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UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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*Ex parte* NANCY L. BURCHFIELD and CHESTER M. MAUK

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Appeal 2016-007437<sup>1</sup>  
Application 12/016,280<sup>2</sup>  
Technology Center 3600

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Before ANTON W. FETTING, NINA L. MEDLOCK, and  
JAMES A. WORTH, *Administrative Patent Judges*.

MEDLOCK, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellants appeal under 35 U.S.C. § 134(a) from the Examiner’s final rejection of claims 1–11 and 13–19. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

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<sup>1</sup> Our decision references Appellants’ Appeal Brief (“App. Br.,” filed December 10, 2015) and Reply Brief (“Reply Br.,” filed July 28, 2016), and the Examiner’s Answer (“Ans.,” mailed June 17, 2016) and Final Office Action (“Final Act.,” mailed September 23, 2015).

<sup>2</sup> Appellants identify International Business Machines Corporation as the real party in interest. App. Br. 2.

## CLAIMED INVENTION

Appellants' claimed invention "relates generally to techniques to benchmark the price of computer related services," and, more particularly, to "a technique to accurately benchmark the market price of computer hardware and program support services, network hardware and program support services, and other computer related services" (Spec. ¶ 1).

Claims 1, 15, and 16 are the independent claims on appeal. Claim 1, reproduced below, is illustrative of the claimed subject matter:

1. A process for adjusting a price derived from a benchmark computer service model to a price of a computer service contract, said process comprising:

a computer identifying at least one difference in predefined service definitions between a benchmark computer service model and a computer service contract between a customer and a service provider, wherein the at least one difference affects at least one price of at least one contract service provided by the service provider to the customer under the computer service contract, wherein prices of said benchmark computer service model are based on a pricing standard and said computer service contract contains at least one price for at least one contract service that does not reflect the pricing standard;

the computer determining a price adjustment to at least one price of said benchmark computer service model due to said at least one difference;

the computer comparing the price-adjusted at least one price of said benchmark computer service model to the at least one price for the at least one contract service of said computer service contract; and

the computer modifying said computer service contract by adjusting the at least one price for the at least one contract service of said computer service contract to reflect the price-adjusted at least one price of said benchmark computer service model.

## REJECTION

Claims 1–11 and 13–19 are rejected under 35 U.S.C. § 101 as directed to non-statutory subject matter.

## ANALYSIS

Under 35 U.S.C. § 101, an invention is patent-eligible if it claims a “new and useful process, machine, manufacture, or composition of matter.” 35 U.S.C. § 101. The Supreme Court, however, has long interpreted § 101 to include an implicit exception: “[l]aws of nature, natural phenomena, and abstract ideas” are not patentable. *See, e.g., Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014).

The Supreme Court, in *Alice*, reiterated the two-step framework previously set forth in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012), “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice Corp.*, 134 S. Ct. at 2355. The first step in that analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If the claims are not directed to a patent-ineligible concept, e.g., an abstract idea, the inquiry ends. Otherwise, the inquiry proceeds to the second step where the elements of the claims are considered “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 566 U.S. at 79, 78).

The Court acknowledged in *Mayo*, that “all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena,

or abstract ideas.” *Mayo*, 566 U.S. at 71. Therefore, the Federal Circuit has instructed that claims are to be considered in their entirety to determine “whether their character as a whole is directed to excluded subject matter.” *McRO, Inc. v. Bandai Namco Games Am., Inc.*, 837 F.3d 1299, 1312 (Fed. Cir. 2016) (quoting *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015)).

Here, in rejecting the pending claims under 35 U.S.C. § 101, the Examiner determined that the claims are directed to “the abstract idea of ‘adjusting a price derived from a benchmark computer service model to a price of a computer service contract’” (Final Act. 7), which the Examiner concluded is “similar to the abstract ideas held by the courts to be judicial exceptions” (*id.* at 7–8 (citing *Alice Corp., buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014), and *SmartGene, Inc. v. Advanced Biological Labs, SA*, 555 F. App’x 950 (Fed. Cir. 2014))). The Examiner also determined that the claims do not include additional elements that are sufficient to amount to significantly more than the judicial exception because, *inter alia*, “the computing device as recited is a generic computer component that performs functions (i.e., the ‘identifying,’ ‘determining,’ ‘comparing,’ and ‘modifying’) which are generic computer functions that are well-understood, routine, and conventional activities previously known to the industry” (*id.* at 8).

*Independent Claims 1, 15, and 16 and Dependent Claims 2–10 and 17–19*

Appellants argue claims 1–10 and 15–19 as a group (App. Br. 7–13). We select independent claim 1 as representative. The remaining claims stand or fall with claim 1. *See* 37 C.F.R. §41.37(c)(1)(iv).

Appellants first argue that the “alleged benchmark-based price adjustment abstract idea” is very different from the claims at issue in *Alice Corp.*, *buySAFE*, and *SmartGene*, and that the rejection of claim 1 under § 101 cannot be sustained because “the USPTO has instructed examiners to only find an ‘abstract idea’ when the concept in question parallels one found to be an abstract idea in a court decision” (App. Br. 7–9 (citing the USPTO’s “2014 Interim Guidance on Subject Matter Eligibility,” 79 Fed. Reg. 74618 (Dec. 16, 2014); “July 2015 Update: Subject Matter Eligibility,” 80 Fed. Reg. 45429 (available at <https://www.uspto.gov/sites/default/files/documents/ieg-july-2015-update.pdf>)); *see also* Reply Br. 3–5). Appellants’ argument is not persuasive.

As an initial matter, we note, for the record, that an Examiner’s failure to follow the Director’s guidance is appealable only to the extent that the Examiner has failed to follow the statutes or case law. To the extent the Director’s guidance goes beyond the case law and is more restrictive on the Examiner than the case law, the failure of the Examiner to follow those added restrictions is a matter for petition to the Director. We are aware of no controlling precedent, nor do Appellants identify any controlling case law, that precludes an examiner from finding that a claimed concept is directed to an abstract idea unless it is similar to a concept that a court has previously identified as abstract.

Moreover, and although Appellants argue otherwise, we are not persuaded that the Examiner’s comparison of the present claims to those at issue in *SmartGene* is inapposite. Appellants maintain that, unlike the situation in *SmartGene*, the present claims are not directed to “a mere computer-performed automation” of mental steps (App. Br. 8). Yet, the

Specification explicitly states that the claimed process, i.e., a process for adjusting “a price or cost estimated by a predefined benchmark service model for differences in service type, volume and quality to arrive at a fair benchmark cost or price for a service contract,” can be “implemented entirely by a person or partially by a person and partially by a computer program” (Spec. 5). And the law is clear that a method that can be performed by a human, either mentally or manually, e.g., using pen and paper, is merely an abstract idea and is not patent-eligible under § 101. *See CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1372–73 (Fed. Cir. 2011); *see also Gottschalk v. Benson*, 409 U.S. 63, 67 (1972) (“[p]henomena of nature . . . , mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work.”). Moreover, mental processes remain unpatentable even when automated to reduce the burden on the user of what once could have been done with pen and paper. *CyberSource*, 654 F.3d at 1375 (“That purely mental processes can be unpatentable, even when performed by a computer, was precisely the holding of the Supreme Court in *Gottschalk v. Benson*.”).

We also are not persuaded of Examiner error to the extent that Appellants maintain that the claimed invention is patent-eligible, i.e., that the recited functions of claim 1 are not “well-understood, routine, and conventional activities,” because claim 1 is novel and/or non-obvious in view of the cited prior art (App. Br. 9–13; *see also* Reply Br. 5–9). A finding of novelty or non-obviousness does not automatically lead to the conclusion that the claimed subject matter is patent-eligible. Although the second step in the *Mayo/Alice* framework is termed a search for an

“inventive concept,” the analysis is not an evaluation of novelty or non-obviousness, but rather, a search for “an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”

*Alice Corp.*, 134 S. Ct. at 2355. “Groundbreaking, innovative, or even brilliant discovery does not by itself satisfy the § 101 inquiry.” *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 591 (2013).

A novel and non-obvious claim directed to a purely abstract idea is, nonetheless, patent-ineligible. *See Mayo*, 566 U.S. at 90; *see also Diamond v. Diehr*, 450 U.S. 175, 188–89 (1981) (“The ‘novelty’ of any element or steps in a process, or even of the process itself, is of no relevance in determining whether the subject matter of a claim falls within the § 101 categories of possibly patentable subject matter.”).<sup>3</sup>

Appellants further charge that the Examiner summarily dismissed the claimed features as merely involving a generic computer performing generic computer functions, and argue that this strongly evidences that the Examiner is not interpreting the “inter-related features of Claim 1 ‘as a whole’” (App. Br. 11–12). Yet, we find no indication in the record, nor do Appellants point us to any indication, that the particular operations recited in claim 1 require any specialized computer hardware or other inventive computer components, invoke any assertedly inventive programming, or that the claimed invention

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<sup>3</sup> Contrary to Appellants’ assertion (*see* Reply Br. 9), the fact that the Board, in the previous appeal, reversed the prior art rejection of the pending claims, but did not enter a new ground of rejection under § 101, is not evidence that the claims are patent-eligible. Although the Board has discretion to enter a new ground of rejection for issues not before us (*see* 37 C.F.R. § 41.50(b)), no inference should be drawn when we decline to exercise that discretion.

is implemented using other than generic computer components to perform the claimed method steps, which involve no more than receiving and processing information, i.e., generic computer functions. *See Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1354 (Fed. Cir. 2016) (claims held to be directed to an abstract idea where “[t]he advance they purport to make is a process of gathering and analyzing information of a specified content, then displaying the results, and not any particular assertedly inventive technology for performing those functions.”); *DDR Holdings*, 773 F.3d at 1256 (“After *Alice*, there can remain no doubt: recitation of generic computer limitations does not make an otherwise ineligible claim patent-eligible.”).

Appellants’ argument that claim 1 does not preempt all methods for adjusting a price derived from a benchmark computer service model to a price of a computer service contract (App. Br. 13; *see also* Reply Br. 9–11) is similarly unpersuasive of Examiner error. There is no dispute that the Supreme Court has described “the concern that drives [the exclusion of abstract ideas from patent eligible subject matter] as one of pre-emption.” *Alice Corp.*, 134 S. Ct. at 2354. But characterizing pre-emption as a driving concern for patent eligibility is not the same as characterizing pre-emption as the sole test for patent eligibility. “The Supreme Court has made clear that the principle of preemption is the basis for the judicial exceptions to patentability” and “[f]or this reason, questions on preemption are inherent in and resolved by the § 101 analysis.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015) (citing *Alice Corp.*, 134 S. Ct. at 2354). “[P]reemption may signal patent ineligible subject matter, [but]

the absence of complete preemption does not demonstrate patent eligibility.”  
*Id.*

Responding to the Examiner’s Answer in the Reply Brief, Appellants argue that the claims “advance an improvement in the technical field of providing computer-based services with variable pricing that reflects current market practice” (Reply Br. 5, 11). Yet, it is clear from the Specification, including the claim language, that, rather than addressing a *technical problem*, the method of claim 1 is used to solve the *business problem* of estimating a fair market price for computer-related services to be provided in future years (*see, e.g.*, Spec. 1–2). In fact, Appellants admit as such (*see* Reply Br. 11 (describing the alleged improvement as “a technique for solving a problem of pricing uncertainty for provided future services”)). And, as described above, there is no indication that any specialized computer hardware or other inventive computer components or inventive programming is involved, or that the claimed computer is other than a generic computer used in its normal, expected, and routine manner for receiving and processing data.

We are not persuaded, on the present record, that the Examiner erred in rejecting claim 1 under 35 U.S.C. § 101. Therefore, we sustain the Examiner’s rejection of claim 1 and claims 2–10 and 15–19, which fall with claim 1.

#### *Dependent Claims 11 and 13*

Claim 11 depends from claim 1, and recites that “at least one difference comprises a service constraint in said service contract which is not present in said benchmark service model.” Claim 13 depends from claim 11, and recites that the “service constraint is an obligation in said

service contract to provide a help desk call center at a facility of a customer company with which said service contract is made.”

Appellants argue that the Examiner has provided “no reasons as to why the particular features expressed recited in Claim 11 are deemed to be non-statutory, and has thus failed to meet their [sic] burden of proof in establishing that Claim 11 is non-statutory in view of 35 U.S.C. § 101” (App. Br. 14). That argument is not persuasive.

In addressing the claims in the Final Office Action, the Examiner determined that all of claims 1–11 and 13–19 are directed to the abstract idea of “adjusting a price derived from a benchmark computer service model to a price of a computer service contract” (Final Act. 7). Although Appellants charge that the Examiner failed to address the specific features recited in claims 11 and 13, each of these claims is directed to “adjusting a price derived from a benchmark computer service model to a price of a computer service contract,” and merely further specifies a difference between the benchmark service model and the computer service contract that is identified in implementing the price adjustment. In these circumstances, we decline to find error in the Examiner’s decision not to address each dependent claim and its limitations separately. *See Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat. Ass’n*, 776 F.3d 1343, 1348 (Fed. Cir. 2014) (explaining that when all claims are directed to the same abstract idea, “addressing each claim of the asserted patents [is] unnecessary.”). Aside from arguing that the features of claims 11 and 13 were not specifically addressed (App. Br. 14), and arguing that claim 11 was not rejected based on any known prior art (an argument that is not persuasive for the reasons

outlined above), Appellants present no persuasive argument or technical reasoning to demonstrate that claims 11 and 13 are patent-eligible.

In view of the foregoing, we sustain the Examiner's rejection of claims 11 and 13 under 35 U.S.C. § 103(a).

*Dependent Claim 14*

Claim 14 depends from claim 1, and recites that the "price adjustment is based on incremental cost of labor and tools to account for said differences." Appellants' arguments with respect to claim 14 are substantially identical to Appellants' arguments with respect to claims 11 and 13, and are similarly unpersuasive.

Therefore, we sustain the Examiner's rejection of claim 14 under 35 U.S.C. § 103(a).

DECISION

The Examiner's rejection of claims 1–11 and 13–19 under 35 U.S.C. § 101 is 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