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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte S. LEE HANCOCK

Appeal 2017-006003[1]
Application 11/735,421
Technology Center 3600

Before MURRIEL E. CRAWFORD, MICHAEL W. KIM, and PHILIP J. HOFFMANN, *Administrative Patent Judges*.

KIM, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

This is an appeal from the rejection of claims 1–4, 11, 28, 29, 31, 33, 38–40, 49, 65, 68, 74, 81, 84–87, 89, 92–94, 96–100, 103, and 105–108. We have jurisdiction to review the case under 35 U.S.C. §§ 134(a) and 6.

The invention relates generally to "automated Brand-based, pay-per-performance search and advertising systems" (Spec. 17:18–21), and also "providing economic incentive payments to the brandholders based on

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[1] The Appellant identifies WGRS Licensing Company, LLC as the real party in interest. Appeal Br. 2.

revenues derived from the brand name database based on the brandholders' brands" (*id.* at 22:9–13).

Claims 1 and 49 are illustrative:

> 1. A method for protecting and enhancing brand property rights of brandholders in their brands and branded products in connection with providing paid search results by establishing a brand name database comprising a plurality of brands owned or controlled by respective brandholders and brandbidder information of brandbidders seeking to bid for priority placement of the brandbidders' information in paid search results, and a search engine communicating with the brand name database for receiving and responding to brand search requests via a network, the brandbidder information including authorized brandbidder information of brandbidders authorized by the brandholders to bid on the brandholders' brands, the method performed by one or more computer systems programmed to perform the steps of:
>
> receiving, at the one or more computer systems, brandholder requests from brandholder computing devices via the network to link the brandholders with respective brands in the brand name database;
>
> applying business rules of the brand name database using the one or more computer systems to the brandholder requests to link the brandholders with respective brands;
>
> receiving, at the one or more computer systems, a brandbidder request from a brandbidder computing device via the network to have the brandbidder's information associated with a brand in the brand name database such that paid search results responsive to brand search requests including the brand include the brandbidder's information, the brandbidder request including a bid to the search engine offering to pay to have the brandbidder's information included in the paid search results; and
>
> receiving communication from the brandholder linked to the brand, via the one or more computer systems, confirming that the brandbidder qualifies as an authorized brandbidder, the brandholder providing input to the search engine into prioritizing

paid search results including the authorized brandbidder's information that are provided to consumer computing devices in

response to brand search requests including the brand to thereby protect or enhance property rights of the brandholder in the brand in connection with providing the paid search results,

wherein the input provided by the brandholder comprises providing an economic incentive payment to each bid of the authorized brandbidder to effectively increase the bid of the authorized brandbidder to improve ranking of the authorized brandbidder's information relative to brandbidder information of unauthorized brandbidders included in the paid search results.

49. A method for protecting, compensating, and enhancing brand property rights of brandholders in their brands and branded products in connection with providing paid search results from an Internet search engine accessing a computer system configured to operate a brand name database comprising a plurality of brands owned or controlled by respective brandholders, the method performed by one or more computer systems configured to perform the steps of:

receiving, at the one or more computer systems, a brand search request from a computing device of an Internet user via a network, the brand search request including a brand;

searching the brand name database using the one or more computer systems for the brand and brandbidder information of brandbidders who have bid to have their brandbidder information included in paid search results responsive to brand search requests including the brand;

providing paid search results using the one or more computer systems to the Internet user via the network, the paid search results comprising the brandbidder information of the brandbidders who have bid on the brand that are prioritized at least in part based on the different amounts of the bids of the brandbidders; and

providing an economic incentive payment to the brandholder whose brand is included in the brand search request from the search engine via the one or more computer systems to

> compensate the brandholder for its property rights in the brand used in connection with providing the paid search results.

The Examiner rejected claims 1–4, 11, 28, 29, 31, 33, 38–40, 49, 65, 68, 74, 81, 84–87, 89, 92–94, 96–100, 103, and 105–108 under 35 U.S.C. § 101 as directed to ineligible subject matter in the form of abstract ideas.

The Examiner rejected claims 1, 11, 28, 29, 49, 89, 105, and 106 under 35 U.S.C. 103(a) as unpatentable over Tebeau et al. (US 2005/0203762 A1, pub. Sept. 15, 2005) (hereinafter "Tebeau"), Berke (US 6,629,092 B1, iss. Sept. 30, 2003), and Hinson et al. (US 2007/0244797 A1, pub. Oct. 18. 2007) (hereinafter "Hinson").

The Examiner rejected claims 2 and 3 under 35 U.S.C. § 103(a) as unpatentable over Tebeau, Berke, Hinson, and McAuliffe et al. (US 2003/0154127 A1, pub. Aug. 14, 2003) (hereinafter "McAuliffe").

The Examiner rejected claim 4 under 35 U.S.C. § 103(a) as unpatentable over Tebeau, Berke, Hinson, and Loy (US 2002/0120570 A1, pub. Aug. 29, 2002).

The Examiner rejected claims 68, 74, 81, and 84–87[2] under 35 U.S.C. § 103(a) as unpatentable over Tebeau, Berke, and McAuliffe.

The Examiner rejected claims 103, 107, and 108 under 35 U.S.C. § 103(a) as unpatentable over Tebeau, Hinson, McAuliffe, and Loy.

The Examiner rejected claims 31, 33, 65, and 96–100 as unpatentable over Tebeau, Hinson, and Loy.

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[2] Claim 81 depends from claim 28, and claims 84–87 depend from claim 1, both of which were rejected over Tebeau, Berke, and Hinson. *See* Non-Final Act. 9, 14.

The Examiner rejected claims 92–94 under 35 U.S.C. § 103(a) as unpatentable over Tebeau, Hinson, and Koppelman et al. (US 6,662,164 B1, iss. Dec. 9, 2003) (hereinafter "Koppelman").

The Examiner rejected claims 38–40 under 35 U.S.C. § 103(a) as unpatentable over Tebeau, Hinson, and Pisaris-Henderson et al. (US 2004/0133471 A1, pub. July 8, 2004) (hereinafter "Pisaris-Henderson").

The Examiner rejected claim 68, in the alternative, under 35 U.S.C. § 103(a) as unpatentable over Tebeau and Clark (US 6, 351,738 B1, iss. Feb. 26, 2002).

We REVERSE.

ANALYSIS

Rejection Under 35 U.S.C. § 101

Principles of Law

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. *E.g., Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014).

In determining whether a claim falls within the excluded category of abstract ideas, we are guided in our analysis by the Supreme Court's two-step framework, described in *Mayo* and *Alice*. *Id.* at 2355 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1296–97 (2012)). In accordance with that framework, we first determine whether the claim is "directed to" a patent-ineligible abstract idea. *See Alice*, 134 S. Ct. at 2356 ("On their face, the claims before us are drawn to the concept of intermediated settlement, *i.e.*, the use of a third party to mitigate settlement risk."); *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) ("Claims 1 and 4 in petitioners' application explain the basic concept of hedging, or protecting against risk."); *Diamond v. Diehr*, 450 U.S. 175, 184 (1981) ("Analyzing respondents' claims according to the above statements from our cases, we think that a physical and chemical process for molding precision synthetic rubber products falls within the § 101 categories of possibly patentable subject matter."); *Parker v. Flook*, 437 U.S. 584, 594–595 (1978) ("Respondent's application simply provides a new and presumably better method for calculating alarm limit values."); *Gottschalk v. Benson*, 409 U.S. 63, 64 (1972) ("They claimed a method for converting binary-coded decimal (BCD) numerals into pure binary numerals.").

The following method is then used to determine whether what the claim is "directed to" is an abstract idea:

> [T]he decisional mechanism courts now apply is to examine earlier cases in which a similar or parallel descriptive nature can be seen—what prior cases were about, and which way they were decided. *See, e.g., Elec. Power Grp.*, 830 F.3d at 1353–54. That is the classic common law methodology for creating law when a single governing definitional context is not available. *See generally* Karl N. Llewellyn, The Common Law Tradition: Deciding Appeals (1960). This more flexible approach is also the approach employed by the Supreme Court. *See Alice*, 134 S. Ct. at 2355–57. We shall follow that approach here.

Amdocs (Israel) Limited v. Openet Telecom, Inc., 841 F.3d 1288, 1294 (Fed. Cir. 2016) (footnote omitted).

The patent-ineligible end of the spectrum includes fundamental economic practices, *Alice*, 134 S. Ct. at 2357; *Bilski*, 561 U.S. at 611; mathematical formulas, *Flook*, 437 U.S. at 594–95; and basic tools of scientific and technological work, *Benson*, 409 U.S. at 69. On the patent-eligible side of the spectrum are physical and chemical processes, such as curing rubber, *Diamond*, 450 U.S. at 184 n.7, "tanning, dyeing, making waterproof cloth, vulcanizing India rubber, smelting ores," and a process for manufacturing flour, *Gottschalk*, 409 U.S. at 67.

If the claim is "directed to" a patent-ineligible abstract idea, we then consider the elements of the claim—both individually and as an ordered combination—to assess whether the additional elements transform the nature of the claim into a patent-eligible application of the abstract idea. *Alice*, 134 S. Ct. at 2355. This is a search for an "inventive concept"—an element or combination of elements sufficient to ensure that the claim amounts to "significantly more" than the abstract idea itself. *Id.*

<u>*Analysis*</u>

The Examiner finds:

> the claims are directed towards the concept of receiving brandholders requests from brandholders, applying business rules of the brandname database to link the brandholders with respective brands, receiving communication confirming that brandbidder qualifies as an authorized brandbidder, the brandholder providing input to the search engine into prioritizing paid search results including the authorized brandbidder's information, wherein the input provided by the brandholders comprises providing an economic incentive payment to each bid of the authorized brandbidder to effectively increase the bid of the authorized brandbidder to improve ranking of the authorized brandbidder's information relative to brandbidder information of unauthorized brandbidder in the paid search results.

Non-Final Act. 8. The Examiner also finds this "is considered a fundamental economic practice and requir[es] no more than a generic computer to perform generic computer functions that are well-understood, routine and conventional activities previously known to the industry." *Id.*

The Examiner essentially has directly quoted claim language, after removing references to computers and computer operations, and asserted that the filtered claim language of just under 100 words, that the claim is allegedly "directed to," is a fundamental economic practice.

As an initial matter, merely quoting claim language and removing computer references does not substantively distill the claim into what it is directed to, because it merely repeats claim language without interpreting what concept the claim embodies.

In addition, we note that a significant element, in what the Examiner says all claims are directed to, appears to be enabling a brandholder to provide "an economic incentive payment to each bid of the authorized brandbidder to effectively increase the bid of the authorized brandbidder to improve ranking . . . in the paid search results." This concept is recited in independent claims 1, 28, and 65.

However, independent claims 49 and 68 do *not* include this concept or language. Instead, claim 49 recites "providing an economic incentive payment to the brandholder whose brand is included in the brand search request from the search engine via the one or more computer systems to compensate the brandholder for its property rights in the brand," and claim 68 recites "apply a portion of revenues derived by the search engine from the brand search request to an account of the brandholder that owns or controls the brand as an economic incentive payment to compensate the brandholder for its property rights in the brand." The Examiner, thus, does not address the actual language or concepts set forth in claims 49 and 68, or the claims that depend from them. The Examiner's rejection of claims 49, 68, 74, and 98–100 under 35 U.S.C. § 101 is, therefore, defective for at least this reason.

Returning to claims 1, 28, and 65, we characterize these claims as describing the co-operative advertising model, where the cost of advertising between a retailer and a manufacturer, for instance, is shared, and applying it to paid search results auctions for prioritizing search result placement. *See, for example,* L. Percy, *Strategic Integrated Marketing Communications*, Oxford, Butterworth-Heinemann, 2008 ed., pp. 164–65. Here, the paid search result placement operates as an advertisement, similar to print ads in co-operative advertising or other media in Percy's description of "tactical marketing." However, we are unable to determine from the Examiner's analysis whether this concept is a fundamental economic practice.

The Examiner finds "Applicant's claims resemble a financial management scheme with merely generic computer implementation, which better aligns with a fundamental economic practice such as those recently found ineligible by the courts, including the hedging scheme in Bilski and the settlement scheme in Alice." Answer 5. We do not discern "financial management" actions in the claimed invention, but instead interpret the claims to be directed to ways of either sharing and increasing payment for search result placement, or compensating a brandholder because of the ownership of a brand. We, therefore, are unable to agree that the Examiner has adequately found the concept, that the claims are directed to, is similar to others found to be directed to abstract ideas by our reviewing courts.

We are further, and independently, persuaded by the Appellant's argument that in the analysis that looks for an "inventive concept" or "something more," the Examiner has failed to consider "an economic incentive payment to each bid of the authorized brandbidder to effectively increase the bid of the authorized brandbidder to improve ranking . . . in the paid search results." Reply Br. 6–7. As alluded to by the Appellant, the foregoing is not subsumed within the co-operative advertising model to which claims 1, 28, and 65 are directed, and, thus, we are persuaded should be treated as additional elements.

When considering the claims as a whole and an ordered combination, to determine if the claim recites an inventive concept, the Examiner has focused on the computer functions recited by the claims, which are found to "requir[e] no more than a generic computer to perform generic computer functions that are well-understood, routine and conventional activities previously known to the industry." Non-Final Act. 8. The Examiner has not articulated, or advanced evidence supporting, that the concepts of sharing and increasing payment for search result placement, or compensating a brandholder because of the ownership of a brand, as variously recited in either of the two sets of independent claims, are well-understood, routine, and conventional practices in our system of commerce. For at least this reason, we do not sustain the Examiner's rejection of claims 1, 28, 49, 65, and 68 under 35 U.S.C. § 101, nor of the claims that depend from these independent claims. *See Berkheimer v. HP Inc.,* 881 F.3d 1360, 1368 (Fed. Cit. 2018).

Obviousness Rejection of Claims 1, 11, 28, 29, 49, 89, 105, and 106

In rejecting independent claims 1, 28, and 49, the Examiner finds Hinson, at paragraphs 23, 32–41, and 44, discloses brandholder payments to increase the bid of an authorized brandbidder to prioritize higher that brandbidder's search results. Non-Final Act. 10.

As an initial matter, because claim 49 does not recite language substantially equivalent to this language, as we set forth above, the Examiner has failed to adequately support the rejection as to claim 49 and claims that depend from, and were rejected along with, claim 49. We are, thus, in agreement with the Appellant that the Examiner's rejection fails to recite this claim element. Appeal Br. 40 ("the Hinson reference fails to teach or suggest anything about providing an economic inventive payment to an authorized brandbidder").

We are also in agreement with the Appellant that "the Hinson reference also fails to disclose, teach, or suggest providing payments to effectively increase the bid of the authorized brandbidder to improve ranking of the authorized brandbidder's information relative to brandbidder information of unauthorized brandbidders included in the paid search results." *Id.* 42 (emphasis omitted). We are persuaded by each of the Appellant's argument that, at the cited paragraphs,

> the Hinson auction system has nothing to do with Internet search results and, in fact, fails to teach or suggest increasing prices to increase priority – but rather teaches the opposite – to lower the price of the vehicle to increase the possibility that the customer will purchase the vehicle from the local dealer

(*id.* 38) and "each dealer simply submits a price for a vehicle specified by the potential customer and all prices are presented to the individual customer" (*id.* 39). Hinson's reverse auction to sell a car does not disclose a car manufacturer or similar party, for example, improving a bid of a dealer to sell a car, or a readily identifiable concept analogous to the claimed limitation at issue.

We, therefore, do not sustain the rejection of claims 1, 28, and 49 under 35 U.S.C. § 103(a), because the Examiner has failed to demonstrate adequately that Hinson discloses a brandholder payment to increase a brandbidder's bid to improve search result placement, as recited in claims 1 and 28, or compensating a brandholder, as recited in claim 49. We also do not sustain the rejection of claims 11, 29, 89, 105, and 106 that depend from either claim 1 or 28, and were rejected along with claims 1 and 28.

Obviousness Rejection of Claim 65

The Examiner finds that Hinson, at paragraphs 23 and 32–34, discloses "economic incentive payments . . . to facilitate the authorized brandbidders bidding higher than unauthorized brandbidders and thereby having the authorized brandbidders' information prioritized higher than the others brandbidders in the paid search results," and that Loy discloses, at paragraphs 11, 15, 42, and 47, "rules to determine economic incentive payments provided from brandholders to their authorized buyer (i.e. brandbidders)." Non-Final Act. 20 (emphasis omitted).

We are persuaded by the Appellant's argument that "the Hinson reference fails to teach or suggest anything about providing an economic inventive payment to an authorized brandbidder" (Appeal Br. 40), for the same reasons we set forth above.

We are also persuaded by the Appellant's argument that in Loy "there is no teaching or suggestion of economic incentive payments provided from Brandholders to their authorized Brandbidders to facilitate the authorized Brandbidders bidding higher than unauthorized Brandbidders and thereby having the authorized Brandbidders' information prioritized higher than the unauthorized Brandbidders in the Paid Search results." *Id.* 48.

Loy discloses a clearinghouse for payment and receivables information (Loy ¶ 11), offering financing and factoring (*id.* ¶ 15), reports (*id.* ¶ 42), and a web page for trading receivables (*id.* ¶ 47), but fails to address payments to increase a bid for search results placement from a party other than the bidder, substantially as claimed.

The Examiner, thus, fails to support adequately that either of Hinson or Loy discloses the providing of an incentive payment from a brandholder to increase a bid of a brandbidder for search results placement. For this reason we do not sustain the rejection of claim 65 under 35 U.S.C. § 103(a).

Obviousness Rejection of Claim 68 over Tebeau, Berke, and McAuliffe

In this rejection of independent claim 68, the Examiner finds McAuliffe discloses, at paragraph 36, that "an economic incentive payment to the brandholder (manufacture) is based at least in part on volume of sales of the brandholder's product." Non-Final Act. 14 (emphasis omitted).

The Appellant argues that McAuliffe discloses compensation to manufacturers for the resale of their products through non-manufacturer channels, which has nothing to do with internet searches, and, thus, does not disclose compensating brandholders for revenue from paid search results utilizing their brands. Appeal Br. 45–46. We find no direct response to this argument articulated by the Examiner.

The cited portion of McAuliffe discloses:

> The detecting of the incentive programs and other search functions may, in some embodiments, be performed by a search engine that may be associated with a particular data base program that may be utilized to store the transaction or other data. In other

> embodiments, a specialized search engine may be utilized for this purpose.

McAuliffe ¶ 36 (emphasis added).

McAuliffe, at the cited location, does not discuss paying a manufacturer based on a volume of sales, as asserted by the Examiner.

For this reason, the Examiner has not supported adequately that McAuliffe discloses the claim elements, as asserted. For this reason, we do not sustain the rejection of claim 68 under 35 U.S.C. § 103(a).

Obviousness Rejection of Claim 68 over Tebeau and Clark

We are persuaded by the Appellant's argument that Clark does not "provide any additional teaching or suggestion of the features discussed above that may be properly combined with the Tebeau and/or references to render the present claims obvious." Appeal Br. 49.

The Examiner finds Clark, rather than Tebeau, discloses

> providing an economic incentive payment (see at least column 3, lined 30–42, column 8, lines 10–30); [and] tracking to apply a portion of revenue derived from the brand to an account of the brandholder that owns or controls the brand as an economic incentive payment to compensate the brandholder for its property rights in the brand (see at least column 8, lines 18–33).

Non-Final Act. 23.

Clark discloses, at the cited sections, a "collective business system" that includes a "for-profit business entity which can assign geographic territories of operation to its participants" (Clark col. 3, lines 30–42), and that franchisees pay franchisors for goods and services purchased (*id.* col. 8, lines 10–33). Neither section meets the claim language, i.e., compensating a brandholder for its rights in the brand, because the aforementioned portion of Clark instead discloses compensating the brandholder for goods and services sold.

The Examiner, thus, fails to support adequately the obviousness rejection of claim 68 over Tebeau and Clark. For this reason, we do not sustain this rejection of claim 68.

Obviousness Rejections of Claims 2–4, 31, 33, 38–40, 65, 74, 81, 84–87, 92–94, and 96–100

The Examiner has not established on the record that any of the McAuliffe, Loy, Koppelman, or Pisaris-Henderson references remedy the shortcomings identified in the rejections of independent claims. For this reason, we do not sustain the rejections of claims that depend from the independent claims which were rejected under 35 U.S.C. § 103(a) over any of these additional references.

DECISION

We REVERSE the rejection under 35 U.S.C. § 101.

We REVERSE the rejections under 35 U.S.C. § 103(a).

REVERSED