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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex Parte OMAR B. HAKIM and GEORGE POLETES

Appeal 2017-002674
Application 10/890,462
Technology Center 3600

Before MICHAEL J. STRAUSS, BETH Z. SHAW, and
AMBER HAGY, *Administrative Patent Judges*.

SHAW, *Administrative Patent Judge*.

DECISION ON APPEAL¹

STATEMENT OF THE CASE

Appellants² seek our review under 35 U.S.C. § 134(a) of the Examiner's Final Rejection of claims 88–127, which constitute all the claims pending in this application. Claims 1–87 are canceled. We have jurisdiction under 35 U.S.C. § 6(b).

We affirm.

¹ Throughout this Decision we have considered the Appeal Brief filed March 3, 2017 (“App. Br.”), the Specification filed July 12, 2004 (“Spec.”), the Examiner's Answer mailed October 25, 2016 (“Ans.”) and the Final Rejection mailed October 7, 2015 (“Final Act.”).

² Appellants identify the real party in interest as Defensive Patent Pools, LLC. App. Br. 3.

INVENTION

Appellants' invention is directed to "a method for creating value from intangible assets and in particular to a method for producing revenue from underutilized intellectual property, for example, patents, trademarks or copyrights." Spec. ¶ 3.

Claim 88 is illustrative of the claims at issue and reproduced below:

88. A computer-implemented method of pooling patents for reducing, at least one of, litigation exposure and freedom to operate costs, comprising:

executing commands by one or more processor to perform steps including:

obtaining a right in at least one first patent owned by a first entity;

pooling said obtained right in at least one first patent with at least one right obtained in at least a second patent owned by a second entity to form a pool of patents in a related field;

displaying an indication of said pool of patents;

calculating a license fee corresponding to said pool of patents based upon a fixed fee and further based on at least one technology area to be licensed in said pool of patents, wherein said license fee includes no per use based royalty;

storing said license fee on a storage device; and

determining a first royalty payment to the first entity based a first number of patents licensed in the pool of patents; and

determining a second royalty payment to the second entity based a second number of patents in the pool of patents.

REJECTIONS³

The Examiner rejected claims 88–127 under 35 U.S.C. § 112, first paragraph, as failing to comply with the written description rejection. Final Act. 2–4.

The Examiner rejected claims 88–127 under 35 U.S.C. § 101. Final Act. 4–8.

ANALYSIS

We have reviewed Appellants’ arguments in the Brief, the Examiner’s rejections, and the Examiner’s response to the Appellants’ arguments. Appellants do not proffer sufficient argument or evidence for us to find error in the Examiner’s findings. *See Ex parte Frye*, 94 USPQ2d 1072, 1075 (BPAI 2010) (precedential). We agree with and adopt the Examiner’s findings and conclusions in the Final Action and Answer.

We select independent claim 88 as representative. The remaining claims of the group stand or fall with independent claim 88. 37 C.F.R. § 41.37(c)(1)(iv).

Written Description

We are not persuaded that the Examiner erred in rejecting claims 88–127 under 35 U.S.C. § 112, first paragraph for failing to comply with the written description requirement.

The Examiner contends that the Specification does not support the claim limitations of “determining a first royalty payment to the first entity based a first number of patents licensed in the pool of patents; and determining a second royalty payment to the second entity based a second

³ In the Answer, the Examiner withdrew the rejection of claims 88–127 under 35 U.S.C. § 103. Ans. 2.

number of patents in the pool of patents.” Final Act. 3. According to the Examiner, the Specification is deficient because it (i) does not reasonably convey to one skilled in the relevant art that the inventors had possession of the invention including the added limitations, and (ii) “lacks detail regarding the procedure or steps taken to perform the claimed function.” *Id.*, Ans. 3–4.

“[C]ompliance with the written description requirement is a question of fact.” *Hyatt v. Boone*, 146 F.3d 1348, 1352 (Fed. Cir. 1998) (citing *Vas-Cath, Inc. v. Mahurkar*, 935 F.2d 1555, 1563 (Fed. Cir. 1991)).

A written “description must ‘clearly allow persons of ordinary skill in the art to recognize that [the inventor] invented what is claimed.’” *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (en banc) (alteration in original) (quoting *Vas-Cath*, 935 F.2d at 1563). “In other words, the test for sufficiency is whether the disclosure of the application relied upon reasonably conveys to those skilled in the art that the inventor had possession of the claimed subject matter as of the filing date.” *Id.* (citing *Vas-Cath*, 935 F.2d at 1563). “Although [the applicant] does not have to describe exactly the subject matter claimed, . . . the description must clearly allow persons of ordinary skill in the art to recognize that [he or she] invented what is claimed.” *Vas-Cath*, 935 F.2d at 1563 (alteration in original) (quoting *In re Gosteli*, 872 F.2d 1008, 1012 (Fed. Cir. 1989)). Put another way, “the applicant must . . . convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention.” *Vas-Cath*, 935 F.2d at 1563–64.

Appellants argue that the Specification, including paragraphs 46 and 47, supports this limitation because the royalty payments “could be determined.” Br. 14–15. The Examiner responds that whether the royalty

payment “could be determined” is not persuasive because the written description requirement is that one of ordinary skill in the art can reasonably conclude that the inventor had possession of the claimed invention. Ans. 4.

We agree with the Examiner. While paragraph 46 of the Specification generally mentions a “quantity and quality of the patent rights,” the question “is ‘not a question of whether one skilled in the art *might* be able to construct the patentee’s device from the teachings of the disclosure Rather, it is a question whether the application necessarily discloses that particular device.’” *Lockwood v. American Airlines, Inc.*, 107 F.3d 1565, 1572 (Fed. Cir. 1997) (quoting *Jepson v. Coleman*, 314 F.2d 533, 536 (CCPA 1963)). *See also Ariad Pharmaceuticals, Inc. v. Eli Lilly and Co.*, 598 F.3d 1336, 1352 (Fed. Cir. 2010) (“[W]e have repeatedly stated that actual ‘possession’ or reduction to practice outside of the specification is not enough. Rather, . . . it is the specification itself that must demonstrate possession.”). “A description which renders obvious the invention for which an earlier filing date is sought is not sufficient.” *Lockwood*, 107 F.3d at 1572.

Appellants disclose evaluating the quantity and quality of patent rights based on, for example, the “remaining term of patent and breadth of claim coverage.” Spec. ¶ 46. Notably, this reference in the Specification to quantity is with respect to *patent rights*, with the quantity and quality of the patent rights based on patent term and claim coverage, and no mention of numbers of patents in respective pools. Furthermore, Appellants do not address the Examiner’s finding that there is a lack of disclosure concerning how to perform the steps of the disputed limitation. Therefore, given the record before us, and absent persuasive rebuttal, we agree with the Examiner that the Specification does not support “determining a first royalty payment

to the first entity based a first number of patents licensed in the pool of patents; and determining a second royalty payment to the second entity based a second number of patents in the pool of patents.”

Accordingly, we sustain the rejection of claims 88–127 under 35 U.S.C. § 112, first paragraph for failing to comply with the written description requirement.

Section 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 implicit exceptions: “[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) (quoting *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013)). To “distinguish[] patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts,” the Supreme Court, in *Alice*, reiterated the two-step framework previously set forth in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), which, in the first step, considers whether a claim is directed to a patent-ineligible concept, e.g., an abstract idea, and, if so, considers, in the second step, whether the claim recites an inventive concept—an element or combination of elements sufficient to ensure the claim amounts to significantly more than the abstract idea and transform the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (citing *Mayo*, 132 S. Ct. at 1294, 1296–98).

In rejecting claim 88 under 35 U.S.C. § 101 as non-statutory subject

matter, i.e., subject matter judicially excepted from statutory subject matter, the Examiner analyzes the claim using this two-step framework.

Final Act. 4–8; Ans. 5–11. Pursuant to the first step, the Examiner determines the claim is directed to the abstract idea of pooling patents by obtaining rights in them and calculating a fee to derive revenue in the form of determined royalties. Ans. 5. The Examiner further determines the concept of pooling patents is similar to other concepts the courts have held to be abstract ideas, such as creating a contractual relationship and hedging. *Id.* at 5. The Examiner finds the idea encompassed by the claims includes concepts relating to agreements between people, the performance of financial transactions, and creation of contractual relationships similar to the concepts found to be abstract in *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014) and *Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

Under the second step, the Examiner determines the claim does not recite significantly more than the abstract idea because the additional elements, alone or in combination, amount to no more than mere instructions to implement the abstract idea on a computer and/or the recitation of generic computer structure that serves to perform generic computer functions that are well-understood, routine, and conventional activities previously known in the industry. *Id.* at 6–11. The Examiner further determines the claim does not recite an improvement to a technical field or to the underlying apparatus. *Id.* at 8.

As a preliminary matter, we are unpersuaded of error by Appellants' argument that claim 88 would not tie up the abstract idea of patent pooling such that others cannot practice it. Br. 21–22. Even if we were to agree with Appellants that claim 88 recites specific limitations and does not

preempt all uses of the abstract idea, preemption is not the test for determining whether a claim is judicially-excepted from statutory subject matter. *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015) (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exceptions to patentability. For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.” (citation omitted)). Accordingly, we consider Appellants’ arguments under the two-step patent-eligibility analysis.

Pursuant to the first step of the analysis, Appellants argue the Examiner does not refer to case law. Br. 21. Appellants’ arguments do not persuade us of error.

In determining whether a claim is directed to excluded subject matter, e.g., an abstract idea, under the first step of the patent-eligibility analysis, the Federal Circuit has explained that “the ‘directed to’ inquiry applies a stage-one filter to claims, considered in light of the specification, based on whether ‘their character as a whole is directed to excluded subject matter.’” *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335 (Fed. Cir. 2016) (quoting *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346 (Fed. Cir. 2015)). For computer-implemented inventions in particular, such as the present invention, “the first step in the *Alice* inquiry . . . asks whether the focus of the claims is on the specific asserted improvement in computer capabilities . . . or, instead, on a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool.” *Id.* at 1335–36.

Here, claim 88 recites a computer implemented method of pooling patents. The Specification does not describe an improvement to the computer infrastructure, but instead describes a computer system with a

processor “known to those skilled in the art and which are commonly available.” Spec. ¶¶ 39, 40. The claimed invention uses the recited computer infrastructure to perform the steps that provide for pooling patents. The focus of the claimed invention is not on an improvement in computer capabilities, but rather on enhanced patent pooling. Appellants, therefore, do not persuade us of error in the Examiner’s determination that the character of claim 88, as a whole, is directed to the abstract idea of pooling patents.

Seeing no error in the Examiner’s determination that claim 88 is directed to an abstract idea under the first step of the patent-eligibility analysis, we turn to Appellants’ arguments under the second step. Appellants contend claim 88 recites significantly more than the abstract idea because it specifically recites additional elements that are not conventional, i.e., calculating a license fee and royalty payment. Br. 23. We disagree. As set forth above, the Specification does not describe an improvement to the computer infrastructure. In other words, claim 88 recites an improved patent pooling method implemented via computers, but does not recite an improvement to the computer infrastructure that implements the methodology.

Although the second step of the patent-eligibility analysis is termed a search for an “inventive concept,” the analysis is not an evaluation of novelty or nonobviousness, 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*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294). The question in the second step is not whether the claimed invention

is novel, but rather whether the implementation of the abstract idea involves “more than performance of ‘well-understood, routine, [and] conventional activities previously known to the industry.’” *Content Extraction & Transmission LLC v. Wells Fargo Bank, N.A.*, 776 F.3d 1343, 1347–48 (Fed. Cir. 2014) (quoting *Alice*, 134 S. Ct. at 2359). Even if novel and nonobvious, a claim directed to a purely abstract idea is, nonetheless, patent-ineligible. *See Mayo*, 132 S. Ct. at 1303–04. Consequently, even if we were to agree with Appellants that the claim recites a unique patent pooling methodology, the Examiner determines, and Appellants do not refute, that the computer implementation of the claimed methodology requires only computer functions that are well-understood, routine, and conventional.
Ans. 6–8.

As set forth above, the computer systems and components are generic. Spec. ¶¶ 39, 40. As the Supreme Court explained in *Alice*, “the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.” *Alice*, 134 S. Ct. at 2358; *see also DDR Holdings, LLC v. Hotels.com*, 773 F.3d 1245, 1256 (Fed. Cir. 2014) (“[T]hese claims [of prior cases] in substance were directed to nothing more than the performance of an abstract business practice on the Internet or using a conventional computer. Such claims are not patent-eligible.”).

In view of the foregoing, Appellants do not persuade us of error in the Examiner’s determination that independent claim 88 is patent-ineligible, i.e., judicially excepted from statutory subject matter. Accordingly, we sustain the rejection of claims 88–127 under 35 U.S.C. § 101.

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DECISION

The decision of the Examiner to reject claims 88–127 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