

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte THOMAS P. MURPHY, STEVEN D. BAKER, and
HOWARD I. EPSTEIN

Appeal 2008-0900
Application 09/735,446
Technology Center 3600

Decided: May 29, 2008

Before LINDA E. HORNER, ANTON W. FETTING, and DAVID B.
WALKER, *Administrative Patent Judges*.

HORNER, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Thomas P. Murphy et al. (Appellants) seek our review under 35 U.S.C. § 134 of the final rejection of claims 1-28. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

Appeal 2008-0900
Application 09/735,446

SUMMARY OF DECISION

We AFFIRM-IN-PART.

THE INVENTION

The Appellants' claimed invention relates to providing incentives to purchasers of products or services to dynamically and/or interactively stimulate sales within a predetermined time period for individual purchasers or groups of purchasers (Spec. 1:11-13). Claims 1 and 13, reproduced below, are representative of the subject matter on appeal.

1. An online method for presenting one or more incentives offered by an offeror and relating to associated goods or services to a user for viewing at a remote terminal, the method comprising the steps of:
 - a) storing in a storage device at a central location incentive related information pertaining to one or more products or services each associated with at least one incentive offer;
 - b) establishing an electrical communication between the central location and the remote terminal;
 - c) determining at the central location if the user of the remote terminal is a registered user, and if the user is not registered transmitting a user profile inquiry to the remote terminal to be electronically completed by the user, the user transmitting the completed user profile to the central location where the user profile data is received and stored, thereafter the user being recognized as a registered user;

d) presenting to and viewing by the registered user at the remote terminal information pertaining to goods or services associated with the one or more incentives and means for remotely selecting by the user a particular good or service, and presenting the user with information related to one or more incentives associated with the selected good or service;

(e) upon receiving information from the remote user relating to parameters of a selected incentive, the central location generating at least one incentive data file, the incentive data file relating to the user selected incentive parameters and comprising a plurality of fields, including a redemption amount field, a user identification field, and an associated good or service identification field, the redemption amount field representing the value of the incentive offered to the user;

(f) transmitting from the central location to the user at the remote terminal a prompt for payment of a user fee associated with disbursement of a redeemable certificate related to the incentive data file, receiving at the central location information from the user sufficient to effect payment of the user fee; and

(g) disbursing from the central location the redeemable certificate for redemption by the user at a retail facility for acquiring possession of the desired good or service associated with the redeemable certificate.

13. An online system for presenting incentives over a distributed network, the incentives being presented over the distributed network to potential purchasers of goods or services associated with the incentives, the system comprising:

a central location comprising at least one server and having at least one processor and at least one database, the at least one database for storing data related to: incentives; products or services associated with the incentives; and user profile information, the central location server having a communication device for establishing an electrical communication over the distributed network;

the central location further comprising an incentive determination module adapted to compare incentive data and user input data to arrive at one or more incentives available to a remote user, the at least one processor being adapted to process the incentive determination module; and

a remote terminal operated by a remote user and having a display and a data entry device, the remote terminal further having a communication device for establishing communication with the central location over the distributed network, the remote terminal displaying good or service information received from the central location and receiving remote user input via the data entry device in response to the displayed good or service information, the remote terminal transmitting to the central location incentive request information input by the user, the incentive determination module at the central location comparing the

Appeal 2008-0900
Application 09/735,446

incentive request information received from the remote terminal with a predetermined set of incentive parameters to determine issuance or non-issuance of an incentive offer to the remote user.

THE REJECTION

The Examiner relies upon the following as evidence of unpatentability:

Walker	US 5,794,207	Aug. 11, 1998
Kepecs	US 6,330,543 B1	Dec. 11, 2001

The Appellants seek our review of the Examiner's rejection under 35 U.S.C. § 103(a) of claims 1-28 as unpatentable over Kepecs and Walker.

ISSUE

The issue before us is whether the Appellants have shown that the Examiner erred in rejecting claims 1-28 as unpatentable over Kepecs and Walker. The issue focuses on whether the prior art would have led one having ordinary skill in the art to the invention as claimed.

FINDINGS OF FACT

We find that the following enumerated findings are supported by at least a preponderance of the evidence. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (explaining the general evidentiary standard for proceedings before the Office).

Appeal 2008-0900
Application 09/735,446

1. Kepecs discloses a method and system for electronic distribution of promotions, such as discounts, rebates and special prices for goods and services (Kepecs, col. 1, ll. 12-16).
2. Kepecs discloses targeting of promotions toward particular consumers based on the consumer's buying patterns (Kepecs, col. 2, ll. 23-34).
3. Kepecs describes that a user may establish an account and be assigned a unique ID (Kepecs, col. 3, ll. 1-5).
4. Once the user identifies himself using his unique ID, the system then makes the user aware of special discounts and prices available to him and allows the user to select from among the discounts electronically (Kepecs, col. 5, ll. 18-45, col. 11, ll. 4-30).
5. The user then goes to a store to purchase the product and presents the store with his unique ID in order to be given the selected discount and/or special price (Kepecs, col. 11, ll. 53-55).
6. Kepecs describes that a Discount Administrator Process (DAP) computer 11 employs a variety of inputs, strategies and constraints to arrive at targeted individualized discounts (Kepecs, col. 6, ll. 62-63). These include, for example, how a consumer was advertised to and whether or not the consumer responded to an advertisement (Kepecs, col. 6, l. 64 – col. 7, l. 2).
7. We understand this to describe that if the user responded to an advertisement in the past, then the computer might determine,

based on certain constraints, that the user should be provided with that incentive another time.

8. Kepecs does not disclose rechecking the database upon the database being updated with revised acceptable incentive parameters to see if the stored user requested parameters agree with the revised acceptable incentive parameters.
9. Kepecs does not describe allowing the user to create a user-defined incentive.
10. Walker describes a reverse auction system in which buyers are allowed to communicate a binding purchase offer to potential sellers (Walker, col. 8, ll. 28-33).

PRINCIPLES OF LAW

“Section 103 forbids issuance of a patent when ‘the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.’” *KSR Int’l Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 1734 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18

Appeal 2008-0900
Application 09/735,446

(1966). *See also KSR*, 127 S.Ct. at 1734 (“While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.”)

In *KSR*, the Supreme Court emphasized “the need for caution in granting a patent based on the combination of elements found in the prior art,” *id.* at 1739, and discussed circumstances in which a patent might be determined to be obvious. In particular, the Supreme Court emphasized that “the principles laid down in *Graham* reaffirmed the ‘functional approach’ of *Hotchkiss*, 11 How. 248.” *KSR*, 127 S.Ct. at 1739 (citing *Graham*, 383 U.S. at 12 (emphasis added)), and reaffirmed principles based on its precedent that “[t]he combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.” *Id.* The Court explained:

When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill.

Appeal 2008-0900
Application 09/735,446

Id. at 1740. The operative question in this “functional approach” is thus “whether the improvement is more than the predictable use of prior art elements according to their established functions.” *Id.*

The Supreme Court stated that there are “[t]hree cases decided after *Graham* [that] illustrate the application of this doctrine.” *Id.* at 1739. “In *United States v. Adams*, ... [t]he Court recognized that when a patent claims a structure already known in the prior art that is altered by the mere substitution of one element for another known in the field, the combination must do more than yield a predictable result.” *Id.* at 1739-40. “*Sakraida and Anderson’s-Black Rock* are illustrative – a court must ask whether the improvement is more than the predictable use of prior art elements according to their established function.” *Id.* at 1740.

The Supreme Court stated that “[f]ollowing these principles may be more difficult in other cases than it is here because the claimed subject matter may involve more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for the improvement.” *Id.* The Court explained:

Often, it will be necessary for a court to look to interrelated teachings of multiple patents; the effects of demands known to the design community or present in the marketplace; and the background knowledge possessed by a person having ordinary skill in the art, all in order to determine whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue.

Appeal 2008-0900
Application 09/735,446

Id. at 1740-41. The Court noted that “[t]o facilitate review, this analysis should be made explicit.” *Id.* (citing *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006) (“[R]ejections 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”). However, “the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.” *Id.*

ANALYSIS

Independent claims 1, 7, 23, and 26 each recite steps that include prompting users to pay a user fee for an incentive and then transmitting the incentive information to enable the user to redeem the selected incentive only after receiving payment from the user. The Examiner acknowledged that neither Kepecs nor Walker discloses this feature of charging user fees for incentives (Ans. 4). The Examiner relied on Official Notice that it is well known to charge users for services and to refund fees if the users follow through and make purchases (*id.*). While the Appellants do not contest that the general concept of charging user fees was known at the time of the invention, the Appellants challenge the Examiner’s conclusion that in view of it being known to charge user fees, one having ordinary skill in the art would have been led to modify the system of Kepecs, as modified by

Appeal 2008-0900
Application 09/735,446

Walker, to charge a user fee for incentives (Reply Br. 6). The Examiner merely asserts in the rejection that it would have been obvious to have charged users a fee with the targeted offering of promotions and to have waived or refunded fees if the users make purchases using the system (Ans. 4). The Examiner fails, however, to provide any articulated reasoning with a rational underpinning to support the legal conclusion of obviousness. *See KSR*, 127 S.Ct. at 1740-41 (requiring an explicit analysis when a conclusion of obviousness is based on interrelated teachings of multiple patents, the effects of demands known to the design community or present in the marketplace, and the background knowledge possessed by a person having ordinary skill in the art). It is not sufficient to merely show that charging user fees is known in the art. The obviousness analysis is not complete until an explanation is provided as to why one having ordinary skill in the art would have been led to apply this well known teaching of charging user fees to the incentive system of Kepecs. The Examiner has failed to provide such an explanation. As such, we do not sustain the rejection of independent claims 1, 7, 23, and 26, and claims 2-6, 8-12, 24, 25, 27, and 28, which depend therefrom.

Independent claims 13 and 18 do not include the user fee limitation, and as such, the Examiner's rejection as it pertains to these claims does not rely on Official Notice. We examine each of these claims in turn.

The Appellants contend that the subject matter of claim 13 is not obvious, because neither Kepecs nor Walker discloses an incentive

Appeal 2008-0900
Application 09/735,446

determination module adapted to compare incentive data and user input data to arrive at one or more incentives available to a remote user and transmitting incentive request information input by the user, the incentive determination module comparing the incentive request information received with a predetermined set of incentive parameters to determine issuance or non-issuance of an incentive offer to the remote user (App. Br. 24). We disagree.

Kepecs discloses a method and system for electronic distribution of promotions, such as discounts, rebates and special prices for goods and services (Fact 1). Kepecs discloses targeting of promotions toward particular consumers based on identification of a user through a unique ID (Facts 2-5). Kepecs describes that a Discount Administrator Process (DAP) computer 11 employs a variety of inputs, strategies and constraints to arrive at targeted individualized discounts, including whether or not a consumer responded to an advertisement (Fact 6). We understand this to describe that if the user responded to an advertisement in the past, then the computer might determine, based on certain constraints, that the user should be provided with that incentive another time (Fact 7).

Thus, Kepecs describes comparing incentive data (discounts and special pricing offers) and user input data (the user's unique ID) to arrive at one or more incentives available to the remote user. Kepecs further describes that a user (at a remote terminal) transmits to a central location (DAP computer 11) incentive request information (i.e., responding to an

Appeal 2008-0900
Application 09/735,446

advertisement), and Kepecs then compares the request information (the user's response to a particular ad) with a predetermined set of incentive parameters (e.g., constraints) to determine whether or not to issue a future incentive offer to the user. We note that claim 13 does not include any temporal limitation, and as such, is broad enough to encompass using a past request for incentive information to control a determination of whether or not to issue an incentive offer to a particular user in the future. The Appellants have failed to show how the Examiner erred in rejecting claim 13 as unpatentable over Kepecs and Walker. Thus, we sustain the rejection of claim 13. The Appellants have also not presented any separate arguments for patentability of dependent claims 14, 16, or 17. As such, these claims fall with claim 13.

The Appellants argue that claim 15 is separately patentable, because the prior art fails to disclose that an incentive determination module stores user requested incentive parameters and upon the database being updated with revised acceptable incentive parameters and upon the stored user requested parameter agreeing with the revised acceptable incentive parameters, notifying the user that the user requested incentive parameters are accepted. We agree. The only discussion that we can find in the Examiner's rejection of claim 15 appears on page 5 of the Answer. The Examiner appears to rely on the teaching in Kepecs of using the user's profile and/or the user's on-line purchasing history to determine the offers for which the user qualifies (Ans. 5, citing Kepecs col. 3, ll. 9-18 and col. 6,

Appeal 2008-0900
Application 09/735,446

ll. 63-68). While this portion of Kepecs appears to disclose how the DAP computer makes an initial determination of whether or not to present an incentive offer to a customer, it does not disclose rechecking the database upon the database being updated with revised acceptable incentive parameters to see if the stored user requested parameters agree with the revised acceptable incentive parameters. As such, the Examiner has failed to set forth a prima facie case of obviousness, and we do not sustain the rejection of claim 15 as unpatentable over Kepecs and Walker.

The Appellants contend that the subject matter of claim 18 is not obvious, because neither Kepecs nor Walker discloses an online system adapted to allow users to “create and submit custom incentives” (App. Br. 24). The Appellants appears to be attacking the references individually. While we agree that Kepecs does not describe allowing the user to create a user-defined incentive (Fact 8), the Examiner relied on Walker to teach a centralized on-line system where users are allowed to submit offers to the system with customized, user-defined offer parameters (Ans. 4 and Fact 9). The Examiner determined that it would have been obvious to modify the incentive promotion system of Kepecs with the teaching in Walker to allow customers to submit customized incentive offers, so that users can take advantage of more appealing self-customized promotions (Ans. 4-5). Thus, the Examiner relied on the combined teachings of Kepecs and Walker to determine that it would have been obvious to make an on-line system to allow users create and submit custom incentives. One cannot show

Appeal 2008-0900
Application 09/735,446

nonobviousness by attacking references individually where the rejections are based on combinations of references. *See In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981); *In re Merck & Co.*, 800 F.2d 1091, 231 USPQ 375 (Fed. Cir. 1986). As such, we sustain the rejection of independent claim 18. The Appellants have not presented any separate arguments for patentability of dependent claims 19, 21, or 22. Thus, these claims fall with claim 18. Dependent claim 20 recites substantially the same limitation as claim 15, and we do not sustain the rejection of claim 20 for the same reasons set forth *supra* for claim 15.

CONCLUSIONS

We conclude the Appellants have shown that the Examiner erred in rejecting claims 1-12, 15, 20, and 23-28 under 35 U.S.C. § 103(a) as unpatentable over Kepecs and Walker. We further conclude the Appellants failed to show the Examiner erred in rejecting claims 13, 14, 16-19, 21, and 22 under 35 U.S.C. § 103(a) as unpatentable over Kepecs and Walker.

DECISION

The decision of the Examiner to reject claims 1-12, 15, 20, and 23-28 is reversed. The decision of the Examiner to reject claims 13, 14, 16-19, 21, and 22 is affirmed.

Appeal 2008-0900
Application 09/735,446

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R. § 1.136(a)(1)(iv) (2007).

AFFIRMED-IN-PART

JRG

KEVIN T. DUNCAN, ESQ.
HUNTON & WILLIAMS
SUITE 1200
1900 K STREET, N.W.
WASHINGTON, DC 20006