

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

LIBERTY MUTUAL INSURANCE CO.
Petitioner,

v.

PROGRESSIVE CASUALTY INSURANCE CO.
Patent Owner.

Case CBM2012-00004 (JL)
Patent 6,064,970

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

CHANG, *Administrative Patent Judge*

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

I. 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 6,064,970 (“the ’970 patent”). The patent owner, Progressive Casualty Insurance Company (“Progressive”), filed a preliminary response on December 21, 2012. (Paper No. 8.) 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.

Liberty challenges the patentability of claims 1 and 3-18 of the ’970 patent. Taking into account Progressive’s preliminary response, we determine that the information presented in the petition demonstrates that it is more likely than not that the challenged claims are unpatentable. Pursuant to 35 U.S.C. § 324 and section 18(a) of the AIA, we hereby authorize a covered business method review to be instituted as to claims 1 and 3-18 of the ’970 patent.

A. Liberty's standing

Liberty certifies that the '970 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. 5.) Progressive does not dispute that certification.

B. Covered Business Method Patent

Under section 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.

In the petition, Liberty asserts that the ’970 patent is a covered business method patent because the ’970 claimed invention is related to the administration and management of an insurance policy to adjust insurance premiums based on monitored vehicle data. (Pet. 3.) Liberty further contends that the claimed invention of the ’970 patent is not a “technological invention” as defined in 37 C.F.R. § 42.301(b). (Pet. 4.) According to Liberty, the prosecution history of the prior reexamination shows that there was no “technological feature” that was novel and unobvious, and the subject matter as a whole does not solve a “technical problem.” (Pet. 4-5.)

Progressive counters that the claimed invention of the ’970 patent is a “technological invention” and, therefore, the ’970 patent is ineligible for

covered business method review. (PR 45.) More specifically, Progressive argues that the claimed invention is similar to the credit card reader example provided in the Office Patent Trial Practice Guide,¹ which the Office indicates would not be eligible for a covered business method review. (PR 43-45.) Progressive also asserts that the claimed invention is more technical than a credit card reader since it includes physical sensors for sensing actual vehicle operation data. (*Id.*) Progressive further argues that the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art citing to the reasons for patentability provided by the Examiner in the prior *ex parte* reexamination (NIIRC at pages 9-22). (PR 46-53.) Additionally, Progressive contends that the claimed subject matter as a whole solves a technical problem using a technical solution because sensor data representing actual monitored driving characteristics of an operating state of vehicles or actions of operators is used to determining an insurance rating, solving the problem of the unavailability of such data. (PR 54-58.)

We are not persuaded by Progressive's arguments. Rather, we determine that Liberty has demonstrated that the '970 patent is a covered business method patent and the claimed invention is not a "technological invention" within the meaning of 37 C.F.R. § 42.301(b).

The determination of whether a patent is eligible for covered business method review is based on what the patent claims. In other words, a patent

¹ *Office Patent Trial Practice Guide*, 77 *Fed. Reg.* 48756, 48764 (Aug. 14, 2012).

having one claim directed to a covered business method is eligible for review even if the patent includes additional claims.²

Here, the '970 patent discloses an invention that is related to a method of determining a cost of automobile insurance based upon monitoring, recording and communicating data representative of operator and vehicle driving characteristics. (Abs.) Claim 4, reproduced below, is illustrative of the claimed subject matter:

A method of insuring a vehicle operator for a selected period based upon operator driving characteristics during the period, comprising, steps of:

generating an initial operator profile;

generating an insured profile for the vehicle operator prior to any monitoring of any of the vehicle operator's driving characteristics wherein the insured profile comprises coverage information, including limits and deductibles, for determining a base cost of vehicle insurance for the vehicle operator;

monitoring the vehicle operator's driving characteristics during the selected period; and

deciding a total cost of vehicle insurance for the selected period based upon the vehicle operator's driving characteristics monitored in that selected period and the base cost of insurance.³

² *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).

³ Reexam. Cert. at col. 1:50-65 (original emphases and bracketed matters omitted).

For the issue of whether the claimed invention is a technological invention under 37 C.F.R. § 42.301(b), we focus our analysis on claim 4. We first note that Progressive's contentions are not commensurate with the scope of claim 4. Notably, the sensors for monitoring the vehicle operator's driving characteristics are described in the '970 specification, but are not recited in claim 4. In fact, claim 4 does not recite any technological element (*e.g.*, a computer or electrical sensors), but rather recites only method steps that can be completed by a person. For example, a passenger sitting in the vehicle when the vehicle operator is driving can monitor the vehicle operator's driving characteristics during the selected time period (*e.g.*, the passenger can observe whether the vehicle operator is driving over the speed limit or fails to stop at a red traffic light). Progressive fails to point out any specific novel and non-obvious technological element recited in claim 4. Therefore, Progressive's arguments related to the credit card reader example in the Office Patent Trial Practice Guide are misplaced.

As to Progressive's contentions regarding the Examiner's reasons for patentability for claim 4 in the prior *ex parte* reexamination, Progressive merely relies upon the Examiner's statements that the prior art cited in the reexamination does not disclose the insured-profile claim limitation (generating an insured profile prior to any monitoring of any of the vehicle operator's driving characteristics). (PR 49-50.) However, that claim limitation does not require a technological feature. Indeed, a person can generate an insured profile by writing down on a paper the value of the

vehicle, insurance coverage limits, and deductibles, before a passenger monitors the vehicle operator's driving characteristics.

We are also not convinced by Progressive's argument that the claimed subject matter as a whole solves a technical problem using a technical solution. The '970 specification expressly states that the motor vehicle control and operating systems that were known in the art at the time of the invention could readily be modified to obtain the desired types of information relevant to determination of the cost of insurance. (Col. 3:25-28.) Determining a cost of vehicle insurance is a financial problem rather than a technical problem.

For the foregoing reasons, the subject matter of claim 4 is not a "technological invention" under 37 C.F.R. § 42.301(b). Accordingly, the '970 patent is eligible for a covered business method review.

C. Prior Art Relied Upon

Liberty relies upon the following prior art references:

Camhi	US patent 5,430,432	July 4, 1995	(Ex. 1010)
Bouchard	US patent 5,465,079	Nov. 7, 1995	(Ex. 1004)
Pettersen	WO 90/02388	Mar. 8, 1990	(Ex. 1005)
Herrod	GB-2 286 369	Aug. 16, 1995	(Ex. 1007)

"Notes on Exposure and Premium Bases" by Paul Dorweiler, published on May 9, 1930 ("Dorweiler") (Ex. 1009)

1988 Automobile Insurance Shoppers' Guide, published in 1988 ("Florida Guide") (Ex. 1008)

1995 Consumers Guide on Automobile Insurance (Downstate),
published in 1995 (“New York Guide”) (Ex. 1006)

D. Grounds of Challenge

Claims 1, 4, 5, 6, and 18 are independent claims. Liberty seeks
cancelation of claims 1 and 3-18 based on the following grounds:

- A. Claims 1 and 3 are unpatentable under 35 U.S.C. § 103(a) over:
 - (1) Bouchard and Pettersen;
 - (2) Bouchard, Pettersen, and New York Guide; or
 - (3) Bouchard, Pettersen, and Herrod.
- B. Claims 4, 5, 16, and 17 are unpatentable under 35 U.S.C. § 103(a)
over:
 - (1) Bouchard and Pettersen;
 - (2) Bouchard, Pettersen, and Florida Guide; or
 - (3) Bouchard, Pettersen, and New York Guide.
- C. Claims 6-8, 10-11, 13, and 14 are unpatentable under 35 U.S.C.
§ 103(a) over:
 - (1) Bouchard and Pettersen;
 - (2) Bouchard, Pettersen, and New York Guide; or
 - (3) Bouchard, Pettersen, and Herrod.
- D. Claim 9 is unpatentable under 35 U.S.C. § 103(a) over:
 - (1) Bouchard, Pettersen, and Dorweiler;
 - (2) Bouchard, Pettersen, New York Guide, and Dorweiler; or
 - (3) Bouchard, Pettersen, Herrod, and Dorweiler.

- (4) Bouchard, Pettersen, and Camhi;
- (5) Bouchard, Pettersen, New York Guide, and Camhi; or
- (6) Bouchard, Pettersen, Herrod, and Camhi.

E. Claims 12 and 15 unpatentable under 35 U.S.C. § 103(a) over:

- (1) Bouchard and Pettersen;
- (2) Bouchard, Pettersen, and New York Guide; or
- (3) Bouchard, Pettersen, and Herrod
- (4) Bouchard, Pettersen, and Dorweiler;
- (5) Bouchard, Pettersen, New York Guide, and Dorweiler; or
- (6) Bouchard, Pettersen, Herrod, and Dorweiler.

F. Claim 18 is unpatentable under 35 U.S.C. § 103(a) over:

- (1) Bouchard and Pettersen;
- (2) Bouchard, Pettersen, and New York Guide;
- (3) Bouchard, Pettersen, and Herrod; or
- (4) Bouchard, Pettersen, and Dorweiler.

II. FINDINGS OF FACTS

The findings of fact in this decision including those in the analysis are supported by a preponderance of the evidence.

A. Background of The '970 Patent

The background section of the '970 patent describes conventional insurance schemes that use actuarial classes to determine vehicle insurance costs. (Col. 1:17-2:37.) In particular, the background section of the '970

patent teaches that conventional insurance cost determination methods involve generating an insured profile for the vehicle operator by gathering relevant historical data from a personal interview and public motor vehicle driving records. (Col. 1:17-col. 2:37.) The data results in a classification of the vehicle operator to a broad actuarial class for which insurance rates are assigned based upon the empirical experience of the insurer. (Col. 1:22-24.) The conventional insurance system creates groupings of vehicles and drivers (actuarial classes) based on certain types of classifications (*e.g.*, speeding or other traffic violations and number of accidents). (Col. 1:21-27; col. 2:1-4.) The classifications are further broken into actuarial classes to develop a unique vehicle insurance cost based on the specific combination of actuarial classes for a particular risk. (Col. 1:53-56.) Based on the information in the insured profile (*e.g.*, the value of the vehicle, driver's record, and type of coverage), a unique vehicle insurance cost is determined. (Col. 1:56-col. 2:12.) Additionally, conventional insurance rating systems provide discounts and surcharges for certain types of use of the vehicle, equipment on the vehicle, and type of driver. (Col. 2:22-24.) For example, discounts are provided to safe drivers, such as those that have low number of speeding violations or accidents. (Col. 1:17-col. 2:37.)

B. Camhi

Camhi discloses an electronic monitoring and recording system installed in a vehicle for detecting unsafe driving conditions (*e.g.*, detecting the actual speed of the vehicle and indicating whether the speed is above or

below a predetermined safe value). (Col. 3:65-col. 4:7.) The recorded information would enable insurance companies to evaluate the driving habits of vehicle operators. (Col. 1:62-65.) And vehicle operators would be motivated to drive more safely by the reward of lower insurance premiums. (Col. 2:29-32.) Figure 3 of Camhi, reproduced below, is a block diagram of an embodiment of Camhi that has a microcontroller multiple input data acquisition and monitoring unit:

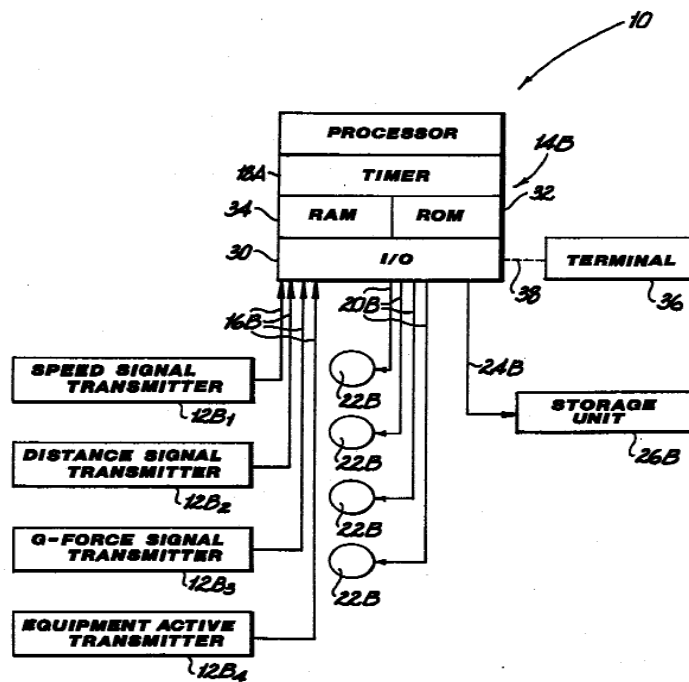


Figure 3 is a block diagram of a device of Camhi.

Camhi's system has a processor 14B, multiple input signal generators 12B, an optional external terminal 36, and a storage unit 26B. (Col. 5:59-col. 6:18.) Using the multiple input signal generators 12B and the programming stored in the ROM 32, multiple vehicle operating variables may be monitored, and a variety of unsafe vehicle operating conditions may

be predefined and simultaneously monitored for their occurrence. (Col. 6:5-18.) Further, when a predefined unsafe condition occurs, information pertaining to the predefined unsafe condition occurrence may be transferred to storage unit 26B. (*Id.*) Camhi also discloses that the recorded information related to driving conditions may be saved in a storage unit for later review and analysis. (Col. 3:42-49.)

C. Bouchard

Bouchard discloses a method and an apparatus for evaluating a driver's performance under actual real-time conditions and for determining the driver's ability to safely operate a vehicle. (Abs.) Specifically, the system monitors the driver's performance characteristics such as average driving speed, braking and acceleration habits, and typical distance from the vehicle immediately in front. (Col. 28:47-52.) The driver's performance is constantly monitored and compared to that driver's past performance and the normal driving standards. (Abs.)

Bouchard's system has an event recording apparatus (ERA) that records selectable vehicle performance, operational status, and/or environment information. (Col. 5:53-57.) The ERA system is configured to store a wide variety of vehicle information gathered by sensors dispersed throughout a vehicle. (Col. 5:66-col. 6:1.) The recorded information is used to determine a baseline performance standard based on the driver's past performance against which a driver's present performance can be measured. (Col. 5:60-64.) Each driver has a personalized ERA that maintains

information that identifies the driver and a record of the driver's driving history and performance. (Col. 6:4-8.) A system processing unit, shared by the ERA and the driver fitness evaluating system, generates a profile of the driver based upon the information that is stored in the ERA. (Col. 6:9-15.)

D. Pettersen

Pettersen discloses an electronic monitoring and reporting system for recording the driving pattern of a motor vehicle. (P. 1-7⁴.) In particular, Pettersen's system monitors the speed of the vehicle, the distance driven, and the acceleration of the vehicle, to generate data describing the driving pattern of the motor vehicle. (P. 1-2.) According to Pettersen, it would be advantageous to car insurance companies to use such an electronic monitoring system for recording the driving pattern of the policy holder and set a bonus arrangement that gives a higher bonus to those policy holders having a "careful" driving pattern (*e.g.*, low speeds and low accelerations). (P. 1.) Pettersen also discloses that policy holders can utilize the system to control the amount of disbursements from the insurance companies by reducing driving speed and number of accidents. (*Id.*)

E. Herrod

Herrod discloses a computer-based monitoring and reporting device that is used in a vehicle to measure driver acceleration patterns and report associated accident risks. (P. 1-2.) Herrod's device uses the measured

⁴ The page numbers refer to the original page numbers of the references, and not the exhibit page numbers.

acceleration data to classify the driver into one of several groups, each of which associates with a different level of accident risk. (*Id.*) According to Herrod, safe drivers can use the measured acceleration data to demonstrate their competence to insurance companies. (P. 1.)

F. Florida Guide

The Florida Guide is an automobile insurance shoppers' guide that is designed to help insurance policy holders control some of the costs associated with automobile insurance. (Title and Comm. Message.) According to the Florida Guide, all drivers in the state of Florida must carry a minimum amount of property damage liability coverage in addition to the required personal injury protection coverage. (P. 3.) Further, auto insurance premium may vary based on many factors such as the type of coverage the policy holder selects, including liability limits and deductibles (p. 11), and the area where the policy holder garages their car (p. 13). For example, if the policy holder selects high liability limits and low deductibles, the policy holder is likely to pay more for auto insurance. (P. 11.) Different premiums are charged in different areas because of frequency of accidents, medical expenses and repair cost. (P. 13.)

G. New York Guide

The New York Guide is a consumer guide on automobile insurance. In particular, the New York Guide provides ways that the insurance holders may save money on auto insurance, such as increasing the deductibles on physical damage coverage. (P. 17-19.)

III. PRINCIPLES OF LAW

A patent claim is unpatentable under 35 U.S.C. § 103(a) if the differences between the claimed subject matter and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including: (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17-18 (1966).

IV. ANALYSIS

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). Thus, we determine the scope of the claims by giving claim terms their broadest reasonable construction in light of the specification as it would be interpreted by one of ordinary skill in the art. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316 (Fed. Cir. 2005) (en banc).

Here, Liberty states that for the sole purposes of this proceeding, it construes the claim language such that claim terms are given their broadest reasonable interpretation, based upon the interpretation given by the Office

during the prior *ex parte* reexamination of the '970 patent (Control No. 90/011,252). (Pet. 19-20.) Specifically, Liberty lists several key terms and their constructions (reproduced in the table below) as applied during the prior reexamination. (Pet. 20-22.)

Progressive does not oppose those claim constructions. Upon review of the record, Liberty's claim constructions seem to be consistent with the specification. Further, in the prior reexamination, the Office gave the claim terms their broadest reasonable construction consistent with the specification. *See e.g.*, Ex. 1003 at 755, 3/7/11 OA at 6. Based on the record before us, we therefore adopt the constructions provided by Liberty in the petition.

Claim Term	Construction
Vehicle (claims 1, 3-18)	Operator controlled motor vehicles normally requiring insurance, including, but not limited to, automobiles
Initial operator profile/ initial insured profile (claims 4-5, 16-17)	Initial files or information with respect to the operator or the insuring thereof
Actuarial class (claims 1,3, 6-15, 18)	A combination/group/groupings related to loss/risk/safety which are determined from classifications/characteristics representative of motor vehicle operational characteristics and driver behavior for which data is gathered

Cost of insurance/cost of vehicle insurance (claims 1, 3-5, 16-17)	A/one or more or all cost(s) associated with insurance of the vehicle, including, but not limited to, a cost to the insured and/or insurer/underwriter associated with the insurance
Safety standard (claims 5, 10-11, 13-14, 16-18)	Value/criteria associated with the promotion of safety/prevention of risk/loss/injury
Base cost (claims 4-5, 16-17)	A/one or some cost(s), e.g., not all costs or the final or total cost or gross premium, associated with insurance of the vehicle, e.g., a cost to the insured and/or insurer/underwriter associated with the insurance
Extracting (claims 6-15, 18)	Collecting, deriving, generating or calculating
Insurance rating (claims 6, 9, 18)	A/some value/cost used to determine an overall cost associated with insurance of the vehicle
Storing and transmitting a signal corresponding to the determined triggering event to a receiving system (claim 7)	Storing of information corresponding to the event and transmitting of a signal/information corresponding to the event to a receiving system which system may or may not be remote.

B. Claims 4, 5, 16, and 17

Claims 4 and 5 are independent claims, and claims 16 and 17 depend from claim 5. Claim 4, reproduced below, is representative:

A method of insuring a vehicle operator for a selected period based upon operator driving characteristics during the period, comprising, steps of:

generating an initial operator profile;

generating an insured profile for the vehicle operator prior to any monitoring of any of the vehicle operator's driving characteristics wherein the insured profile comprises coverage information, including limits and deductibles, for determining a base cost of vehicle insurance for the vehicle operator;

monitoring [operator] *the vehicle operator's* driving characteristics during the selected period; and

deciding a *total* cost of vehicle insurance for the selected period based upon the [operating] *vehicle operator's driving* characteristics monitored in that selected period *and the base cost of insurance.*⁵

Liberty argues that claims 4, 5, 16, and 17 are unpatentable under 35 U.S.C. § 103(a) over the combination of Bouchard and Pettersen, by itself, or alternatively in view of Florida Guide or New York Guide. (Pet. 41-50, 71, and 72.) In particular, Liberty contends that the cited prior art references describe all of the claim elements. (Pet. 34-38.) Liberty further provides the rationales for combining the references. (Pet. 31-34.)

Progressive disagrees and counters that the cited prior art references fail to describe the insured-profile claim limitation (“generating an insured profile for the vehicle operator *prior to any monitoring* of any of the vehicle operator's driving characteristics wherein the insured profile comprises coverage information, including limits and deductibles, for determining a

⁵ Reexam. Cert. at col. 1:50-65.

base cost of vehicle insurance for the vehicle operator”), and the total-cost claim limitation (“*deciding a total cost* of vehicle insurance for the selected period *based upon* the vehicle operator’s driving characteristics monitored in that selected period and the *base cost* of insurance”), as recited in claim 4. (PR 28-36.) Specifically, Progressive argues that the references do not describe determining a total cost of insurance that is based on a base cost of insurance determined using an insured profile that is generated *prior to any monitoring* of any of the vehicle operator’s driving characteristics. (PR 32, 34, 36.)

We do not agree with Progressive since its arguments are based on an overly narrow reading of the prior art references without sufficient consideration of the knowledge of one with ordinary skill in the art. We note that an obviousness analysis “need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.” *KSR*, 550 U.S. at 418; *In re Translogic Tech.*, 504 F.3d 1249, 1259 (Fed. Cir. 2007). Prior art references must be “considered together with the knowledge of one of ordinary skill in the pertinent art.” *In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994). Moreover, “it is proper to take into account not only specific teachings of the references but also the inferences which one skilled in the art would reasonably be expected to draw therefrom.” *In re Preda*, 401 F.2d 825, 826 (CCPA 1968).

On this record, the evidence shows that the knowledge level of one with ordinary skill in the art is quite advanced.⁶ For instance, conventional insurance schemes that use actuarial classes to determine vehicle insurance costs were well known in the art at the time of the invention. (*See e.g.*, PR 13-14; 34.) Further, we agree with Progressive that the Florida Guide and New York Guide cited by Liberty discuss the same conventional prior art knowledge that is disclosed in the background section of the '970 patent. (*See e.g.*, PR 13 (The Florida Guide and New York Guide “discuss the same subject matter (*i.e.*, the existence of traditional actuarial classes) that is disclosed in the background section of the '970 patent”); PR 34 (The cited portions of the Florida Guide are “essentially identical to the prior art knowledge disclosed in columns 1 and 2 of the '970 patent.”)) We therefore conclude that the background section of the '970 patent (specifically col. 1:17-2:37) is admitted conventional prior art. *In re Nomiya*, 509 F.2d 566, 571 (CCPA 1975). And thus the knowledge of one with ordinary skill in the

⁶ The field of the '970 patent is insurance which includes determining a cost of vehicle insurance based on telematics data. Ex 1011, ¶ 17; Ex 1014, ¶ 17. A person of ordinary skill in the art as to insurance pricing would have at least a B.S. in Mathematics, or equivalent, with at least 5 years of experience in the insurance industry setting premiums for auto insurance, and as an associate in the Casualty Actuarial Society. Ex 1011, ¶ 17. A person of ordinary skill in the art as to telematics data would have at least a B.S. degree in electrical engineering, computer engineering, computer science or the equivalent thereof and at least one to two years of experience with vehicle telematics systems. Ex 1014, ¶ 17.

art would include a thorough understanding of using actuarial classes to determine vehicle insurance costs.

We regard the conventional insurance cost determination techniques noted in the background section of the '970 patent (col. 1:17-2:37) as basic knowledge within the level of ordinary skill in the art. Hence, a person of ordinary skill in the art would have appreciated that when a vehicle operator is applying for an insurance policy from an insurance company, an insured profile for the vehicle operator would be generated to determine a base cost, and such an insured profile includes coverage information such as limits and deductibles. We also observe that a person of ordinary skill in the art would have recognized that the base cost is the amount that the insurance company charges *prior to applying any discounts or surcharges*, and the total cost is calculated based on the base cost and any applicable discounts or surcharges.

The main difference between conventional insurance cost determination techniques and the disputed limitations is monitoring the vehicle operator's driving characteristics after the insured profile is generated. Nevertheless, monitoring the vehicle operator's driving characteristics *for determining discounts* (which occurs after the insured profile is generated) is described by the collective teachings of Bouchard and Pettersen.

Bouchard and Pettersen disclose electronic monitoring devices which drivers utilize to demonstrate to insurance companies that they are safe drivers in order to obtain discounts from the insurance companies. Specifically, Bouchard describes a method and an apparatus for evaluating a

driver's performance under actual real-time conditions and for determining the driver's ability to safely operate a vehicle. (Bouchard, Abs.) Pettersen describes an electronic monitoring and reporting system. (Pettersen 1-7.) According to Pettersen, it would be advantageous to insurance companies to use such an electronic monitoring system for recording the driving pattern of the policy holder and setting a bonus arrangement that gives a higher bonus to those policy holders having a "careful" driving pattern (*e.g.*, low speeds and low accelerations). (Pettersen 3.) Pettersen also discloses that policy holders can utilize the system to control the amount of disbursements from the insurance companies by reducing driving speed and number of accidents. (*Id.*)

In light of the collective teachings of Bouchard, Pettersen, and the Florida Guide, it would have been obvious to one with ordinary skill in the art to use *an electronic monitoring device* to determine whether a vehicle operator is a safe driver *for determining discounts*. See *Leapfrog Ent., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1161 (Fed. Cir. 2007) ("[a]ccommodating a prior art mechanical device that accomplishes [a desired] goal to modern electronics would have been reasonably obvious to one of ordinary skill in designing children's learning devices"). As discussed previously, generating an insured profile *prior to applying any discounts* to the base cost was well known in the art. Accordingly, it would have been obvious to one of ordinary skill in the art to generate an insured profile for determining a base cost *prior to any monitoring* the vehicle operator's driving characteristics to determine the total cost of vehicle

insurance based upon the vehicle operator's driving characteristics and the base cost.

For the foregoing reasons, we conclude that Liberty has demonstrated that it is more likely than not that claim 4 would have been obvious over Bouchard, Petterson, and the Florida Guide. As to claims 5, 16, and 17, Progressive relies upon the same arguments presented with regard to claim 4. (PR 36-37, 40.) The explanations provided by Liberty as to how each element of those claims is met by the cited prior art references appear to have merit and are otherwise unrebutted. Therefore, we likewise conclude that Liberty has demonstrated that it is more likely than not that claims 5, 16, and 17 are unpatentable over the same prior art of record.

C. Claims 1, 3, 6-15, and 18

Claims 1, 6, and 18 are independent claims. Claim 1, reproduced below, is representative:

A method of generating a database comprising data elements representative of operator or vehicle driving characteristics, the method comprising:

generating actuarial [sic] classes of insurance, which group operators or vehicles having a similar risk characteristic, from actual monitored driving characteristics during a selected time period as represented by recorded data elements representative of an operating state of the vehicles or an action of the operators; and

monitoring a plurality of the data elements representative of an operating state of a vehicle or an action of [the] an operator during a latter selected time period; and,

recording selected ones of the plurality of data elements into the database when said ones are determined to be appropriate for recording relative to determining a cost of insurance for the vehicle during the *latter* selected time period, said ones including, a time and location of vehicle operation and a corresponding log of vehicle speed for the time and location.⁷

Liberty alleges that claims 1, 3, 6-15 and 18 are unpatentable under 35 U.S.C. § 103(a) over the combination of Bouchard and Pettersen, by itself, or alternatively in view of Herrod or the New York Guide. (Pet. 34-41, 50-70, and 73-79.) Liberty also relies upon Camhi and Dorweiler to satisfy the additional limitations in the dependent claims 9, 12, and 15. In particular, Liberty contends that the cited prior art references describe all of the claim elements. (*Id.*) Liberty further provides the rationales for combining the references. (Pet. 31-34.)

Progressive counters that the cited prior art references fail to describe the actuarial-class claim limitation (“generating actuarial classes of insurance, which group operators or vehicles having a similar risk characteristic, *from actual monitored driving characteristics* during a selected time period as represented by recorded data elements representative of an operating state of the vehicles or an action of the operators”), as recited in claim 1. (PR 22.) According to Progressive, Herrod’s disclosure of a particular behavioral group based on the driver’s driving characteristics are

⁷ Reexam. Cert. col. 1:27-48.

not “actuarial classes of insurance” because Herrod uses the behavioral groups for providing in-car advice for safe driving practices, not for generating “actuarial classes of insurance” as required by the actuarial-class claim limitation. (PR 23-25.) Progressive also asserts that Herrod’s disclosure of behavioral groups is a “vague, high-level disclosure [that] includes no enabling disclosure” of generating actuarial classes of insurance as required by claim 1. (PR 26-28.)

We are not persuaded by Progressive’s arguments. Specifically, Progressive fails to recognize that prior art references must be “considered together with the knowledge of one of ordinary skill in the pertinent art.” *In re Paulsen*, 30 F.3d at 1480.

To conduct a proper obviousness analysis, Herrod’s disclosure must be read in light of the knowledge of one with ordinary skill in the art. As discussed previously, generating actuarial classes of insurance which group operators or vehicles having a similar risk characteristic was well known in the art. Further, the requirement that the actuarial classes are generated *from actual monitored driving characteristics* is described by Herrod. (Pet. 39, citing to Herrod Abs. and 1-2.)

Herrod discloses a computer-based monitoring and reporting device that is used in a vehicle to measure driver acceleration patterns and report associated accident risks. (Herrod 1-2.) Herrod’s device 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. (*Id.*) According to

Herrod, safe drivers can use the measured acceleration data to demonstrate their competence to insurance companies. (Herrod 2.)

Under the broadest reasonable construction standard, as discussed previously, the term “actuarial class” is interpreted as “a combination/group/groupings related to loss/risk/safety which are determined from classifications/characteristics representative of motor vehicle operational characteristics and driver behavior for which data is gathered.” Applying that claim construction, Herrod’s driver accident-risk groups clearly satisfy that the “actuarial class” element since Herrod’s driver behavioral/accident-risk groups are determined based on the actual measured acceleration data and each group is associated with a different level of accident risk. In light of the collective teachings of Bouchard, Pettersen, and Herrod, it would have been obvious to one with ordinary skill in the art to generate actuarial classes *from actual monitored driving characteristics*.

Progressive’s argument that Herrod’s disclosure of driver behavioral groups is limited to providing in-car advice is without merit. (PR 23-25.) Herrod describes that through monitoring equipment safe drivers are able to demonstrate their competence to insurance companies (Herrod 2, Background). *See KSR*, 550 U.S. at 416 (A reference may be read for all that it teaches, including uses beyond its primary purpose.).

As to Progressive’s arguments regarding non-enabling disclosure of Herrod, we are not convinced. (PR 25-27.) Prior art publications and patents are presumed to be enabled. *In re Antor Media Corp.*, 689 F.3d 1282, 1287-88 (Fed. Cir. 2012); *Amgen Inc. v. Hoechst Marion Roussel*,

Inc., 314 F.3d 1313, 1355 (Fed. Cir. 2003) (both claimed and unclaimed materials disclosed in a prior art patent are presumptively enabling, placing the burden on the patentee to show that unclaimed disclosures in a prior art patent are not enabling). Progressive fails to demonstrate that Herrod does not provide an enabling disclosure for the disputed claim limitation. Specifically, Progressive has not provided sufficient factual basis to support a showing that undue experimentation would be needed to practice the disputed claim limitation based on Herrod disclosure. *In re Wands*, 858 F.2d 731, 737 (Fed. Cir. 1988).

For the foregoing reasons, we conclude that Liberty has demonstrated that it is more likely than not that claim 1 would have been obvious over Bouchard, Petterson, and Herrod. As to claims 3, 6-15, and 18, Progressive relies upon the same arguments presented with regard to claim 1. (PR 38-40.) Liberty's explanations as to how each element of those claims is met by the cited prior art references appear to have merit and are otherwise unrebutted. (Pet. 39-41; 50-70; 73-77.) Therefore, we likewise conclude that Liberty has demonstrated that it is more likely than not that claims 3, 6-15, and 18 are unpatentable over the prior art of record.

V. OTHER CONSIDERATIONS

Progressive requests the Office to exercise its authority under 35 U.S.C. § 325(d) to deny the petition because the asserted prior art references and arguments were considered by the Office in the prior *ex parte* reexamination (Control No. 90/011,252). (PR 10-16.) In Progressive's

view, to rehear grounds already considered would be contrary to the AIA and its legislative history, which foreclose repeated petitions that rely on the same or substantially the same prior art or arguments. (*Id.*)

We agree that the Office has the authority under 35 U.S.C. § 325(d) to reject a petition when the same or substantially the same prior art or arguments previously were presented to the Office. The relevant portions of 35 U.S.C. § 325(d) are reproduced as follows:

In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director *may* take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office. (Emphasis added.)

The legislative history also recognizes that 35 U.S.C. § 325(d) “*allows* the Patent Office to reject any request for a proceeding, including a request for *ex parte* reexamination, if the same or substantially the same prior art or arguments previously were presented to the Office with respect to that patent.” 157 Cong. Rec. S1042 (daily ed. Mar. 1, 2011) (statement of Sen. Kyl) (emphasis added).

It is important to note that the Office is not required to reject a petition merely for the reason that the same or substantially the same prior art or arguments were previously considered by the Office. Both the statutory provision and its legislative history include *permissible* language (*e.g.*, “may” and “allows”), rather than *mandatory* language (*e.g.*, “must” or “requires”).

While we are cognizant of the burden on the patent owner and Office to rehear the same or substantially the same prior art or arguments that were considered by the Office in a prior proceeding, there are sufficient reasons in the instant proceeding to exercise our discretion to institute a review.

Notably, we observe that Liberty, as the third-party requester in the prior *ex parte* reexamination, did not have the opportunity to submit arguments or evidence with respect to the amended or new claims in the prior proceeding. (Pet. 10-17.) Those claims are now being challenged in the instant proceeding. And Herrod, which is relied upon by Liberty in the petition, was not previously considered by the Office. (Pet. 29.) Moreover, a preponderance of the evidence supports that it is more likely than not that the challenged claims are unpatentable in view of the prior art of record.

Accordingly, taking into account the burden on the patent owner and the considerations set forth in 35 U.S.C. § 326(b) (*e.g.*, the efficient administration of the Office), we grant the petition as to those grounds that are authorized below, but we exercise our discretion to deny all other grounds as cumulative. *See also* 37 C.F.R. § 42.208. Progressive has the opportunity to file a response with supporting evidence to those grounds that are authorized, but such a patent owner response must be filed within three months from the date of institution (the entry date of this decision). 35 U.S.C. § 326(a)(8); 37 C.F.R. § 42.220. Progressive is not required to address the denied grounds, and should not do so.

VI. 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 and 3-18 of the '970 patent for the following grounds:

- A. Claims 1, 3, 6-8, 10, 11, 13, 14, and 18 are unpatentable under 35 U.S.C. § 103(a) over Bouchard, Pettersen, and Herrod;
- B. Claims 4, 5, 16, and 17 are unpatentable under 35 U.S.C. § 103(a) over Bouchard, Pettersen, and the Florida Guide;
- C. Claim 9 is unpatentable under 35 U.S.C. § 103(a) over Bouchard, Pettersen, Herrod, and Camhi; and
- D. Claims 12 and 15 are unpatentable under 35 U.S.C. § 103(a) over Bouchard, Pettersen, Herrod, and Dorweiler;

FURTHER ORDER that no other ground is authorized for the covered business method review;

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 is commencing on the entry date of this decision; and

FURTHER ORDER that an initial conference call with the Board is scheduled for 2 PM Eastern Time on February 25, 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, and should come prepared to discuss any proposed changes to the Scheduling Order entered herewith and any motions the parties anticipate filing during the trial.

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