatically different views of patent eligibility under 35 USC §101 in the context of computer-implemented financial transaction claims, with the majority opinion holding the claims patent-eligible, because they were not 'manifestly' abstract, in *CLS Bank Int'l v Alice Corp Pty Ltd*, 685 F 3d 1341 (Fed Cir 2012). Just a few weeks later, in *Bancorp Servs v Sun Life Assur Co of Can* ('*Bancorp II*'), the Federal Circuit issued another opinion on the patent eligibility of claims covering computer-implemented financial management systems, methods and media. This time, the court found the claims-at-issue patent-ineligible as directed to an abstract idea.

Facts

The patents at issue in *Bancorp II* are entitled 'System for Managing a Stable Value Protected Investment Plan'. The shared specification discloses systems and methods for administering and tracking the value of life insurance policies taken out by employers to insure the lives of their employees. Employers utilize these plans to fund employee benefits on a tax-advantaged basis, and pay an additional premium (beyond that required to fund the death benefit) for investment. The fluctuation in value of these policies, as a result of changes in the market, creates accounting difficulties for the employers who are required to report quarterly on the value of any policies they own. 'Stable value protected investments' address that accounting problem by providing a way to stabilize the reported policy values, with a third-party guaranteeing a particular value of the life insurance policy regardless of its market value, in exchange for a fee and restrictions on the policyholder's right to cash in on the policy.

One of the claims at issue, representative of the independent method claims, recites:

9. A method for managing a life insurance policy on behalf of a policy holder, the method comprising the steps of:

- generating a life insurance policy including a stable value protected investment with an initial value based on a value of underlying securities;
- calculating fee units for members of a management group which manage the life insurance policy;
- calculating surrender value protected investment credits for the life insurance policy;
- determining an investment value and a value of the underlying securities for the current day;
- calculating a policy value and a policy unit value for the current day;
- storing the policy unit value for the current day; and
- one of the steps of:
  - removing the fee units for members of the management group which manage the life insurance policy, and
  - accumulating fee units on behalf of the management group.

The asserted dependent method claims further require that the method steps 'are performed by a computer' and the media claims cover a 'computer readable medi[um] for controlling a computer to perform the steps' set out in the method claims. Representative system claims recite a computer-implemented data processing system that performs the method.

Before the court construed the claims at issue in this infringement suit against Sun Life, that company moved for summary judgment of invalidity under § 101 for failure to claim patent-eligible subject matter. Briefing on this issue was stayed until the Supreme Court issued its opinion in *Bilski v Kappos*. After that, the district court granted Sun Life's summary judgment motion, concluding that the claims failed the

machine-or-transformation test, and were invalid for being directed to an abstract idea in *Bancorp Servs, LLC v Sun Life Assur Co of Can*, 771 F Supp 2d 1054, 1067 (ED Mo 2011) ('*Bancorp I*').

After reconsideration was denied, Bancorp appealed to the Federal Circuit.

Analysis

In a unanimous decision written by Judge Lourie, the Federal Circuit affirmed the district court summary judgment decision of invalidity of the asserted claims under 35 USC §101.

Although the court recognized that at least some of the claims-at-issue were properly construed to require the use of 'one or more computers', it found that the use of those computers was not enough to turn the abstract idea of managing a stable value protected life insurance policy into a practical application of that abstract idea. In particular, the *Bancorp II* panel explained that the mere addition of a computer limitation 'for no more than its most basic function' of making calculations is not sufficient to transform a patent-ineligible claim on an abstract idea into a patent-eligible application of the idea because a person could (inefficiently) make those calculations mentally. As the computer required by the claims at issue was found to be used only for the performance of repetitive calculations, it does not meet the requirement of imposing 'meaningful limits on the scope of those claims'.
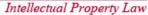
Additionally, *Bancorp II* confirmed that the form of a claim (eg a method, system, product etc) should not 'change the patent eligibility analysis under §101', as held in *CLS*.

The Federal Circuit analogized the claims at issue to those invalidated by the Supreme Court in *Bilski v Kappos*, and distinguished the claims from those found patent-eligible in other recent cases. This type of claim comparison to previously adjudicated claims has become common in patent eligibility analyses since *Bilski*. In so doing, *Bancorp II* distinguished the claims at issue from those it addressed in the recent decision in *CLS*, which held computer-implemented financial transaction claims patent-eligible because they were not 'manifestly abstract'. In particular, the panel explained that the computer limitation in Bancorp's claims, taken as a whole, were *not* a 'significant part' of the claimed invention, whereas in *CLS*, it was 'difficult' to make that conclusion. Furthermore, the panel explained, Bancorp's claims broadly claim an abstract idea rather than being directed to a 'very specific application' of the inventive concept, as they were in *CLS*.

Practical significance

As evidenced by the approach taken in *Bancorp II*, the dividing line between patent-eligibility and ineligibility continues to be difficult to navigate. As a result, the determination of

patent-eligibility is often accomplished by comparing the claims at issue against claims previously analysed for patent-eligibility.

Footnotes

Mr. Macedo is also the author of *The Corporate Insider's Guide to US Patent Practice*, published by Oxford University Press in 2009.

Charles Macedo is a partner, Michael J. Kasdan was a partner, and Sandra A. Hudak was a Summer associate at Amster, Rothstein & Ebenstein LLP. Their practice specializes in intellectual property issues including litigating patent, trademark and other intellectual property disputes. Charles may be reached at cmacedo@arelaw.com.