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Paper 15
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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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**LIBERTY** MUTUAL INSURANCE CO.
Petitioner

v.

**PROGRESSIVE** CASUALTY INSURANCE CO.
Patent Owner

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Case CBM2012-00003 (JL)
Patent 8,140,358

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Before JAMESON LEE, JONI Y. CHANG, and MICHAEL R. ZECHER, *Administrative Patent Judges*.

LEE, *Administrative Patent Judge*

**DECISION**
**Institution of Covered Business Method Review**
***37 C.F.R. § 42.208***

## BACKGROUND

On September 16, 2012, Liberty Mutual Insurance Company ("Liberty") filed a petition requesting a review under the transitional program for covered business method patents of U.S. Patent 8,140,358 ("the '358 patent")(Ex. 1001). The patent owner, Progressive Casualty Insurance Company ("Progressive"), filed a preliminary response ("Prelim. Resp.") on December 24, 2012. (Paper No. 13.) We have jurisdiction under 35 U.S.C. § 324. *See* section 18(a) of the Leahy-Smith America Invents Act, Pub. L. 112-29, 125 Stat. 284, 329 (2011) ("AIA").

The standard for instituting a covered business method review is set forth in 35 U.S.C. § 324(a), which provides as follows:

> THRESHOLD --The Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.

Some of the grounds of unpatentability alleged by Liberty were denied by the Board on October 25, 2012. (Paper 8). Additional grounds alleged by Liberty were denied by the Board on November 26, 2012. (Paper 12). The remaining grounds for consideration rely on the following references:

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| U.S. Pub. App. 2002/0128882 (**Nakagawa**) | Sept. 12, 2002 | Exhibit 1005 |
| UK Patent App. GB 2286369 (**Herrod**) | Aug. 16, 1995 | Exhibit 1004 |

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| US Patent 5,243,530 (**Stanifer**) | Sep. 7, 1993 | Exhibit 1007 |
| US Patent 5,446,757 (**Chang**) | Aug. 29, 1995 | Exhibit 1008 |
| US Patent 5,210,854 (**Beaverton**) | May 11, 1993 | Exhibit 1009 |
| US Patent 7,228,211 B1 (**Lowrey**) | June 5, 2007 | Exhibit 1011 |
| US Patent 5,465,079 (**Bouchard**) | Nov. 7, 1995 | Exhibit 1014 |
| Japanese Pub. App. H4-182868 (**Kosaka**) | June 30, 1992 | Exhibit 1003 |

"Communications And Positioning Systems In The Motor Carrier Industry," by Dimitris A. Scapinakis and William L. Garrison, January 1, 1992
(**Scapinakis**) Exhibit 1006

"Application of GSM in High Speed Trains: Measurements and Simulations" by Manfred Goller, May 16, 1995
(**Goller**) Exhibit 1017

"QUALCOMM's MSM6500 Multimedia Single-Chip Solution Enables High-Performance Multimode Handsets Supporting CDMA2000 1X, 1xEV-DO and GSM/GPRS," PR Newswire, November 12, 2002
(**Qualcomm MSM6500**) Exhibit 1019

Specifically, the grounds for consideration are:

1. Claims 1, 19, and 20 as anticipated by Nakagawa.
2. Claim 1 as obvious over Herrod.
3. Claim 2 as obvious over Nakagawa and Chang.
4. Claim 2 as obvious over Herrod and Chang.

5. Claims 3, 6, and 7 as obvious over Nakagawa and Stanifer.
6. Claims 3, 6, and 7 as obvious over Herrod and Stanifer.
7. Claim 4 as obvious over Nakagawa and Beaverton.
8. Claim 4 as obvious over Herrod and Beaverton.
9. Claims 5 and 8 as obvious over Nakagawa and Scapinakis.
10. Claim 5 as obvious over Herrod, Scapinakis, and Goller.
11. Claim 8 as obvious over Herrod and Scapinakis.
12. Claim 9 as obvious over Nakagawa and Hunt.
13. Claim 9 as obvious over Herrod and Hunt.
14. Claims 10, 11, and 13-15 as obvious over Nakagawa and Lowrey.
15. Claims 10, 11, and 13-15 as obvious over Herrod and Lowrey.
16. Claim 12 as obvious over Nakagawa, Lowrey, and Qualcomm MSM6500.
17. Claim 12 as obvious over Herrod, Lowrey, and Qualcomm MSM6500.
18. Claims 16-18 as obvious over Nakagawa and Bouchard.
19. Claims 16-18 as obvious over Herrod and Bouchard.
20. Claims 19 and 20 as obvious over Nakagawa and Kosaka.
21. Claims 19 and 20 as obvious over Herrod and Kosaka.

The above-stated grounds can be divided into two groups: (1) those relying at least in part on Nakagawa, and (2) those relying in part on Herrod.

Taking into account Progressive's preliminary response, we determine that the information presented in the petition demonstrates that:

> (1) It is more likely than not that the challenged claims based at least in part on Nakagawa are unpatentable as alleged by Liberty.
>
> (2) It is not more likely than not that the challenged claims based at least in part on Herrod are unpatentable.

Liberty certifies that the '358 patent was asserted against it in Case No. 1:10-cv-01370, *Progressive Cas. Ins. Co. v. Safeco Ins. Co. of Ill. et al.*, pending in the U.S. District Court for the Northern District of Ohio. (Pet. 7.) Progressive does not dispute that certification.

Pursuant to 35 U.S.C. §§ 324 and 18(a) of the AIA, we authorize a covered business method review of claims 1-20 of the '358 patent. For reasons discussed below, we reject Progressive's argument that the '358 patent is not a covered business method patent, but is directed to a technological invention for which covered business method review is unavailable.

## DISCUSSION

### A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable construction in light of the specification of the patent in which they appear. 37 C.F.R. § 42.300(b). Also, that broadest reasonable construction is as it would be understood by one of ordinary skill

in the art. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005) (en banc). In some cases, the ordinary meaning of claim language as understood by a person of skill in the art may be readily apparent even to lay judges, and claim construction in such cases involves little more than the application of the widely accepted meaning of commonly understood words. *Phillips*, 415 F.3d at 1314.

In this case, Liberty sets forth no claim construction that is purportedly different between that from the perspective of one with ordinary skill in the art on the one hand and that of lay persons on the other. We have no basis to conclude otherwise. So for purposes of this decision we proceed on the basis that the plain and ordinary meaning of words in their common usage applies, albeit taken in the context of the disclosure of the '358 patent.

We regard as prudent at this point of the proceeding to make known our construction of the term "rating factor." The petitioner states that under the rule of broadest reasonable interpretation in light of the specification, "rating factor" should mean "a calculated insurance risk value such as a safety score or a usage discount." (Pet. 15:11-14). In support of that assertion, Petitioner cites to portions of the specification of the '358 patent. (Pet. 15:14-20). Progressive presents no opposition to that interpretation. The interpretation offered by petitioner has solid basis in the specification. On this record, we agree with that interpretation, but add the clarification that an insurance risk value would be a value that reflects an associated level of insurance risk and, therefore, also a corresponding insurance premium.

B. Covered Business Method Patent

Under § 18(a)(1)(E) of the AIA, the Board may institute a transitional proceeding only for a patent that is a covered business method patent. Section 18(d)(1) of the AIA defines the term "covered business method patent" to mean:

> a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

The legislative history explains that the definition of covered business method patent was drafted to encompass patents "claiming activities that are financial or complementary to financial activity." 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer).

Section 18(d)(2) of the AIA provides that "the Director shall issue regulations for determining whether a patent is for a technological invention." The legislative history points out that the regulation for this determination should only exclude "those patents whose novelty turns on a technological innovation over the prior art and are concerned with a technical problem which is solved with a technical solution and which requires the claims to state the technical features which the inventor desires to protect." 157 CONG. REC. S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer).

Pursuant to that statutory mandate, the Office promulgated 37 C.F.R. § 42.301(b) to define the term "technological invention" for the purposes of

the Transitional Program for Covered Business Method Patents. Therefore, for determining whether a patent is for a technological invention in the context of the Transitional Program for Covered Business Method Patents, 37 C.F.R. § 42.301(b) identifies the following for consideration:

> whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.

The determination of whether a patent is eligible for covered business method review is based on what the patent claims. A patent having even just one claim directed to a covered business method is eligible for review even if the patent includes additional claims.[1]

Claim 1 of the '358 patent begins with this preamble: "A system that monitors and facilitates a review of data collected from a vehicle that is used **to determine a level of safety or cost of insurance."** Claim 1 ends with the recitation: "where the server is further configured **to generate a rating factor** based on the selected vehicle data stored in the database." As we have determined above, in the context of the specification of the '358 patent, a "rating factor" is a calculated insurance risk value such as a safety score or a usage discount, which reflects a level of insurance risk and a corresponding insurance premium. The full text of claim 1 is reproduced below:

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[1] *Transitional Program for Covered Business Method Patents – Definitions of Covered Business Method Patent and Technological Invention; Final Rule*, 77 *Fed. Reg.* 48734, 48736 (Aug. 14, 2012) (Response to Comment 8).

> 1. A system that monitors and facilitates a review of data collected from a vehicle that is used to determine a level of safety that is used **to determine a level of safety or cost of insurance** comprising:
>
> a processor that collects vehicle data from a vehicle bus that represents aspects of operating the vehicle;
>
> a memory that stores selected vehicle data related to a level of safety or an insurance risk in operating a vehicle;
>
> a wireless transmitter configured to transfer the selected vehicle data retained within the memory to a distributed network and a server;
>
> a database operatively linked to the server to store the selected vehicle data transmitted by the wireless transmitter, the database comprising a storage system remote from the wireless transmitter and the memory comprising records with operations for searching the records and other functions;
>
> where the server is configured to process selected vehicle data that represents one or more aspects of operating the vehicle with data that **reflects how the selected vehicle data affects a premium of an insurance policy, safety or level of risk**; and
>
> where the server is further configured **to generate a rating factor** based on the selected vehicle data stored in the database. (Emphasis added.)

It cannot be reasonably disputed that Progressive claims "an apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service." Claim 1 itself states that the system is used to determine a level of safety or cost of insurance and requires an operation on data which reflects how certain collected data affect a premium of an insurance policy, safety, or level of

risk. The claim also states that the server is configured "to generate a rating factor," and we have determined that "rating factor" means a calculated insurance risk value that reflects a corresponding insurance premium. The question at issue here centers on the "technological invention" exception to a covered business method patent.

To qualify under the "technological invention" exception to covered business method review, it is not enough that the invention makes use of technological systems, features, or components. Use of technology is ubiquitous and underlies virtually every invention. The exception is not that the claimed invention makes use of technology. We agree with Liberty that the subject matter of claim 1 does not satisfy the "technological invention" exception to covered business method review.

To qualify under the "technological invention" exception, the claimed subject matter as a whole must satisfy **both** of the following prongs:

1. recites a technological feature that is novel and unobvious over the prior art, and

2. solves a technical problem using a technical solution.

With respect to the first prong, all of the following arguments set forth by Progressive are misplaced because simply using technology, even novel technology, is not sufficient to qualify for the "technological invention" exception: (a) that the combination of elements set forth in claim 1 recites a novel configuration of technological features which operate in a unique manner; (b) that the novel configuration of the technological features, along with other innovations, enable Progressive to create an entirely new product

line known as "usage-based insurance"; (c) Progressive's novel technology provides a dramatic improvement over the prior art for use in determining vehicle insurance costs and ratings; (d) that the claims of the '358 patent recite technological features that are used to determine rating factors by directly monitoring actual vehicle operational characteristics; (e) that the claimed invention involves the use of electronics and sensors connected to a vehicle, which enable collecting and processing data concerning vehicle performance to occur; (f) that the claimed invention makes use of a network of hardware and sensors, wireless communication technology, and a server; (g) that the use of technological features permit the development of a rating factor that is specific to the operator or vehicle; (h) that the components shown in Figure 3 of the '358 patent are technological features configured to operate in a unique manner and ultimately used to determine insurance costs or operating factors; and (i) that the claims of the '358 patent recite significant technological features such as vehicle bus, communication technology, and server, all of which have a significant, *i.e.*, non-conventional, role in the novelty of the claimed invention.

Furthermore, and in any event, Progressive does not contend that any of the claimed structural components by itself constitutes a new technological feature, only that the combination of claim elements forms a novel configuration. And even the latter is unpersuasive in light of the prosecution history of the '358 patent and with respect to the subject matter of claim 1. In the Notice of Allowance and Issue Fee(s) Due of the '358 patent, the Examiner stated the following about U.S. Patent 5,835,008

("Colemere") which was issued on November 10, 1998, almost ten years prior to the actual filing date of the '358 patent and 18 months prior to the earliest priority date thus far alleged by Progressive (Ex. 1002: 000026):

> The prior art of record (US 5835008, Colemere) teaches:
>
> a processor that collects vehicle data from a vehicle bus that represents aspects of operating the vehicle;
>
> a memory that stores selected vehicle data related to a level of safety or an insurable risk in operating a vehicle;
>
> a wireless transmitter configured to transfer the selected vehicle data retained within the memory to a distributed network and a server;
>
> a database operatively linked to the server to store the selected vehicle data transmitted by the wireless transmitter, the database comprising a storage system remote from the wireless transmitter and the memory comprising records with operations for searching the records and other functions.
>
> The above fully accounts for all the technical features of claim 1.

According to the Examiner, what are still missing from Colemere with respect to the claimed invention relate to the requirements that the server processes the vehicle data with other data that reflects how the vehicle data affects the premium of an insurance policy, safety or level of risk, and that the server generates a rating factor. (Ex. 1002 00026:16 to 00027:2). We have determined that "rating factor" means a calculated insurance risk value and reflects a corresponding insurance premium. As such, the difference between the invention of claim 1 and the prior art does not lie in any

technological feature, but on the nature of the data being processed and the meaning of the output data.

We reject Progressive's argument (Prelim. Resp. 16:1-7) that a difference in the nature of the data processed and the meaning of the output data represents a technological feature. Claim 1 of the '358 patent was allowed over the prior art not because of any novel and unobvious technological feature, but on the basis of the different data that are processed for determining a rating factor reflecting an insurance risk and a corresponding insurance premium.

Progressive's argument is without merit that its claimed invention is like the examples given in the Office Patent Trial Practice Guide, 77 *Fed. Reg.* 48764 (Aug. 14, 2012), for technological inventions not subject to covered business method review, *i.e.*, (a) a patent that claims a "novel and non-obvious" hedging machine for hedging risk in the field of commodities trading, and (b) a patent that claims a "novel and non-obvious" credit card reader for verifying the validity of a credit card transaction. Progressive's argument is also without merit that the claimed invention of the '358 patent is even more of a technological invention than those examples in the practice guide.

As we discussed above, based on the Examiner's explanation in the Notice of Allowance and Issue Fee(s) Due (Ex. 1002:00026-00027), the combination of technological elements of claim 1 is neither novel nor unobvious. Also, on this record, none of the claim elements, such as sensors, vehicle bus, wireless transmitter, database, computer, memory, and

server, is novel and unobvious when considered "without" the insurance nature of the data processed. In that regard, the Office Patent Trial Practice Guide, 77 *Fed. Reg.* 48764 (Aug. 14, 2012), states the following:

> The following claim drafting techniques would not typically render a patent a technological invention:
>
> (a) Mere recitation of known technologies, such as computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, or specialized machines, such as an ATM or point of sale device.

Also, as is pointed out by Liberty, U.S. Patent 6,064,970, an ancestral patent of the '358 patent, filed almost ten years prior to the filing of the '358 patent and 18 months prior to the earliest effective filing date sought by Progressive in its preliminary response, discloses that current motor vehicle control and operating systems comprise electronic systems that are readily adaptable for modification to obtain the desired types of information relevant to the determination of the cost of insurance. (Ex. 1021 3:25-28). For all of the foregoing reasons, the subject matter of claim 1 is not like the examples of technological inventions in the Office Trial Practice Guide no matter how many structural component parts are recited, and certainly not more of a technological invention as asserted by Progressive.

Finally, with regard to the second prong of the "technological invention" analysis, that the claimed subject matter solves a technical problem using a technical solution, we agree with Liberty that the problem

noted in the specification about the prior art is not a technical problem. Specifically, in column 1, lines 24-29, the '358 patent states:

> Some data used to classify risk is not verified and has little relevance to measuring risk. Systems may accumulate and analyze significant amounts of data and yet discover that the data does not accurately predict losses. The data may not be validated, may be outdated, and may not support new or dynamic risk assessments.

The issue discussed concerns the potency and effectiveness of the data being analyzed for purposes of determining risk and predicting insurance losses. That is not a technical problem.

Progressive notes that a publication dated January 1, 1994 ("Black Magic") (Ex. 1015), referred to the general subject of "usage-based" insurance as "science fiction." The suggestion is that the invention of the '358 patent provides a technical solution to a technical problem. The argument is unpersuasive. The '358 patent was filed on June 3, 2008, and in its preliminary response Progressive claims priority for claim 1 to an earlier effective filing date no earlier than May 15, 2000. Even under the best of circumstances for Progressive in considering that the very first application in the ancestral chain of continuation and continuation-in-part applications leading back from the'358 patent, Progressive's earliest possible effective filing date would be January 29, 1996, still two years subsequent to the date of publication of Black Magic. In any event, as is reflected throughout the discussion above, on this record, "usage-based" insurance cost determination is not science fiction at the time of filing of the '358 patent.

Therefore, the second prong for qualifying as a "technological invention" is also not satisfied.

For the foregoing reasons, the subject matter of claim 1 is not a "technological invention" under 37 C.F.R. § 42.301(b). Accordingly, the '358 patent is eligible for a covered business method review.

C. Grounds based in whole or in part on Nakagawa

Claim 1 is the sole independent claim. Claims 2-20 depend directly or indirectly from claim 1. We have reviewed all of Liberty's assertions of unpatentability based at least in part on Nakagawa. Liberty asserts that claims 1, 19, and 20 are anticipated by Nakagawa under 35 U.S.C. § 102, and that claims 2-20 would have been obvious over Nakagawa and one or more other prior art references under 35 U.S.C. § 103. The accompanying analysis, excluding Liberty's assertion that the claims of the '358 patent are not entitled to a priority date earlier than the actual filing date of the '358 patent, appear to have merit. We do not reach Liberty's assertion that the claims of the '358 patent are not entitled to an effective filing date earlier than the actual filing date of the '358 patent, because entitlement to a priority date for any claim is a matter for which Progressive bears the burden of proof. We reject Progressive's arguments in that regard.

Progressive does not argue against the substantive merit of the alleged anticipation by Nakagawa and the alleged obviousness based on Nakagawa and one or more other references. Rather, Progressive asserts that Nakagawa is not an applicable prior art reference because the date of

Nakagawa as a prior art reference is September 12, 2002, while Progressive's claim 1 is entitled to a priority date under 35 U.S.C. § 120 at least as early as the filing date of Application 09/571,650 ("the '650 application"), now Patent 6,868,386, filed on May 15, 2000. (PR 22:7-12).

Progressive provides a claim chart purportedly showing where adequate written description under 35 U.S.C. § 112, first paragraph, for claim 1 can be found in the disclosure of the '650 application. (PR 23:12 to 31:16). On that basis, Progressive asserts that claim 1 of the '358 patent is entitled to a priority date of May 1, 2000, earlier than the September 12, 2002 publication date of Nakagawa. For three reasons, the argument is misplaced.

First, even assuming that the subject matter of claim 1 is described in the disclosure of the '650 application, filed on May 1, 2000, prior to the publication date of Nakagawa, Progressive has not established entitlement to the priority date of May 1, 2000. That is because if any application in the priority chain fails to make the requisite disclosure of the claimed subject matter under 35 U.S.C. § 112, first paragraph, the later-filed application is not entitled to the benefit of the filing date of the application preceding the break in the priority chain. *Hollmer v. Harari*, 681 F.3d 1351, 1355 (Fed. Cir. 2012). To gain the benefit of the filing date of an earlier filed application under 35 U.S.C. § 120, each application in the chain leading back to the earlier application must comply with the written description requirement of 35 U.S.C. § 112, first paragraph. *Zenon Envtl., Inc. v. U.S.*

*Filter Corp.*, 506 F.3d 1370, 1378 (Fed. Cir. 2007); *Lockwood v. Am. Airlines, Inc.*, 107 F.3d 1565, 1571 (Fed. Cir. 1997); *In re Hogan*, 559 F.2d 595, 609 (CCPA 1977); *In re Schneider*, 481 F.2d 1350, 1356 (CCPA 1973).

The ’358 patent was never copending with the ’650 application. The ’650 application issued as Patent 6,868,386, on March 15, 2005, and the ’358 patent was issued from Application 12/132,487, filed on June 3, 2008. There is a gap or discontinuity of more than 3 years. There is an intervening application that is not accounted for or addressed by Progressive. The ’358 patent issued from Application 12/132,487, which is a continuation-in-part of Application 10/764,076, filed January 23, 2004, which is a continuation-in-part of the ’650 application. Without Application 10/764,076 bridging the gap between the ’358 patent and the ’650 application, there is no continuity of the chain leading from the ’358 patent back to the ’650 application. Thus, it is fatal to Progressive’s priority claim for claim 1 that Progressive does not discuss or identify written description for the claimed subject matter in the disclosure of Application 10/764,076. Note that substantial portions of the text of the ’650 application identified in Progressive’s priority claim chart are not found in Application 10/764,076.

Secondly, Progressive makes no attempt to establish entitlement to a priority date with respect to the subject matter of claims 2-8, and 10-18. Thus, even if the lack of continuity in the priority chain back to the ’650 application is ignored and even assuming that the disclosure of the ’650 application provides written description for the subject matter of

claims 1, 9, 19 and 20, that does not help Progressive's position with respect to claims 2-8, and 10-18.

Finally, for reasons discussed below, even as to the subject matter of claim 1, Progressive's priority claim chart does not persuade us that the disclosure of the '650 application provides written description for the claimed invention under 35 U.S.C. § 112, first paragraph. There are two deficiencies: (1) one relating to wirelessly transmitting selected vehicle data retained within the on-board memory to a distributed network and a server; and (2) another relating to various operations of the server.

Within the chart section provided by Progressive on page 28, lines 7-12 of the preliminary response, Progressive only explains that the vehicle is linked to an operation control center 416 by a communication link 418. Even if vehicle data is transmitted from the vehicle to the operations control center via that communication link, it does not establish that the wireless transmitter is "to transfer the selected vehicle data retained within the memory to a distributed network and a server" as is recited in claim 1. It is that particular data retained in the memory which must be transferred.

For the claim features of a server configured (1) to process selected vehicle data that represents one or more aspects of operating the vehicle with data that reflects how the selected vehicle data affects a premium of an insurance policy, safety or level of risk, and (2) to generate a rating factor, Progressive refers only to overall activities that are performed and a general rating system. In that regard, note the chart section provided by Progressive in the preliminary response from page 29, line 13, to page 31, line 16. No

server in the disclosure of the ’650 application has been identified. Nor has the assumed presence of such a server been explained. Claim 1 further requires the database to be operatively linked to the server. Without having identified the server, Progressive also has not accounted for that limitation.

The above-noted deficiencies also undermine Progressive’s assertion of priority claim with respect to claims 9, 19, and 20, each of which depends on claim 1. In addition, there are other deficiencies with regard to the limitations further set forth in claims 9, 19, and 20.

Claim 9 further requires that the processor, the memory, and the wireless transmitter are all within a portable device. Progressive refers to FIG. 3 of the ’650 application and identifies element 300 in Figure 3 as the portable device. However, element 300 in Figure 3 merely designates the on-board computer. Progressive does not identify a description of element 300 either as a portable device or as including the wireless transmitter. Figure 3 even illustrates transmitting antenna 312 outside of element 300.

Claim 19 adds the limitation that the server is configured to calculate an insured’s premium based on the rating factor, or a surcharge or discount to the premium based on the rating factor. The portions of the ’650 application cited by Progressive refer only generally to generation of an insurance cost based on all of the data and do not support a two-step procedure where a rating factor is first generated and then a premium or surcharge or discount to the premium is calculated based on that rating factor.

Claim 20 adds the limitation that the server is configured to process selected vehicle data that represents one or more aspects of operating the vehicle "with" data that reflects how the selected vehicle data affects an insured's premium under an insured's insurance policy. The portions of the '650 application cited by Progressive refer only generally to access of stored selected vehicle data to determine a cost of insurance based on that data, and do not account for the required processing of that data "with" data that reflects how the selected vehicle data affects an insured's premium under an insured's insurance policy.

For the foregoing reasons, through its preliminary response Progressive has not shown that any of claims 1-20 of the '358 patent is entitled to a priority date prior to the publication date of Nakagawa.

We conclude that it is more likely than not that Liberty would prevail on its assertion of unpatentability of claims 1, 19, and 20 as anticipated by Nakagawa under 35 U.S.C. § 102, and also more likely than not that Liberty would prevail on its assertion of unpatentability of claims 2-20 as obvious over Nakagawa and one or more other references under 35 U.S.C. § 103.

D. Grounds based in whole or in part on Herrod

Herrod discloses a monitoring device that is used in a vehicle to measure driver acceleration patterns. (Ex. 1004 1:23-26). Herrod's device contains a computer which uses the measured acceleration data to classify the driver into one of several groups, each of which associates with a different level of accident risk. (Ex. 1004 1:26-29). The device is contained in a rigid rectangular box to enable installation in the vehicle on a level

plane. (Ex. 1004 2:17-19). The device has a power lead for connection to the vehicle battery. (Ex. 1004 2:37-38). A separate display panel or the vehicle information display system is used to display to the driver the risk group determined by the device and an advice code. (Ex. 1004 2:33-34; 3:16-18). Herrod discloses that the driver's result is constantly updated using the most recent data recorded. (Ex. 1004 3:20-22). Finally, Herrod discloses that the time history of the driver's result and the corresponding acceleration patterns are stored on a removable card or disk so that they may be later processed by a remote computer installation. (Ex. 1004 3:23-25).

*Claim 1*

Petitioner asserts that independent claim 1 is unpatentable as obvious over Herrod under 35 U.S.C. § 103.

As Progressive notes in its preliminary response, in attempting to meet the recitation in claim 1 of the remote server's generating a rating factor based on the selected vehicle data stored in a database, Liberty incorrectly regards Herrod's description of the in-vehicle device as though it refers to a remote computer. For instance, to meet the requirement of a remote server's generating a rating factor, Liberty cites to and relies on the following text in Herrod (Ex. 1004 1:26-34) which actually describes the in-vehicle device (Petition 35:13-22):

> The device contains a computer, which processes accumulated acceleration data to determine to which of several behavioral groups the driver belongs. Each group is associated with a significantly different level of accident risk. Measurements made on many drivers over a long period are used to establish these levels of accident risk.

> The device supports a display panel, which indicates to the driver the group to which he or she has been assigned, together with a code indexing advice on how to change his or her driving habits to reduce accident risk.

Herrod's device is contained in a rigid rectangular box to enable installation in the vehicle on a level plane. (Ex. 1004 2:17-19). It does not meet the claimed requirement of a remote server. Herrod discloses that the time history of the driver's result and the corresponding acceleration patterns are stored on a removable card or disk so that they may be later processed by a remote computer installation. (Ex. 1004 3:23-25). But what process is performed at the remote computer installation is not specifically described. On page 2, lines 6-10, Herrod does state:

> The programming means (eg card or disk) are initialized [sic] by a separate computer, which is also used to read the recorded acceleration patterns and the time history of driver group and advice codes. This information is added to a database, which is used to update the algorithms used for analyzing the acceleration patterns and the accident statistics.

The above-quoted text, however, is a generic description and not sufficiently specific to meet the claim requirement that the remote server is configured to generate a rating factor. Even assuming, *arguendo*, that analyzing acceleration patterns and accident statistics constitutes generating a rating factor, the description only indicates that the remote computer updates the algorithm for that analysis and not that it carries out the analysis.

Moreover, Herrod describes that it is "driver's results" of the in-vehicle analysis that are later transferred to a remote computer facility. (Ex. 1004 3:23-25). The description indicates that the pertinent analysis, the one referred to by Liberty as satisfying the claim limitation of generating a rating factor, is already performed before the results are transferred to the remote computer.

Regarding claims 2-20, which depends either directly or indirectly from claim 1, Liberty's reasoning suffers from the same deficiencies as discussed above for independent claim 1.

On this record, Liberty's petition does not demonstrate that it is more likely than not that Liberty will prevail on its assertion that claim 1 of the '358 patent is unpatentable as obvious over Herrod under 35 U.S.C. § 103. Also, the petition does not demonstrate that it is more likely than not that Liberty will prevail on its assertion that claims 2-20 of the '358 patent are unpatentable as obvious over Herrod and one or more other prior art references as applied by Liberty under 35 U.S.C. § 103.

ORDER

For the forgoing reasons, it is

**ORDERED** that pursuant to 35 U.S.C. § 324 and section 18(a) of the AIA, a covered business method review is hereby instituted as to claims 1-20 of the '358 patent on the following grounds:

A. Claims 1, 19, and 20 as anticipated under 35 U.S.C. § 102(b) by Nakagawa;

B. Claim 2 as unpatentable under 35 U.S.C. § 103 over Nakagawa and Chang;

C. Claims 3, 6, and 7 as unpatentable under 35 U.S.C. § 103 over Nakagawa and Stanifer;

D. Claim 4 as unpatentable under 35 U.S.C. § 103 over Nakagawa and Beaverton;

E. Claims 5 and 8 as unpatentable under 35 U.S.C. § 103 over Nakagawa and Scapinakis;

F. Claim 9 as unpatentable under 35 U.S.C. § 103 over Nakagawa and Hunt;

G. Claims 10, 11, and 13-15 as unpatentable under 35 U.S.C. § 103 over Nakagawa and Lowrey;

H. claim 12 as unpatentable under 35 U.S.C. § 103 over Nakagawa, Lowrey, and Qualcomm MSM6500;

I. claims 16-18 as unpatentable under 35 U.S.C. § 103 over Nakagawa and Bouchard; and

J. claims 19 and 20 as unpatentable under 35 U.S.C. § 103 over Nakagawa and Kosaka.

**FURTHER ORDER** that no other ground for any claim is authorized for this covered business method review;

**FURTHER ORDERED** that all still-pending grounds based at least in part on Herrod are *denied* and Progressive need not address them in the patent owner's response;

**FURTHER ORDER** that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of trial; the trial commences on the entry date of this decision; and

**FURTHER ORDER** that an initial conference call with the Board is scheduled for 2 PM EST on February 28, 2013; the parties are directed to the Office Trial Practice Guide, 77 *Fed. Reg*. at 48765-66, for guidance in preparing for the initial conference call.

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U.S. Patent No. 8,140,358

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