

687 F.3d 1266, 103 U.S.P.Q.2d 1425
(Cite as: 687 F.3d 1266)



United States Court of Appeals,
Federal Circuit.
BANCORP SERVICES, L.L.C., Plaintiff–Appellant,
v.
SUN LIFE ASSURANCE COMPANY OF CANA-
DA (U.S.), Defendant–Appellee,
and
Analect LLC, Defendant.

No. 2011–1467.

July 26, 2012.

Rehearing and Rehearing En Banc Denied June 13,
2013.

Background: Suit was brought alleging infringement of patents describing a system for administering and tracking the value of separate-account life insurance policies issued pursuant to corporate owned life insurance (COLI) and bank owned life insurance (BOLI) plans. The district court, [2002 WL 32727071](#), granted summary judgment of invalidity for indefiniteness. Patentee appealed. The Court of Appeals, [359 F.3d 1367](#), reversed. On remand, the district court, [421 F.Supp.2d 1196](#), granted summary judgment of noninfringement. Patentee appealed. The Court of Appeals, [527 F.3d 1330](#), vacated and remanded. On remand, the United States District Court for the Eastern District of Missouri, [Carol E. Jackson, J., 771 F.Supp.2d 1054](#), granted summary judgment of invalidity for defendant, and denied reconsideration, [2011 WL 1599550](#). Plaintiff appealed.

Holdings: The Court of Appeals, [Lourie](#), Circuit Judge, held that:

- (1) asserted dependent system claims required “one or more computers”;
- (2) asserted dependent computer-readable medium

- claims required “one or more computers”;
- (3) independent method claims did not require implementation on computer;
- (4) asserted system and medium claims were no different from asserted method claims for patent eligibility purposes;
- (5) system and method claims were equivalent for purposes of patent eligibility; and
- (6) claims in patents were not patent eligible.

Affirmed.

West Headnotes

[1] Patents 291 324.5

291 Patents

291XII Infringement

291XII(B) Actions

291k324 Appeal

291k324.5 k. Scope and extent of review in general. [Most Cited Cases](#)

Questions about patent-eligible subject matter are reviewed without deference. [35 U.S.C.A. § 101](#).

[2] Patents 291 157(1)

291 Patents

291IX Construction and Operation of Letters Patent

291IX(A) In General

291k157 General Rules of Construction

291k157(1) k. In general. [Most Cited Cases](#)

Claim construction is not an inviolable prerequisite to a validity determination; however, it will ordinarily be desirable, and often necessary, to resolve

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claim construction disputes prior to a validity analysis, for the determination of patent eligibility requires a full understanding of the basic character of the claimed subject matter. [35 U.S.C.A. § 101](#).

[3] Patents 291 🔑324.5

291 Patents

291XII Infringement

291XII(B) Actions

291k324 Appeal

291k324.5 k. Scope and extent of review in general. [Most Cited Cases](#)

Even though a district court declines to construe the patent claims, that does not preclude the Court of Appeals from making that legal determination on appeal; just as a district court may construe the claims in a way that neither party advocates, the Court of Appeals may depart from the district court and adopt a new construction on appeal.

[4] Patents 291 🔑101(2)

291 Patents

291IV Applications and Proceedings Thereon

291k101 Claims

291k101(2) k. Construction in general. [Most Cited Cases](#)

Asserted dependent system claims in patent for administering and tracking the value of life insurance policies in separate accounts required “one or more computers”; plain language of system claims required particular computing devices, such as a “generator,” a “calculator,” and “digital storage,” and specification explained that figure in patent showed “an embodiment of the system of the present invention,” depicting a “computer” and “a central processing unit for a memory subsystem.”

[5] Patents 291 🔑101(2)

291 Patents

291IV Applications and Proceedings Thereon

291k101 Claims

291k101(2) k. Construction in general. [Most Cited Cases](#)

Asserted dependent computer-readable medium claims in patent for administering and tracking the value of life insurance policies in separate accounts required “one or more computers”; specification explained that term “computer readable media” referred generally to “high density removable storage means,” such as a “compact disc.”

[6] Patents 291 🔑101(11)

291 Patents

291IV Applications and Proceedings Thereon

291k101 Claims

291k101(11) k. Process or method claims. [Most Cited Cases](#)

Independent method claims in patent for administering and tracking value of life insurance policies in separate accounts did not require implementation on computer, where each independent method claim was followed by dependent claim requiring that method be “performed by a computer,” claim differentiation doctrine created presumption that independent method claims did not contain that limitation, and patentee did not rebut that presumption with its unpersuasive assertion that computer was “inherent” in independent method claims; although it would have been inefficient to do so, steps in independent claims could have been completed manually.

[7] Patents 291 🔑165(5)

291 Patents

291IX Construction and Operation of Letters Patent

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[291IX\(B\) Limitation of Claims](#)

[291k165 Operation and Effect of Claims in General](#)

[291k165\(5\) k. Construction of particular claims as affected by other claims. **Most Cited Cases**](#)

The presence of a dependent claim that adds a particular limitation raises a presumption under the claim differentiation doctrine that the limitation in question is not found in the independent claim.

[8] Patents 291

[291 Patents](#)

[291I Subjects of Patents](#)

[291k4 Arts](#)

[291k6 k. Principles or laws of nature. **Most Cited Cases**](#)

A process is not unpatentable simply because it contains a law of nature or a mathematical algorithm, and an application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection. [35 U.S.C.A. § 101](#).

[9] Patents 291

[291 Patents](#)

[291I Subjects of Patents](#)

[291k4 Arts](#)

[291k5 k. In general. **Most Cited Cases**](#)

Limiting an abstract idea to one field of use or adding token post-solution components does not make the concept patentable; in other words, a recitation of ineligible subject matter does not become patent-eligible merely by adding the words “apply it.” [35 U.S.C.A. § 101](#).

[10] Patents 291

[291 Patents](#)

[291I Subjects of Patents](#)

[291k4 Arts](#)

[291k7.14 k. Particular processes or methods as constituting invention. **Most Cited Cases**](#)

Asserted system and medium claims in patent for administering and tracking the value of life insurance policies in separate accounts were no different from asserted method claims for patent eligibility purposes, where method claim recited “method for managing a life insurance policy comprising” seven steps, whereas medium claim recited “a computer readable media [sic] for controlling a computer to perform” same seven steps of method claim, repeated word for word. [35 U.S.C.A. § 101](#).

[11] Patents 291

[291 Patents](#)

[291I Subjects of Patents](#)

[291k4 Arts](#)

[291k7.11 k. Use or operation of machine or apparatus as affecting process. **Most Cited Cases**](#)

A machine, system, medium, or the like may in some cases be equivalent to an abstract mental process for purposes of patent ineligibility. [35 U.S.C.A. § 101](#).

[12] Patents 291

[291 Patents](#)

[291I Subjects of Patents](#)

[291k4 Arts](#)

[291k7.14 k. Particular processes or methods as constituting invention. **Most Cited Cases**](#)

System and method claims in patent for administering and tracking the value of life insurance policies in separate accounts were equivalent for purposes of patent eligibility, where method claim claimed “method for managing a life insurance policy,”

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whereas system claim of that patent claimed “a life insurance policy management system,” method claim included step of “generating a life insurance policy,” whereas system claim included “a policy generator for generating a life insurance policy,” and so on; only difference between claims was form in which they were drafted. [35 U.S.C.A. § 101](#).

[13] Patents 291 7.14

291 Patents

291I Subjects of Patents

291k4 Arts

291k7.14 k. Particular processes or methods as constituting invention. [Most Cited Cases](#)

Claims in patent that employed computers to track, reconcile, and administer life insurance policy with stable value component were not patent eligible, since determination of values, and their subsequent manipulation, was matter of mere mathematical computation, using computer merely to perform more efficiently what could otherwise be accomplished manually did not effect transformation, and limiting abstract idea to one field of use or adding token post-solution components did not make concept patentable. [35 U.S.C.A. § 101](#).

[14] Patents 291 7.11

291 Patents

291I Subjects of Patents

291k4 Arts

291k7.11 k. Use or operation of machine or apparatus as affecting process. [Most Cited Cases](#)

The use of a computer in an otherwise patent-ineligible process for no more than its most basic function of making calculations or computations fails to circumvent the prohibition against patenting abstract ideas and mental processes. [35 U.S.C.A. § 101](#).

[15] Patents 291 7.11

291 Patents

291I Subjects of Patents

291k4 Arts

291k7.11 k. Use or operation of machine or apparatus as affecting process. [Most Cited Cases](#)

To salvage an otherwise patent-ineligible process, a computer must be integral to the claimed invention, facilitating the process in a way that a person making calculations or computations could not. [35 U.S.C.A. § 101](#).

[16] Patents 291 7.11

291 Patents

291I Subjects of Patents

291k4 Arts

291k7.11 k. Use or operation of machine or apparatus as affecting process. [Most Cited Cases](#)

The machine-or-transformation test, while not the sole test for deciding whether an invention is a patent-eligible process, remains a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes eligible for a patent. [35 U.S.C.A. § 101](#).

[17] Patents 291 310.7(2)

291 Patents

291XII Infringement

291XII(B) Actions

291k309 Pleading

291k310.7 Plea and Answer

291k310.7(2) k. Mode of pleading. [Most Cited Cases](#)

A competitor's alternative assertion of noninfringement does not detract from its affirmative de-

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fense of patent invalidity, since the Federal Rules of Civil Procedure permit a party to plead in the alternative. [35 U.S.C.A. § 101](#); [Fed.Rules Civ.Proc.Rule 8\(d\)\(3\)](#), [28 U.S.C.A.](#)

Patents [291](#) [328\(2\)](#)

291 Patents

[291XIII](#) Decisions on the Validity, Construction, and Infringement of Particular Patents

[291k328](#) Patents Enumerated

[291k328\(2\)](#) k. Original utility. [Most Cited Cases](#)

[5,926,792](#), [7,249,037](#). Construed and Ruled Invalid.

*[1269](#) [David A. Perlson](#), Quinn Emanuel Urquhart & Sullivan, of San Francisco, CA, argued for plaintiff-appellant. With him on the brief was [Charles K. Verhoeven](#); and [Ian S. Shelton](#), of Los Angeles, CA.

[Matthew B. Lowrie](#), Foley & Lardner, LLP, of Boston, MA, argued for the defendant-appellee. With him on the brief were [Aaron W. Moore](#) and [Kevin M. Littman](#).

Before [LOURIE](#), [PROST](#), and [WALLACH](#), Circuit Judges.

[LOURIE](#), Circuit Judge.

Bancorp Services, L.L.C. (“Bancorp”) appeals from the final decision of the U.S. District Court for the Eastern District of Missouri, which entered summary judgment that the asserted claims of U.S. Patents [5,926,792](#) and [7,249,037](#) (the “[792 patent](#)” and “[037 patent](#)”) are invalid under [35 U.S.C. § 101](#). See *Bancorp Servs., L.L.C. v. Sun Life Assurance Co.*, No. 4:00-cv-1073 (E.D.Mo. May 25, 2011) (Final Judgment), ECF No. 411. We *affirm*.

BACKGROUND

Bancorp owns the ‘792 and ‘037 [patents](#), both entitled “System for Managing a Stable Value Protected Investment Plan.” The patents share a specification and the priority date of September 1996. The ‘792 [patent](#) has been the subject of two prior appeals to this court. See *Metro. Life Ins. Co. v. Bancorp Servs., L.L.C.*, [527 F.3d 1330](#) (Fed.Cir.2008) (vacating summary judgment of noninfringement); *Bancorp Servs., L.L.C. v. Hartford Life Ins. Co.*, [359 F.3d 1367](#) (Fed.Cir.2004) (reversing summary judgment of invalidity for indefiniteness).

As explained in our earlier opinions and in the district court’s opinion now on appeal in this case, the patents’ specification discloses systems and methods for administering and tracking the value of life insurance policies in separate accounts. Separate account policies are issued pursuant to Corporate Owned Life Insurance (“COLI”) and Bank Owned Life Insurance (“BOLI”) plans. Under separate account COLI and BOLI plans the policy owner pays an additional premium beyond that required to fund the death benefit, and specifies the types of assets in which the additional value is invested. Banks and corporations use the policies to insure the lives of their employees and as a means of funding their employees’ post-retirement benefits on a tax-advantaged basis. See *Hartford*, [359 F.3d at 1369](#).

The value of a separate account policy fluctuates with the market value of the underlying investment assets. That poses a problem from an accounting standpoint, as BOLI and COLI plan owners must ordinarily report, on a quarter-to-quarter basis, the value of any policies they own. *Id.* The volatility inherent in short-term market values has made some banks and companies reluctant to purchase these plans. *[1270](#) *Bancorp Servs., L.L.C. v. Sun Life Assurance Co.*, [771 F.Supp.2d 1054](#), [1056](#) (E.D.Mo.2011). Stable value protected investments address that problem by providing a mechanism for stabilizing the reported value of the policies, wherein a third-party guarantor (the “stable value protected

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