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Paper 10
Entered: March 28, 2013

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 CBM2013-00009 (JL)
Patent 8,140,358

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

LEE, *Administrative Patent Judge*

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

I. INTRODUCTION

On November 19, 2012, Liberty Mutual Insurance Company ("Liberty") filed a petition ("Pet.") 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 ("Prel. Resp.") on February 21, 2013. 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").

This is the second petition Liberty has filed requesting a covered business method patent review of the '358 patent. The first petition was filed on September 16, 2012. On February 12, 2013, the Board instituted review (CBM2012-00003) on some of the grounds alleged by Liberty in that first petition. (Ex. 2009.) This second petition presents grounds not raised in Liberty's first petition.

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 1-20 of the '358 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 authorize a covered business method review of claims 1-20 of the '358 patent for the grounds identified in the Order section of this decision.

Liberty's petition is GRANTED.

A. Liberty's Standing

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.

B. Prior Art Relied Upon

Liberty relies upon the following prior art references:

US Patent 4,651,157 (**Gray**)	Mar. 17, 1987	Exhibit 1023
US Patent 5,243,530 (**Stanifer**)	Sept. 7, 1993	Exhibit 1025
US Patent 5,210,854 (**Beaverton**)	May 11, 1993	Exhibit 1007
US Patent 5,465,079 (**Bouchard**)	Nov. 7, 1995	Exhibit 1022
US Patent 5,438,312 (**Lewis**)	Aug. 1, 1995	Exhibit 1024
US Patent 5,446,757 (**Chang**)	Aug. 29, 1995	Exhibit 1006
US Patent 7,228,211 (**Lowrey**)	June 5, 2007	Exhibit 1008
"Understanding Radio Determination Satellite Service," Geostar (**RDSS**)	May 1989	Exhibit 1004
Geostar Corp., Annual Report (Form 10-K) (**Geostar 10-K)**	Apr. 16, 1990	Exhibit 1005

Japan Patent App. H4-182868 June 30, 1992 Exhibit 1003 (**Kosaka**)

C. Alleged Grounds of Unpatentability

Liberty seeks cancelation of claims 1-20 based on the following grounds:

1. Claims 1, 3, 5, 8, 9, 19, and 20 as obvious over RDSS and Kosaka.
2. Claim 2 as obvious over RDSS, Kosaka, and Chang.
3. Claim 4 as obvious over RDSS, Kosaka, and Beaverton.
4. Claims 6 and 7 as obvious over RDSS, Kosaka, and Stanifer.
5. Claims 10, 11, and 13-15 as obvious over RDSS, Kosaka, and Lowrey.
6. Claim 12 as obvious over RDSS, Kosaka, and Lowrey.
7. Claims 16, 17, and 18 as obvious over RDSS, Kosaka, and Bouchard.
8. Claims 17 and 18 as obvious over RDSS, Kosaka, Bouchard, and Gray.
9. Claims 17 and 18 as obvious over RDSS, Kosaka, Bouchard, and Lewis.

II. FINDINGS OF FACT

The findings of fact in this section and others in the analysis section are supported by a preponderance of the evidence.

A. RDSS[1]

RDSS discloses a vehicle telematics system that wirelessly transmits "position data, status or alarms, and messages" from a variety of vehicles to a central location for processing and management. (Ex. 1004, 22:2:6-15.) Certain processing may be performed on the local vehicular system, but operations "requiring extensive processing" are instead performed at the central location, thus "reducing the sophistication and cost of the terminal." (Ex. 1004, 52:1:1-9.) Text messages are stored in a memory local to the vehicle for the benefit of later recall and transmission. (Ex. 1004, 54:2:1-8.) The central location uses a server/computer system that processes incoming data and maintains automated file and storage facilities. (Ex. 1004, 22:2:6-16; 46:2:24-40.) Data collected in this way is made available for billing purposes. (Ex. 1004, 49:1:7-14.)

B. Kosaka[2]

Kosaka discloses a combination risk evaluation device and insurance premium determination device that makes use of the risk evaluation device. (Ex. 1003, 18:1:53 to 18:2:3.) The risk evaluation device evaluates risk in moving bodies such as vehicles or insurance customers. *Id*. With regard to prior art, Kosaka describes that pre-existing conventional insurance premium determination systems determine rates based on static attributes of the customer. (Ex. 1003, 18:2:15-19). For instance, Kosaka describes that in

[1] All citations to RDSS refer to the page numbers of Exhibit 1004.

[2] All citations to Kosaka refer to the page numbers of Exhibit 1003 appearing on the lower right corner of each page of the exhibit.

pre-existing systems, it is normal for there to be no distinction in insurance premiums between operators who always operate safely and operators who occasionally take risks, and that it is therefore unfair to apply the same insurance premium to both. (Ex. 1003, 18:2:36-42.) It is a stated objective of Kosaka that insurance premiums can be increased or decreased by "continually" determining insurance premium changes through the detection of states that lead to risk. (Ex. 1003, 18:2:43-52.)

Figure 1 of Kosaka is reproduced below, which illustrates a high level block diagram of Kosaka's device:

Fig. 1

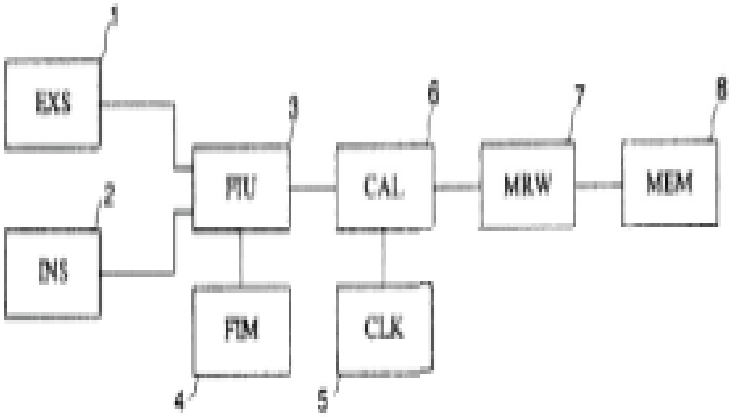

Fig.1 shows a block diagram of Kosaka's device

External sensor 1 and internal sensor 2 detect data about the vehicle or insurance customer to provide as input to fuzzy logic part 3 (FLU 3). (Ex. 1003, 20:2:4-20.) The FLU 3 determines the comprehensive risk based on the input sensor data, making use of risk evaluation values stored in fuzzy memory 4 (FLM 4). (Ex. 1003, 18:2:20-26.) The premium calculation part

6 (CAL 6) performs temporal integration and computation of risk evaluation values, and thereby calculates insurance premiums. (Ex. 1003, 20:2:26-31.) A system clock CLK 5 supplies a timing signal to CAL 6 that is connected to an output interface MRW 7. (Ex. 1003, 20:2:31-35.) MRW 7 includes an electronic currency transfer request means or a prepayment amount erasing means, making use of MEM 8, a monetary amount file part including memory that stores a prepayment balance or a transfer-side currency on-line system. (Ex. 1003, 20:2:36-38.)

Kosaka discloses specific uses of its device of Figure 1 in two application embodiments. In the first, the device is incorporated within a diving watch to be worn by a diver while diving. (Ex. 1003, 20:2:39-41.) In the second, the device is installed on a vehicle. (Ex. 1003, 22:2:3-6.) The vehicle embodiment employs as a sensor a doppler radar, or alternatively ultrasound waves, to detect the operating speed of the vehicle. (Ex. 1003, 22:2:7-11.) Kosaka describes an effect of its invention as follows:

> Moreover, by using the risk evaluation device employing a risk evaluation part that operates by fuzzy logic together with an insurance premium determination system, change in insurance premiums in accordance with continually varying risk evaluation values can be settled in real time, thereby allowing insurance to be more equitable.

(Ex. 1003, 25:1:27-34.)

III. 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). Also, the broadest reasonable construction is determined from the perspective of 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. *Id.*, 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 hand. We have no basis to conclude otherwise. 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.

rating factor

Liberty states that under the rule of broadest reasonable interpretation in light of the specification, "rating factor" means "a calculated insurance risk value such as a safety score or a usage discount." (Pet. 15:20 to 16:3.)

In support of that assertion, Liberty cites to various portions of the specification of the '358 patent. (Pet. 16:3-9.) The interpretation offered by Liberty has ample basis in the specification, and Progressive presents no opposition to that interpretation. On this record, we agree with that interpretation.

In the Board's decision instituting CBM2012-00003 for covered business method patent review of the '358 patent (Ex. 2009), we also agreed with Liberty's urging of the same interpretation for "rating factor," but added 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." (Ex. 2009, 6:21-23.) We adopt the same clarification here because "rating factor" in the context of the disclosure of the '358 patent has to do with insurance rating and should be tied to a determination of insurance premium.

Progressive argues that our clarification is unduly narrow because safety score standing alone is just an indication of operational safety and does not reflect a corresponding insurance premium. (Prel. Resp. 10:1-4.) The argument is unpersuasive. It is precisely because a safety score standing alone does not relate to insurance premium calculation that we make 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. If safety score is regarded as a rating factor, it should have an influence or effect on insurance premium. By the clarification, we

do not mean that an insurance risk value must be associated with a specifically corresponding insurance premium amount, but only that it has a role or significance in the calculation of an insurance premium.

We note that with or without the clarification discussed above, our analysis below does not change and we arrive at the same decision to institute review on all grounds of unpatentability alleged by Liberty.

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.

For reasons discussed below, we agree with Liberty that the '358 patent is a covered business method patent under § 18(a)(1)(E) of the AIA. On pages 30-31 of Progressive's preliminary response, Progressive incorporates by reference all of its arguments in the preliminary response it submitted in CBM2012-00003 on the subject of whether the '358 patent constitutes a covered business method patent. Per 37 C.F.R. § 42.6(a)(3), such incorporation by reference is impermissible. Accordingly, the arguments need not be considered. In any event, we have already

considered those arguments in CBM2012-00003 with regard to the same patent; the arguments are equally unpersuasive in this case.

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 exclude only "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.[3]

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. Claim 1 is reproduced below:

> 1. 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** 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

[3] *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) (Resp. to Comment 8).

> 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 reasonably be 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 affects 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 patent review, it is not enough that the invention makes use of technological systems, features, or components. 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 patent review.

In determining whether a patent is for a technological invention, 37 C.F.R. § 42.301(b) provides that it shall be considered whether the claimed invention as a whole:

> 1. recites a technological feature that is novel and unobvious over the prior art, and
>
> 2. solves a technical problem using a technical solution.

Simply making use of technology is not the test for meeting the "technological invention" exception. In that regard, the Office Patent Trial Practice Guide, 77 *FED. REG. at* 48764, states:

> The following claim drafting techniques typically would not 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.

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:

> The prior art of record (US 5835008, *Colemere, Jr*.) 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.

(Ex. 1002, 26:3-13.)

The above fully accounts for all the technical features of claim 1. According to the Examiner, the features 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, 26:16 to 27:2.) We have determined that "rating factor" means a calculated insurance risk value used for calculating 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.

Also, as is pointed out by Liberty, U.S. Patent 6,064,970, an ancestral patent of the '358 patent, filed on August 17, 1998, 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. 1011, 3:25-28.) We find the same description in U.S. Patent 5,797,134, the earliest ancestral patent named on the face of the '358 patent, and filed on January 29, 1996. (Ex. 1010, 3:27-30.) For all of the foregoing reasons, the subject matter of claim 1 does not recite a technological feature that is novel and unobvious over the prior art.

With regard to the other consideration 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 (Ex. 1001) 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. Rather, it is a conceptual problem in not choosing to collect more accurate data for risk analysis.

Citing 157 Cong. Rec. S5428 (daily ed. September 8, 2011) (statements of Sen. Durbin and Sen. Schumer), Progressive argues that "congressional intent of the America Invents Act ('AIA') was not meant to target companies, like Progressive, which employ 'thousands of American workers in developing and commercializing financial sector products that are based on business methods." (Prel. Resp. 31:3-8.) The argument is misplaced if Progressive means that some categories of invention are presumptively regarded as falling within the technological invention exception without consideration of whether the subject matter as a whole (i) recites a technological feature that is novel and unobvious over the prior art, and (ii) solves a technical problem using a technical solution. Nothing cited to us by Progressive in the legislative history of AIA makes that suggestion.

Although insurance industry patents may not be targeted by AIA for covered business method patent review, each claimed invention still has to be evaluated individually to determine if it constitutes a technological invention. A determination of what constitutes a technological invention under the statute is made on a case-by-case and claim-by-claim basis. Merely having employees and conducting a business does not exempt a patent holder from covered business method patent review. 157 Cong. Rec. S5428 (daily ed. September 8, 2011) (statement of Sen. Schumer).

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. Effective Filing Date of the Claims of the '358 Patent

The application resulting in the '358 patent was filed on June 3, 2008 and identifies a chain of four ancestral applications the earliest of which is Application 08/592,958, filed January 29, 1996. Liberty argues that the claims 1, 16, 17, 19, and 20 of the '358 patent are not entitled to an effective filing date earlier than January 23, 2004 and that claims 2-15 and 18 of the '358 patent are not entitled to an effective filing date earlier than June 3, 2008. (Pet. 12-14.) We do not reach the merits of Liberty's arguments because entitlement to a priority date for any claim is a matter for which Progressive bears the burden of proof. In that regard, Progressive has made only a conclusory statement, without any explanation or justification, that its claimed subject matter is entitled to the January 29, 1996, filing date of Application 08/592,958. (Prel. Resp. 10:19-20.) We note also that the burden of proof on the ultimate issue of unpatentability stays with Liberty, whatever effective filing date is established by Progressive for its claims.

To the extent that Progressive believes that it has incorporated by reference the arguments it submitted in CBM2012-00003 with regard to establishing an earlier effective filing date for its claims, we find no such language in the preliminary response. In any event, per 37 C.F.R. § 42.6(a)(3), incorporation of arguments by reference is impermissible. Even assuming that the same arguments submitted by Progressive in CBM2012-00003 are presented here, they are equally without merit in this case as they are in CBM2012-00003.

For the foregoing reasons, through its preliminary response Progressive has not shown that any of claims 1-20 in the ’358 patent are entitled to an effective filing date prior to the actual filing date of the ’358 patent, June 3, 2008.

D. Same or Substantially the Same Prior Art or Arguments Previously Considered

Progressive contends that Liberty’s alleged grounds of unpatentability are all based on Kosaka and RDSS, and that Kosaka was considered during prosecution of the ’358 patent. (Prel. Resp. 20:13-15.) Progressive further contends that RDSS is cumulative of other references which also were considered during prosecution of the ’358 patent. (Prel. Resp. 20:15-16.)

Progressive points out that Kosaka was not only provided during prosecution of the ’358 patent, but also discussed at length in a reexamination request relating to an ancestral application of the ’358 patent. (Prel. Resp. 20:18-20.) Progressive notes that a copy of the reexamination request was provided to the examiner during examination of the ’358 patent. (Prel. Resp. 20:18-20.) According to Progressive, the examiner of the ’358 patent had as much information about Kosaka’s disclosure as is presented in Liberty’s petition here. (Prel. Resp. 21:6-8.) Thus, Progressive argues that Liberty’s petition presents the same art and the same or substantially the same arguments as those which were previously presented to the Office. (Prel. Resp. 21:7-9.) Even if true, that does not mean Liberty’s petition must be denied. It is important for us to evaluate independently the substantive

merit of the alleged grounds of unpatentability, albeit taking into consideration the prosecution history of the '358 patent.

Title 35, United States Code, Section 325(d) states:

> In determining whether to institute or order a proceeding under . . . 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.

The above-quoted statutory provision does not require the Director, in deciding whether to institute *inter partes* review, to defer to a prior determination in the Patent and Trademark Office, even one which considered the same prior art and arguments. The statute gives the Director the authority not to institute review on the basis that the same or substantially the same prior art or arguments were presented previously to the Patent and Trademark Office, but does not require that result.

We appreciate the information provided by the patent owner. The information has been considered. Nevertheless, it does not necessarily follow that covered business method patent review should not be instituted. For instance, in our view, RDSS is not "substantially the same" or cumulative to the prior art references before the examiner during prosecution of the '358 patent. In particular, note that according to RDSS, while certain processing may be performed on the local vehicular system, operations "requiring extensive processing" are instead performed at the central location, thus "reducing the sophistication and cost of the terminal."

(Ex. 1004, 52:1:1-9.) That recognition is not expressed so clearly in other references.

We decline to deny Liberty's petition based on considerations under 35 U.S.C. § 325(d).

E. Grounds of Rejection based on RDSS and Kosaka

Claim 1 is the sole independent claim. Claims 2-20 depend directly or indirectly from claim 1. Liberty contends that claims 1, 3, 5, 8, 9, 19, and 20 would have been obvious over RDSS and Kosaka under 35 U.S.C. § 103, and that claims 2, 4, 6, 7, and 10-18 would have been obvious over RDSS, Kosaka, and one or more of other prior art references under 35 U.S.C. § 103. In support of its contention, Liberty provides a claim chart to show how each claim limitation is met by the cited prior art references (Pet. 29-75), and describes how a person of ordinary skill in the art would have known how to combine the teachings to arrive at the subject matter of each of Progressive's claims (Pet. 17-29, 43-44, 46-47, 50-52, 58-61, 65-66, 68-71.) Progressive opposes and argues that a combination of RDSS and Kosaka would not have described certain limitations of claim 1. (Prel. Resp. 11-20.) On this record, Liberty's arguments have merit, and we are unpersuaded by Progressive's counter-arguments.

Claim 1 recites a processor that collects vehicle data from a vehicle bus and a memory that stores the selected vehicle data. Claim 1 also recites a wireless transmitter to transfer the selected vehicle data retained within the memory to a distributed network and a server. Claim 1 further recites a database operatively linked to the server to store the selected vehicle data

transmitted by the wireless transmitter. The database comprises a storage system remote from the wireless transmitter and the memory. In that configuration, the processor, the memory, and the wireless transmitter are local to the vehicle; the distributed network, server, and database are remote from the vehicle.

RDSS discloses a GEOSTAR system which is a vehicle telematics system that wirelessly transmits "position data, status or alarms, and messages" from a variety of vehicles to a central location for processing and management. (Ex. 1004, 22:2:6-15.) Central to Liberty's argument is the specially articulated recognition and reliance on this disclosure of RDSS, quoted with emphasis in Liberty's petition (Pet. 20:3-6): "[o]perations requiring extensive processing are performed at GEOSTAR Central, reducing the sophistication and cost of the terminal." Indeed, according to RDSS, while certain processing may be performed onboard the vehicle, operations "requiring extensive processing" are instead performed at the central location, thus "reducing the sophistication and cost of the terminal." (Ex. 1004, 52:1:1-9.) Liberty also clearly explains that one with ordinary skill in the art would have known to relocate the risk evaluation components of Kosaka, components beginning from fuzzy logic FLU 3, remote from the vehicle and to transmit the vehicle data thereto. (Pet. 26:13-19.)

RDSS itself does not describe that its disclosed GEOSTAR system is useful for insurance purposes. However, Liberty relies on an Annual Report (Form 10-K) (Ex. 1005, "Geostar 10-K") of the Geostar Corporation filed with the Securities Exchange Commission on April 16, 1990, as evidence

that by Progressive's earliest possible effective filing date of January 29, 1996, the GEOSTAR system disclosed in RDSS, a 1989 publication of Geostar Corporation, was known to be useful for insurance purposes. We recognize Geostar 10-K as a public record which reflects knowledge possessed by of one with ordinary skill in the art at the time of Progressive's invention with regard to Geostar Corporation's GEOSTAR system.

Geostar 10-K describes that the GEOSTAR system "lowers insurance premiums," and also that a market exists in the insurance industry for GEOSTAR system services. (Ex. 1005, 10.) We agree with Liberty that at the time of Progressive's invention, in light of Geostar 10-K, one with ordinary skill in the art would have known to use the GEOSTAR system disclosed in RDSS for insurance purposes, specifically to lower insurance premium. Although not necessary to do so, we will upon institution of review re-designate, for consistency purposes, all grounds to identify RDSS and Geostar 10-K where only RDSS was identified by Liberty.

Kosaka discloses sensing vehicle data for use in determining insurance premium. (Ex. 1003, 18:1:1-11.) Kosaka's device includes sensor components and analysis components that are all installed on the vehicle. (Ex. 1003, Fig. 5; 22:2:3-6.)

Kosaka discloses "risk contributing state detection means" (processor) that collects data from vehicle sensors, such as external sensor 1 or internal sensor 2. (Ex. 1003, 19:1:12-21, fig. 1.) The "outputs from the [sensors] are used as fuzzy logic input values" and are transferred to a "risk evaluation means" (server) including fuzzy logic part 3 to generate risk evaluation

values. (Ex. 1003, 19:2:15-21, 20:2:18-24, Fig. 1.) The fuzzy memory 4 (database) stores risk evaluation values. (Ex. 1003, 20:2:24-26.) Kosaka does not disclose that the transfer of vehicle data to the "server" occurs via a wireless transmitter. As we determined above, Kosaka's server and database are located on the vehicle.

According to Liberty, in light of the disclosure of RDSS it would have been obvious to one with ordinary skill in the art to relocate the analysis components of Kosaka's onboard insurance risk determination system to a central location remote from the vehicle and wirelessly transmit the monitored vehicle data from each vehicle to the central station for analysis. We agree. As already discussed above, RDSS expressly teaches the desirability of reducing the sophistication of onboard terminals by locating data analysis components at a remote central station and by wirelessly transmitting sensed vehicle data from each vehicle to the central station for processing. Because there will be a plurality of such vehicles in communication with the central station, the communication is over a distributed network. On that basis, all risk evaluation components of Kosaka, commencing with fuzzy logic 3 (FLU 3) and fuzzy memory 4 (FLM 4) and including all components downstream therefrom as shown in Kosaka's Figure 1, would be implemented at a central station remote from the vehicle, and monitored vehicle data would be transmitted wirelessly to the central station for processing.

Progressive argues that the Board already has determined that Kosaka does not transmit any onboard vehicle data to an external component. (Prel.

Resp. 11-13.) That assertion, while accurate, is misplaced because Liberty relies instead on RDSS for the teaching of wirelessly transmitting onboard vehicle data to an external component for analysis. (Ex. 1004, 22:2:6-15.)

Progressive argues that RDSS fails to disclose anything related to sensing or processing of insurance related information, particularly information "related to a level of safety or an insurable risk in operating a vehicle." (Prel. Resp. 13:13 to 14:20.) That assertion, while accurate, also is misplaced because Liberty relies instead on Kosaka for such teachings. Furthermore, we have determined above that at the time of Progressive's invention, one with ordinary skill in the art would have known to use the GEOSTAR system disclosed in RDSS for insurance purposes, specifically to lower insurance premium.

Progressive maintains the overall position that neither RDSS nor Kosaka individually discloses: (1) transmitting onboard vehicle data to a remote server for analysis, **and** (2) using that data in an analysis to determine insurance related information such as a rating factor. Such a position is misplaced in an obviousness determination. One cannot show non-obviousness by attacking references individually where the rejection is based on combinations of references. *In re Merck*, 800 F.2d 1091, 1097 (Fed. Cir. 1986); *In re Keller*, 642 F.2d 413, 426 (CCPA 1981). Each of RDSS and Kosaka should not be read in isolation, but for what it fairly teaches in combination with the prior art as a whole. *In re Merck*, 800 F.2d at 1097. The ground of unpatentability at issue is obviousness over multiple references, not individually over either RDSS or Kosaka. Also, the

reasoning to combine teachings need not be stated expressly in any prior art reference. *See In re Kahn*, 441 F.3d 977, 989 (Fed. Cir. 2006).

Claim 1 requires a memory for storing the monitored vehicle data prior to such data being wirelessly transmitted to a distributed network and server. Kosaka refers to and discusses no such memory prior to the data's being supplied as input to fuzzy logic unit FLU 3. Liberty argues that there necessarily is a buffer to transfer the sensed data to fuzzy logic unit FLU 3, but the argument is inapposite in the altered configuration where sensed data is not supplied directly as input to fuzzy logic unit FLU 3, but rather to a wireless transmitter for transmission to a distributed network and a remote server.

However, a memory upstream of the wireless transmitter for storing the sensed vehicle data prior to wireless transmission to a remote server would have been obvious to one with ordinary skill in the art in light of the disclosure of RDSS.

Progressive argues that RDSS nowhere discloses a memory that stores the sensed vehicle data prior to wireless transmission as is required by claim 1. (Prel. Resp. 14-16.) We agree. RDSS discloses storing text messages in a "memory for later recall and transmission" (Ex. 1004, 54:2:1-8), but is silent on whether sensed vehicle data also is stored similarly.

Relying on the testimony of Scott Andrews (Ex. 1014, ¶¶ 22, 31), Liberty points out (Pet. 34:15-27) that RDSS discloses digital wireless transmission and that it was well known that digital wireless transmissions may require retransmission if the initial transmission is not received

successfully. On that basis, Liberty contends that a memory for storing the sensed vehicle data prior to wirelessly transmitting the same is inherently disclosed in RDSS. That argument is unpersuasive.

Scott Andrews generally discusses how "storing data in memory has been an integral part of any data processing system . . . since long before 1996" (Ex. 1014, ¶ 22:2-4), and indicates that storing data in memory has various benefits when performing data analysis (Ex. 1014, ¶ 22:6-16). Scott Andrews states that digital systems "necessarily require the conversion of analog signals into digital form" and that these digitally represented numbers "are then stored for subsequent processing." (Ex. 1014, ¶ 22:16-23.)

The testimony of Scott Andrews meanders around the critical question of inherent disclosure, *i.e.*, whether sensed data necessarily must be stored in memory prior to being wireless transmitted, and never answers it. To establish inherency, that which is missing in the express description must necessarily be present and would be so recognized by one with ordinary skill in the art. *Continental Can Co. v. Monsanto Co.*, 948 F.2d 1264, 1268 (Fed. Cir. 1991). Inherency may not be established by probabilities or possibilities, and the mere fact that a certain thing may result from a given set of circumstance is not sufficient for establishing inherency. *In re Oelrich*, 666 F.2d 578, 581 (CCPA 1981).

Liberty has not established that sensed vehicle data inherently must be stored in memory prior to being transmitted wirelessly.

However, the same arguments and evidence Liberty submitted in urging the position of inherent disclosure establishes that it would have been

obvious to one with ordinary skill in the art to store sensed vehicle data prior to wirelessly transmitting the stored data. A noted above, the testimony of Scott Andrews refers to many advantages for storing sensed vehicle data in memory prior to transmission of the stored data.

Furthermore, other disclosure in RDSS reasonably would have suggested to one with ordinary skill in the art that it would be advantageous to store sensed vehicle data prior to transmitting wirelessly the stored data. RDSS discloses wireless transmission of both vehicle data and text messages, but only discloses storing text messages in a memory. (Ex. 1004, 22:2:6-16; 54:2:1-8.) According to RDSS, the text messages are stored in memory for the benefit of later recall and transmission. (Ex. 1004, 54:2:1-8.) In light of that teaching, one with ordinary skill in the art would have recognized that similar benefits can be attained by doing the same with vehicle data.

We also have considered the obviousness rationales presented by Liberty with respect to dependent claims 2-20 and are persuaded thereby. Progressive has not submitted counter arguments specifically directed to Liberty's positions with regard to those dependent claims.

IV. CONCLUSION

We conclude that Liberty has shown that it is more likely than not that it would prevail on all of its alleged grounds of unpatentability against claims 1-20 of the '358 patent. Accordingly, the petition is GRANTED.

ORDER

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, 3, 5, 8, 9, 19, and 20 as unpatentable under 35 U.S.C. § 103 over RDSS, Geostar 10-K, and Kosaka;

B. Claim 2 as unpatentable under 35 U.S.C. § 103 over RDSS, Geostar 10-K, Kosaka, and Chang;

C. Claim 4 as unpatentable under 35 U.S.C. § 103 over RDSS, Geostar 10-K, Kosaka, and Beaverton;

D. Claims 6 and 7 as unpatentable under 35 U.S.C. § 103 over RDSS, Geostar 10-K, Kosaka, and Stanifer;

E. Claims 10, 11, and 13-15 as unpatentable under 35 U.S.C. § 103 over RDSS, Geostar 10-K, Kosaka, and Lowrey;

F. Claim 12 as unpatentable under 35 U.S.C. § 103 over RDSS, Geostar 10-K, Kosaka, and Lowrey;

G. Claims 16, 17, and 18 as unpatentable under 35 U.S.C. § 103 over RDSS, Geostar 10-K, Kosaka, and Bouchard;

H. Claims 17 and 18 as unpatentable under 35 U.S.C. § 103 over RDSS, Geostar 10-K, Kosaka, Bouchard, and Gray; and

I. Claims 17 and 18 as unpatentable under 35 U.S.C. § 103 over RDSS, Geostar 10-K, Kosaka, Bouchard, and Lewis.

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 2:00 PM ET, on April 10, 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.

cc:

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