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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte BRYAN SCHWAB

Appeal 2017-009333¹
Application 13/540,526²
Technology Center 3600

Before BRADLEY B. BAYAT, TARA L. HUTCHINGS, and
ROBERT J. SILVERMAN, *Administrative Patent Judges*.

HUTCHINGS, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellant appeals under 35 U.S.C. § 134(a) from the Examiner’s final rejection of claims 1, 3–7, 9–12, 14–18, and 20–24. An oral hearing was held on July 12, 2019. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM.

¹ Our decision references Appellant’s Appeal Brief (“App. Br.,” filed Nov. 16, 2016) and Reply Brief (“Reply Br.,” filed June 21, 2017), and the Examiner’s Answer (“Ans.,” mailed April 21, 2017) and Final Office Action (“Final Act.,” mailed June 16, 2016).

² Appellant identifies Kabam, Inc. as the real party in interest. App. Br. 2.

CLAIMED INVENTION

Appellant's claimed invention "relates to providing dynamic offers for virtual goods based on dynamic parameters." Spec. ¶ 1.

Claims 1 and 12 are the independent claims on appeal. Claim 12, reproduced below with bracketed notations added, is illustrative of the claimed subject matter:

12. A method for providing dynamic offers for virtual goods based on dynamic parameters, the method being implemented by one or more physical computer processors configured by machine-readable instructions, the method comprising:

[(a)] executing, by the one or more physical computer processors, an instance of an online game that takes place in a virtual space and using the instance to generate state information that is transmitted over a network to client computing platforms associated with users, wherein the transmission of the state information over the network facilitates presentation of views of the virtual space to the users;

[(b)] implementing, by the one or more physical computer processors, the instance of the online game to facilitate interaction of the users with the online game via the client computing platforms;

[(c)] determining using the one or more physical computer processors one or more dynamic parameters including a spend velocity associated with one or both of a user or a client computing platform associated with the user;

[(d)] determining, using the one or more physical computer processors, one or more offers to sell virtual goods usable in the online game available to the user, wherein the virtual goods provide a functional benefit during play in the online game, a given offer being determined based on the one or more dynamic parameters, including at least the spend velocity, and having a user cost being an amount of virtual currency;

[(e)] receiving, by the one or more physical processors, a request over the network from the client computing platform associated with the user to view an offer interface including the one or more determined offers;

[(f)] determining, responsive to receiving the request to view the offer interface including the one or more determined offers, a purchase price associated with individual ones of the one or more offers, a given purchase price being determined based on at least the spend velocity; and

[(g)] providing, using the one or more physical computer processors, the offer interface for presentation to a user, the offer interface including one or more of (1) an offer field conveying information associated with individual ones of the one or more offers available to the user, (2) a price field conveying information associated with the purchase price associated with individual ones of the one or more offers to purchase virtual goods available to the user, or (3) a payment field conveying information associated with a payment method associated with individual ones of the one or more offers available to the user.

REJECTIONS

Claims 1, 3–7, 9–12, 14–18, and 20–24 are rejected under 35 U.S.C. § 101 as directed to a judicial exception without significantly more.

Claims 1, 3–7, 9–12, 14–18, and 20–24 are rejected under 35 U.S.C. § 103(a) as unpatentable over Roeding (US 2011/0029364 A1, pub. Feb. 3, 2011), Lutnick (US 2011/0065490 A1, pub. Mar. 17, 2011), Hirson (US 2011/0082772 A1, pub. Apr. 7, 2011), and Alfonso (2011/0106607 A1, pub. May 5, 2011).^{3,4}

³ We treat the Examiner's identification of canceled claims 8, 13, and 19 among the claims subject to rejection as inadvertent. *See* Final Act. 10.

⁴ We treat the Examiner's omission of Alfonso from the rejection heading at page 10 of the Final Action as inadvertent in light of the Examiner's reliance upon this reference in the analysis portion of the rejection. *See* Final Act. 12, 17; *see also* Ans. 4.

ANALYSIS

Patent-Ineligible Subject Matter

Appellant argues the pending claims as a group. App. Br. 7–21; *see also* Reply Br. 3–9. We select independent claim 12 as representative. The remaining claims stand or fall with claim 12. *See* 37 C.F.R. § 41.37(c)(1)(iv).

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. *Alice Corp. v. CLS Bank Int’l*, 573 U.S. 208, 216 (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.*, 573 U.S. at 217. The first step in that analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* (citation omitted). 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). This is “a search for an ‘inventive concept’ — *i.e.*, 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.” *Id.* at 217–18 (alteration in original).

The USPTO recently published revised guidance on the application of § 101. 2019 REVISED PATENT SUBJECT MATTER ELIGIBILITY GUIDANCE, 84 Fed. Reg. 50 (Jan. 7, 2019) (“Revised Guidance”).⁵ That guidance revised the USPTO’s examination procedure with respect to the first step of the *Mayo/Alice* framework such that a claim will generally be considered directed to an abstract idea if (1) the claim recites subject matter falling within one of the following groupings of abstract ideas: (a) mathematical concepts; (b) certain methods of organizing human activity, e.g., a fundamental economic principle or practice, a commercial or legal interaction; and (c) mental processes (“Step 2A, Prong One”), and (2) the claim does not integrate the abstract idea into a practical application, i.e., apply, rely on, or use the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception (“Step 2A, Prong Two”). *See* Revised Guidance 54–55. The Revised Guidance references MANUAL OF PATENT EXAMINING PROCEDURE (“MPEP”) §§ 2106.05(a)–(c) and (e)–(h) in describing the considerations that are indicative that an additional element or combination of elements integrates the judicial exception, e.g., the abstract idea, into a practical application. *Id.* at 55. If the recited judicial exception is integrated into a practical

⁵ The Revised Guidance is effective as of January 7, 2019, and applies to all applications, and to all patents resulting from applications, filed before, on, or after January 7, 2019.

application, as determined under one or more of these MPEP sections, the claim is not “directed to” the judicial exception.

Only if the claim (1) recites a judicial exception and (2) does not integrate that exception into a practical application do we then look to whether the claim “[a]dds a specific limitation or combination of limitations” that is not “well-understood, routine, conventional activity in the field” or simply “appends well-understood, routine, conventional activities previously known to the industry, specified at a high level of generality, to the judicial exception” (“Step 2B”). *Id.* at 56. With the legal principles outlined above, and the 2019 Revised Guidance in mind, we turn to the Examiner’s § 101 rejection.

In rejecting the pending claims under 35 U.S.C. § 101, the Examiner determined that the claims are directed to distributing advertising by collecting, comparing, transmitting, and displaying data which the Examiner characterized as a method of organizing human activity and, thus, an abstract idea. Final Act. 7–8. The Examiner further determined that the claims do not recite additional elements that are sufficient to amount to significantly more than the judicial exception. *Id.* at 7–9.

In so doing, the Examiner notified Appellant of the reasons for the rejection under 35 U.S.C. § 101 in a sufficiently articulate and informative manner as to meet the notice requirement of 35 U.S.C. § 132, thereby establishing a prima facie case of patent ineligibility. *See In re Jung*, 637 F.3d 1356, 1363 (Fed. Cir. 2011) (holding that the USPTO carries its procedural burden of establishing a prima facie case when its rejection satisfies the notice requirements of 35 U.S.C. § 132 by notifying the applicant of the reasons for the rejection, “together with such information

and references as may be useful in judging the propriety of continuing prosecution”). Therefore, we are unpersuaded by Appellant’s argument (App. Br. 11–13, 16–17) that the Examiner has not met the burden of establishing a rejection under 35 U.S.C. § 101.

Judicial Exception: Step One of the Mayo/Alice Framework; Step 2A, Prong 1 of the 2019 Revised Guidance

Appellant’s Specification describes that known approaches for providing offers for virtual goods within virtual spaces typically present the same prices and offer packages to every user (i.e., static offers). Spec. ¶ 2. To overcome this shortcoming, the present invention provides dynamic offers for virtual goods based on dynamic parameters, such as payment history and spend velocity. *Id.* ¶¶ 3, 5. “[O]ffers for virtual goods may be dynamic in that the offers themselves, offer prices, and/or payment methods for offers may be different for different users and/or at different times.” *Id.* ¶ 18. “By making offers dynamic, slow spenders may be enticed to make more frequent purchases.” *Id.* ¶¶ 3, 18.

Appellant’s claim 12 recites a method for “providing dynamic offers for virtual goods based on dynamic parameters.” The method recites the following steps:

[(c)] determining . . . one or more dynamic parameters value, including a spend velocity;

[(d)] determining . . . one or more offers to sell virtual goods usable in the [] game available to the user, wherein the [] goods provide a functional benefit during play in the [] game, a given offer being determined based on the one or more dynamic parameters, including at least the spend velocity, and having a user cost being an amount of virtual currency;

[(e)] receiving . . . a request . . . associated with the user to view . . . the one or more determined offers;

[(f)] determining, responsive to receiving the request to view the . . . one or more determined offers, a purchase price associated with individual ones of the one or more offers, a given purchase price being determined based on at least the spend velocity; and

[(g)] providing . . . for presentation to a user . . . one or more of (1) an offer field conveying information associated with individual ones of the one or more offers available to the user, (2) a price field conveying information associated with the purchase price associated with individual ones of the one or more offers to purchase virtual goods available to the user, or (3) a payment field conveying information associated with a payment method associated with individual ones of the one or more offers available to the user.

When given their broadest reasonable interpretation, limitations (c) through (e) recite steps for providing an offer, i.e., a commercial interaction, which is a certain method of organizing human activity, and, therefore, an abstract idea. *See* 2019 Revised Guidance 52 (commercial interactions include “advertising, marketing or sales activities or behaviors”). The Federal Circuit has held similar concepts, such as tailoring information presented to a user and targeting advertisements to certain customers, to be abstract. *See, e.g., Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1370 (Fed. Cir. 2015) (tailoring information presented to a user based on particular information); *Affinity Labs of Texas, LLC v. Amazon.com, Inc.*, 838 F.3d 1266, 1271 (Fed. Cir. 2016) (customizing a user interface to have targeted advertising based on user information); *Morsa v. Facebook, Inc.*, 77 F. Supp. 3d 1007, 1013 (C.D. Cal. 2014) (concluding that targeting advertisements to certain consumers is no more than an abstract idea), *aff’d*, 622 F. App’x 915 (Fed. Cir. 2015).

Accordingly, we are not persuaded of Examiner error at Step 2A, Prong 1 of the 2019 Revised Guidance. *See* App. Br. 11–14 (asserting that

the Examiner does not establish that claim 12 is similar to any concept held by the courts to be abstract, overgeneralizes the claim, and fails to consider its character as a whole).

Practical Application: Step One of the Mayo/Alice Framework; Step 2A, Prong 2 of the 2019 Revised Guidance

Having concluded that claim 12 recites a judicial exception, i.e., an abstract idea, we next consider whether the claim recites additional elements, considered individually and in combination, that integrate the judicial exception into a practical application. *See Revised Guidance 54–55.* Here, the additional elements recited in claim 12, beyond the abstract idea, include limitations (a) and (b). Limitations (a) and (b) recite

[(a)] executing, by the one or more physical computer processors, an instance of an online game that takes place in a virtual space and using the instance to generate state information that is transmitted over a network to client computing platforms associated with users, wherein the transmission of the state information over the network facilitates presentation of views of the virtual space to the users; [and]

[(b)] implementing, by the one or more physical computer processors, the instance of the online game to facilitate interaction of the users with the online game via the client computing platforms[.]

These limitations link use of the abstract idea to a particular technological environment or field of use, namely an instance of an online game that takes place in a virtual space. *See, e.g., Spec. ¶¶ 20–25* (describing instance of virtual space).

Claim 12 also additionally recites “one or more physical computer processors” (limitations (a)–(e), (g)); “an instance” (limitations (a), (b)); “an online game” (limitations (a), (b), (d)); “virtual space” (limitation (a)); “state information” (limitation (a)); “a network” (limitations (a), (e)); “client

computing platforms” (limitations (a)–(c), (e)); and “an offer interface” (limitations (e)–(g)). The Specification, however, describes each of these elements broadly and at a high level of generality. *See, e.g.*, Spec. ¶¶ 18, 20–25, 39, 40, 42–45, 47. At best, these elements call for the abstract idea to be implemented using computers as tools, and links the abstract idea to a particular technological environment. Evaluating claim 12 as a whole, we are not persuaded that any of the additional elements recited in the claim beyond the abstract idea, considered individually and as an ordered combination, integrate the abstract idea into a practical application.

Appellant argues that claim 12 is directed toward an improvement in computer-related technology and addresses a challenge unique to online gaming, analogous to the claims at issue in *McRO, Inc. v. Bandai Namco Games Am., Inc.*, 837 F.3d 1299 (Fed. Cir. 2016) and also to hypothetical claim 1 in USPTO Example 23.⁶ App. Br. 14–15. In particular, Appellant contends that because “some users [are] more engaged in [an] online game than others,” conventional static offers (i.e., offers that are the same for all users) for virtual goods that provide an advantage within an online game “may not be a successful way to encourage users to make purchases.” *Id.* at 14. Current user parameters may not accurately represent the player’s engagement within the online game or the rate at which the player will likely spend in the game (spend velocity), indicating prices a customer may be accustomed to paying. *Id.* Appellant’s claimed invention incentivizes different users “to purchase [] one or more offers at a purchase price that

⁶ July 2015 Update Appendix 1: Examples, *available at* <https://www.uspto.gov/sites/default/files/documents/ieg-july-2015-app1.pdf>.

maximizes potential revenue as well as incentivizes all types of users to make purchases[,] because the offers are determined based on dynamic parameters associated with the user and the price is determined based on the user's spend velocity." *Id.* at 15; *see also id.* at 20–21, alleging that claim 12

address[es] a problem typical to online gaming in which determining offers and/or prices for offers based on standard metrics, and/or providing offers having static prices fails to incentivize users to make purchases while taking advantage of the maximum available revenue. The solution described by the present application improves online gaming technology by enabling game providers to determine prices associated with offers that cater to specific users.

However, we are not persuaded that successfully incentivizing users to make purchases and to maximize revenue is a technological problem unique to online gaming, rather than a business challenge. Encouraging sales and increasing revenue are long-standing and ubiquitous business challenges. We also are not persuaded that determining a dynamic offer based on a dynamic parameter and a price based on a user's spend velocity is an improvement in computer-related technology or a solution necessarily rooted in computer technology, instead of an improvement to the abstract idea. We find no parallel between Appellant's claim 12 and the claims at issue in *McRO* involving an improvement to 3-D computer animation technology, nor to hypothetical claim 1 of Example 23, which involved an improvement in graphical user interface technology by reformatting and relocating textual information that it becomes obscured by overlapping windows.

We also are not persuaded by Appellant's preemption argument. App. Br. 15. 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*, 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.*

We conclude, for the reasons outlined above, that claim 12 recites a method of organizing human activity, i.e., an abstract idea, and we are not persuaded that the additional elements are more than generic computer components used to implement the abstract idea, and generally link the abstract idea to a particular technological environment or field of use. For example, we find no indication that one or more additional elements reflects an improvement in the functioning of a computer, or an improvement to other technology or technical field; requires any specialized computer hardware or other inventive computer components, i.e., a particular machine; or effects a transformation or reduction of a particular article to a different state or thing. Therefore, we are not persuaded that the Examiner erred at Step 2A, Prong 2 in determining that the additional elements do not integrate the recited abstract idea into a practical application (Step 2A, Prong Two of the 2019 Revised Guidance).

Inventive Concept: Step Two of the Mayo/Alice Framework (Step 2A, Prong 1 of the 2019 Revised Guidance)

Having determined under step one of the *Mayo/Alice* framework that claim 12 is directed to an abstract idea, we next consider under Step 2B of the 2019 Revised Guidance, the second step of the *Mayo/Alice* framework — whether claim 12 recites additional elements that provide an inventive concept (i.e., whether the additional elements amount to significantly more than the judicial exception itself).

Appellant asserts that claim 12 is similar to the claims at issue in *BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016) because “the additional limitations, considered collectively, describe a specific and discrete implementation of distributing advertising and/or collecting, comparing, transmitting, and displaying data.” App. Br. 18. Appellant acknowledges that the limitations individually may be routine in the art. *Id.* at 18–19. However, Appellant contends that the ordered combination of limitations (d) through (f) of claim 12, i.e.,

determining one or more offers to sell virtual goods based on dynamic parameters associated with a user and/or a client computing platform associated with the user, determining a purchase price associated with one or more of the offers based on at least a spend velocity associated with the user and/or the client computing platform associated with the user, such that the purchase price is determined responsive to receiving a request to view the offer interface including the determined offers (e.g., a real-time and/or near real-time price determination), amounts to a technical improvement over prior ways of distributing advertising and/or collecting, comparing, transmitting, and displaying data (as further set forth in step 2A).

Id. at 19. However, the relevant question at step two of the *Mayo/Alice* framework is whether the additional elements amount to significantly more

than the abstract idea, not whether they improve upon the abstract idea itself. Here, the combination of limitations identified by Appellant are part of the abstract idea (i.e., a commercial interaction) itself. *See Berkheimer v. HP Inc.*, 890 F.3d 1369, 1374 (Fed. Cir. 2018) (Moore, J., concurring in denial of petition for rehearing en banc).

It is clear from *Mayo* that the “inventive concept” cannot be the abstract idea itself, and *Berkheimer* . . . leave[s] untouched the numerous cases from this court which have held claims ineligible because the only alleged “inventive concept” is the abstract idea.

As set forth above, the only additional limitations recited in claim 12 beyond the abstract idea are limitations (a) and (b), and generic computer elements (“one or more physical computer processors,” “an instance,” “an online game,” “virtual space,” “state information,” “a network,” “client computing platforms,” and “an offer interface”). Yet, Appellant cannot reasonably contend, nor does Appellant contend, that there is a genuine issue of material fact regarding whether any of these additional elements, considered alone and as an ordered combination, is well-understood, routine, or conventional, where nothing in the Specification indicates that these additional elements are implemented in any unconventional manner. To the contrary, as described above, the Specification suggests that the functionality is achieved through the use of routine technology operating in its ordinary capacity. *See, e.g.*, Spec. ¶¶ 21–25.

We are not persuaded of error in the Examiner’s rejection of claim 12 under 35 U.S.C. § 101. Therefore, we sustain the Examiner’s rejection of claim 12, and claims 1, 3–7, 9–11, 14–18, and 20–24, which fall with claim 12.

Obviousness

We are persuaded by Appellant’s argument that the Examiner erred in rejecting independent claims 1 and 12 under 35 U.S.C. § 103(a) because the combination of Roeding and Alfonso fails to teach or suggest “determining . . . a purchase price associated with individual ones of the one or more offers, a given purchase price being determined based on at least the spend velocity,” as recited in claim 12, limitation (f), and similarly recited in claim 1. App. Br. 21–38. The Examiner relies on Roeding for disclosing “spend velocity.” Final Act 17 (citing Roeding ¶¶ 79–81, 96); *see also* Ans. 4. The Examiner acknowledges that “Roeding does not explicitly state that spend velocity will be used for targeting purposes.” *Id.* However, the Examiner relies upon Alfonso as disclosing “a technique for targeting offers to users based in part on spend velocity.” *Id.* (citing Alfonso ¶¶ 44, 46); *see also* Ans. 4.

The difficulty with the Examiner’s analysis is that it does not address “determining a purchase price based on at least the spend velocity,” as recited in claim 12’s limitation (f), and similarly recited in claim 1. Alfonso describes at paragraph 44 that profile variable scores may capture transaction velocity, and that in determining a profile variable score, a decay function may give less weight to earlier transactions and greater weight to more recent transactions. At paragraph 46 Alfonso further describes seasonally adjusting spend patterns for different times of year. For example, a high profile score for spend in the toy industry may place a score in a lower centile range in December than in July due to the general pattern of purchasing toys for the holidays. Alfonso ¶ 46. However, the cited portions of Alfonso do not describe determining a purchase price associated with

individual ones of the offers based on spend velocity, as required by claims 1 and 12.

Similarly, Roeding describes updating profile data based on shopping history and assigning offers and rewards based on an individual's profile data set. *See* Roeding ¶¶ 79–81. Paragraph 96 of Roeding describes considering factors such as categories and a number of clicks on a product in a user's profile data. The cited portions of Alfonso do not describe determining a purchase price associated with individual ones of the offers based on spend velocity, as required by claims 1 and 12.

In view of the foregoing, we do not sustain the Examiner's rejection of independent claims 1 and 12, and their dependent claims under 35 U.S.C. § 103(a).

DECISION

The Examiner's rejection of claims 1, 3–7, 9–12, 14–18, and 20–24 under 35 U.S.C. § 101 is affirmed.

The Examiner's rejection of claims 1, 3–7, 9–12, 14–18, and 20–24 under 35 U.S.C. § 103(a) is reversed.

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