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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte DAVID PULLMAN

Appeal 2012-003243
Application 10/159,344
Technology Center 3600

Before: HUBERT C. LORIN, ANTON W. FETTING, and
JOSEPH A. FISCHETTI, *Administrative Patent Judges*.

FISCHETTI, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE[1]

Appellant seeks our review under 35 U.S.C. § 134 from the Examiner's final rejection of claims 1–20. A hearing was held June 6, 2013. We affirm.

[1] The Appellants indicate the inventor, David Pullman, is the real party in interest. (App. Br. 2).

THE CLAIMED INVENTION

Appellant claims a methods and devices for valuing and securitizing intellectual property assets. Spec. para. 1. Claim 1 is illustrative of the claimed subject matter:

> 1. A method for creating a pool of intellectual property assets for securitization comprising the steps of:
>
> identifying rights to each of a plurality of intellectual property assets including a first intellectual property asset and a second intellectual property asset, the rights including first rights corresponding to a first revenue stream and second rights corresponding to a second revenue stream;
>
> identifying revenues in the first revenue stream associated with the first intellectual property asset so as to define first asset first revenues, and revenues in the second revenue stream associated with the first intellectual property asset so as to define first asset second revenues;
>
> identifying revenues in the first revenue stream associated with the second intellectual property asset so as to define second asset first revenues, and revenues in the second revenue stream associated with the second intellectual property asset so as to define second asset second revenues;
>
> selecting, using a processor, at least the first intellectual property asset and the second intellectual property asset from the plurality of the intellectual property assets to form using a calculation in the processor, a pool of intellectual property assets to be securitized, the pool having a first pool revenue stream including the first asset first revenues and the second asset first revenues and a second pool revenue stream including the first asset second revenues and the second asset second revenues, the first and second assets being selected so as to approach a desired ratio between the first pool revenue stream and the second pool revenue stream.

REFERENCES

The prior art relied upon by the Examiner in rejecting the claims on appeal is:

Eisbruck, Jay H., "Moody's Approach to Rating Music Royalty and Intellectual Property-Backed Transactions: There's No Business Like Show Business," Special Report, Moody's Investors Service, July 2, 1999.

Keough, Timothy, WO 02/37367 A1, published May 10, 2002.

Official Notice.

REJECTIONS[2]

The following rejections are before us for review.

The Examiner rejected claims 1–9, 11–17, 19, and 20 under 35 U.S.C. § 103(a) as unpatentable over Eisbruck and Keough.

The Examiner rejected claim 10 under 35 U.S.C. § 103(a) as unpatentable over Eisbruck, Keough, and Official Notice that it was old and well-known in the art of portfolio management to create a portfolio of assets wherein the number of selected assets is between 20 and 500.

The Examiner rejected claim 18 under 35 U.S.C. § 103(a) as unpatentable over Eisbruck, Keough, and Official Notice that it was old and

[2] Should there be further prosecution of this application, the Examiner may wish to consider reviewing the claims for compliance under 35 U.S.C. § 101 in light of the most recent Office guidance on § 101 found in "2014 Interim Guidance on Patent Subject Matter Eligibility," 79 Fed. Reg. 74618 (Dec. 16, 2014), which supplements the "Preliminary Examination Instructions in view of the Supreme Court Decision in *Alice Corporation Pty. Ltd. v. CLS Bank International, et al*.," Memorandum to the Examining Corps, June 25, 2014.

well-known in the art of investment for common long-term investment growth rates to lie between 0% and 20%.

FINDINGS OF FACT

We find the following facts by a preponderance of the evidence.

1. Eisbruck discloses securitization of music assets with asset-backed securities backed by music royalty payment revenues. (Page 2).
2. Eisbruck discloses multiple types of music royalties, such as record sales/master royalties, publishing royalties, "mechanical" royalties, performance/broadcast revenues, and synchronization revenues. (Pages 3 to 6).
3. Eisbruck discloses analyzing future revenues by types of rights as well as particular assets. (Page 6–7).
4. Eisbruck discloses consideration of multiple types of revenue streams, stating:

    > For publishing royalties it is important to separate the information into the different components of revenue (i.e. mechanicals. performance. sync use). Each of these sources is influenced by different factors, so it is important to see the trends in each and the share of the total they comprise. For example, performance revenues tend to be more stable, while sync revenues might be driven by a one-time event like a commercial which may not be repeatable.

    (Page 7).
5. Keough discloses specifying different types of assets in a portfolio based on revenue stream categories, stating:

    > Asset allocations may also be set as relative percentages (10% of the amount of asset $type_1$ that can be bought should be bought as 50% asset $type_2$). The allocations may also be set

> recursively (50% securitized loan (where 50% is domestic and 50% is international), 50% revenue stream (where 50% is international, tax-based, 25% is entertainment-based and 25% is (50% health insurance and 50% malpractice insurance))).

(Page 18).

ANALYSIS

Claims 1–3, 5, and 7–9, and 11

The rejection is affirmed as to claim 1. Appellant does not provide a substantive argument as to the separate patentability of claims 2, 3, 5, 7–9, and 11 that depend from claim 1, which is the sole independent claim among those claims. Therefore, we address only claim 1; claims 2, 3, 5, 7–9, and 11 fall with claim 1. *See*, 37 C.F.R. § 41.37(c)(1)(vii).

The Appellant argues Keough does not disclose the "selecting" limitation of claim 1, because Keough instead discloses "taking a lot of different revenues streams from different assets categories 1 to 13 and combining them whole in different combinations to form a portfolio with a specific ratio." (App. Br. 8–9). In addition, the Appellant argues Eisbruck never teaches the claim language, because instead Eisbruck discloses "amalgamating similar homogeneous assets, i.e. one artist and/or songwriter, not a pool of diversified music, entertainment and other intellectual property assets as claimed." (Reply Br. 4).

We are not persuaded by the Appellant's arguments, which argue alleged shortcomings in individual references, when the rejection is based on a combination of references. Specifically, the obviousness rejection of claim 1 is based on the Eisbruck disclosure of creating securitized assets backed by music revenue streams (FF 1), where each asset may have any of several types of revenue streams (FF 2), where future revenues are analyzed by revenue type (FF 3), and where it is disclosed that the securitization involves separating the "information into the different components of revenue (i.e. mechanicals, performance, sync use)" (FF 4). (Ans. 5–6). Eisbruck discloses considering different revenue streams and "the share of the total they comprise." (FF 4). Furthermore, we are unpersuaded by Appellant's argument that Eisbruck's "amalgamating similar homogeneous assets, i.e. one artist and/or songwriter" does not meet "a pool of diversified music, entertainment and other intellectual property assets as claimed" because it is our understanding that it is possible for a single artist to endeavor into various types of music and medium, e.g., R&B and pop songs on CDs and video. Notwithstanding, claim 1 does not require "a pool of diversified music, entertainment and other intellectual property assets", and thus Appellant's argument fails from the outset because it is not based on limitations appearing in the claims. *In re Self*, 671 F.2d 1344, 1348 (CCPA 1982).

In addition, Keough discloses asset selection considering allocations of revenues based on different rules, encompassing a percentage of revenue from different revenue types (FF 5). (Ans. 8–9). We agree with the Examiner that using the revenue-type-based desired ratio of Keough, in combination with the asset-based securities on music revenue streams in Eisbruck, would have been obvious to one of ordinary skill in the art. It is a small leap from the revenue percentage example in Keough to the claimed method, because the ordinary artisan would recognize a share of the total revenue each type of revenue type represents (FF 4) and the revenue percentages disclosed in Keough (FF 5) would make sense to use as a basis for selecting assets to combine in a pool, so that the "share" and percentages achieve the desired results for the asset pool in terms of revenue expectations. *See KSR Int'l. Co. v. Teleflex Inc*., 550 U.S. 398, 418 (2007) (In making the obviousness determination one "can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.")

Claims 4 and 6

Dependent claim 4 recites "wherein the first revenue stream consists of revenues from one of publishing royalties, mechanical royalties, performance royalties and synchronization royalties, and the second revenue stream consists of revenues from another of the publishing royalties, mechanical royalties, performance royalties and synchronization royalties." Dependent claim 6 recites "wherein the first revenue stream consists of revenues from one of publisher's royalties, writer's share royalties, co-publisher's royalties, record royalties and producer royalties, and the second revenue stream consists of revenue from another of the publisher's royalties, writer's share royalties, co-publisher's royalties, record royalties and producer royalties."

The Appellant argues "Keough does not want or desire to form individual revenue streams from a single asset . . . ." (App. Br. 9–10). We are not persuaded, because Eisbruck discloses *at least "one of"* the claimed types of revenues. (FF 2).

The Appellant also argues Eisbruck "does not disclose any pool with first revenue stream with revenues from one asset in one category and a second revenue stream from the same asset in another category." (Reply Br. 5). We are not persuaded by the Appellant's argument, because Eisbruck discloses each asset may have multiple revenue types. (FF 2).

Claim 12

Dependent claim 12 recites “wherein the first revenue stream and second revenue stream consist of future projected revenues.”

The Appellant argues “Keough does not discuss future projected revenues.” (App. Br. 10). We are not persuaded by the Appellant’s argument, because Eisbruck discloses consideration of future projected revenues. (FF 3).

Claims 13–17[3]

The rejection is affirmed as to claim 13. Appellant does not provide a substantive argument as to the separate patentability of claims 14–17 that depend from claim 13, which is the sole independent claim among those claims. Therefore, we address only claim 13; claims 14–17 fall with claim 13. *See*, 37 C.F.R. § 41.37(c)(1)(vii).

The Appellant argues “[t]here simply is no future royalty stream ratio being a function of two future royalty streams of one asset” in either reference. (App. Br. 10–11). We are not persuaded by this argument, for the same reasons set forth above at claim 1.

The Appellant also argues the combination does not disclose both a desired pool ratio and “a future royalty stream ratio for each of the plurality of intellectual property assets,” as claimed. (Reply Br. 5). We are not persuaded by the argument, because Eisbruck discloses considering all

[3] Though the Appellant denotes claims 15 and 17 as being argued separately, the arguments merely state the claim text and assert that neither reference discloses the claim language. (App. Br. 11–12). The mere existence of differences between the prior art and the claim does not establish nonobviousness. *Dann v. Johnston*, 425 U.S. 219, 230 (1976).

revenue types for each asset (FF 3), and Keough discloses what we infer to be a desired pool ratio (FF 5).

Claim 19

The Appellant argues neither reference "discloses creating a pool as claimed with past royalty data divided into two streams from each asset, and then doing the projection." (App. Br. 12). We are not persuaded by the Appellant's argument, because Eisbruck discloses creating asset pools (FF 1) and multiple revenue streams for each asset (FF 4), and Keough discloses a desired ratio of revenue streams (FF 5).

Claim 20

The Appellant argues the "ratio i[n] Keough is not BETWEEN a sum of the IP royalty streams, but rather lumps the IP royalty streams together in an entertainment group or licensing/branding royalties group." (App. Br. 13). The argument attacks a single reference when the rejection is based on a combination of references. We are unpersuaded by the argument for the same reasons we set forth above at claim 1.

Claim 10

Dependent claim 10 recites "wherein the number of selected intellectual property assets is between 20 and 500." The Examiner finds in Official Notice "it was old and well-known in the art of portfolio management to create a portfolio of assets wherein the number of selected assets is between 20 and 500." (Ans. 16).

The Appellant argues the "Keough disclosure would seem to indicate thousands of assets, and it is respectfully submitted that the limitation of 20 to 500 would not have been obvious. The Office Action reasoning also appears based on hindsight and the applicant's own specification, and not a teaching in the prior art." (App. Br. 13–14). We are not persuaded by the Appellant's argument, because the rejection relies on the undisputed Official Notice, not on Keough.

The Appellant also argues impermissible hindsight and that the motivation to combine is not found in the prior art. (*Id*.). To the extent Appellants seek an explicit suggestion or motivation in the reference itself, this is no longer the law in view of the Supreme Court's recent holding in *KSR Int'l Co. v. Teleflex Inc*., 550 U.S. 398, 419 (2007). In addition, the Federal Circuit has stated that "rejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness." *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006), cited with approval in *KSR*, 550 U.S. at 418. The Examiner, however, articulates reasoning with a rational underpinning, by stating a motivation for the combination in claim 10 as being "in order to facilitate creation of more diversified portfolios, thereby yielding portfolios of more manageable levels of risk." (Ans. 16–17).

Claim 18

Separately rejected claim 18 is not argued with specificity, but only by being grouped with claim 10. (App. Br. 13–14). We affirm the rejection of claim 18 for the same reasons set forth above at claims 1 and 10, because the Examiner articulates a motivation for the combination as being "in order to promote investments in assets that will yield returns that are appealing in light of inflation rates." (Ans. 17).

CONCLUSIONS OF LAW

The Examiner did not err in rejecting claims 1–20 under 35 U.S.C. § 103(a).

DECISION

For the above reasons, the Examiner's rejections of claims 1–20 are AFFIRMED.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a)(1)(iv).

AFFIRMED

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