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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* MARTIN A. URBAN

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Appeal 2012-005678<sup>1</sup>  
Application 12/023,728<sup>2</sup>  
Technology Center 3600

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Before MURRIEL E. CRAWFORD, BIBHU R. MOHANTY, and  
NINA L. MEDLOCK, *Administrative Patent Judges*.

MEDLOCK, *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 1–20. We have jurisdiction under 35 U.S.C. § 6(b).

We AFFIRM and enter a NEW GROUND OF REJECTION pursuant to our authority under 37 C.F.R. § 41.50(b).

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<sup>1</sup> Our decision references Appellant's Appeal Brief ("Br.," filed September 2, 2011) and the Examiner's Answer ("Ans.," mailed November 21, 2011).

<sup>2</sup> Appellant identifies the inventor, Martin A. Urban, as the real party in interest. Br. 2

### CLAIMED INVENTION

Appellant's invention "generally relates to advertising and, in particular, a method of delivering advertising to a mass market" (Spec. ¶ 2).

Claim 1, reproduced below, is illustrative of the subject matter on appeal:

1. A method of advertising comprising the steps of:  
receiving compensation from a party; and  
placing an advertisement of the party on postage in exchange for the compensation received to advertise for the party.

### REJECTIONS

Claims 1–20 are rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter.

Claims 1–7, 9, and 11–15 are rejected under 35 U.S.C. § 103(a) as unpatentable over Lockhart (US 2002/0103697 A1, pub. Aug. 1, 2002) and Beach (US 2003/0140802 A1, pub. July 31, 2003).

Claims 8 and 16–20 are rejected under 35 U.S.C. § 103(a) as unpatentable over Lockhart, Beach, and Blank (US 7,322,519 B2, iss. Jan. 29, 2008).

Claim 10 is rejected under 35 U.S.C. § 103(a) as unpatentable over Lockhart, Beach, and Gray (US 5,685,570, iss. Nov. 11, 1997).

## ANALYSIS

### *Non-Statutory Subject Matter*

Appellant argues that the Examiner erred in rejecting independent claims 1, 9, and 17 under 35 U.S.C. § 101 because the claims satisfy the transformation prong of the *Bilski* machine-or-transformation test and, therefore, recite patent-eligible subject matter under § 101 (Br. 4–10). More particularly, Appellant argues that the transformation prong is satisfied because the postage in each of the independent claims is a physical object that undergoes a physical and/or functional transformation from a first state where the postage does not include any advertisement (and where its sole function is provide evidence of payment of the charge required for mailing an item) to a second state where an advertisement is applied to the postage (and where the postage has a new and different function, i.e., to call a consumer’s attention to the advertiser’s product or service) (*id.*).

The Examiner maintains that the rejection is proper, and that the machine-or-transformation test is not satisfied because “the postage has not changed to a different state or thing as the postage remains postage (e.g., a stamp remains a stamp) after having the advertisement placed on it” (Ans. 16). The Examiner also concludes that the claims are directed to “an abstract idea of advertising on postage,” i.e., to non-statutory subject matter (*id.* at 19).

We agree with the Examiner that independent claims 1, 9, and 17 fail to satisfy the machine-or-transformation test. But our analysis cannot end there. In holding that the machine-or-transformation test “is not the sole test for deciding whether an invention is a patent-eligible ‘process’” in *Bilski v. Kappos*, 130 S. Ct. 3218, 3227 (2010), the Supreme Court made clear that a

claim's failure to satisfy the machine-or-transformation test is not dispositive of the § 101 inquiry.

More recently, in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), the Supreme Court further clarified the law regarding patentable subject matter. In doing so, the Supreme Court reiterated the two-step framework previously set forth in *Mayo Collaborative Services v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1300 (2012), “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice Corp.*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step is to consider the elements of the claims “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*, 132 S. Ct. at 1297).

The Examiner finds here that the claims are directed to the abstract idea of placing advertising on postage. The Examiner concludes that “use of the [advertising] concept, as expressed in the method, would effectively grant a monopoly over the concept” because “[b]oth known and unknown uses of the concept are covered, and can be performed through any existing or future-devised machinery, or even without any apparatus” (Ans. 19–20). But the Examiner does not explain how, and we fail to see how, applying an advertisement, i.e., a physical implementation, to a postage stamp, i.e., a physical object, constitutes an abstract idea.

The independent claims are admittedly broad, and, if issued, could have broad exclusionary effect. But the mere fact that the claims are broad does not mean that the claims are directed to an abstract idea.

Therefore, we do not sustain the Examiner's rejection of claims 1–20 under 35 U.S.C. § 101.

### *Obviousness*

#### *Independent claims 1 and 9 and dependent claims 2–7 and 11–15*

Appellant argues claims 1–7, 9, and 11–15 as a group (Br. 10–13). We select claim 1 as representative. The remaining claims stand or fall with claim 1. 37 C.F.R. § 41.37(c)(1)(vii) (2011).

As indicated above, claim 1 is rejected under 35 U.S.C. § 103(a) as unpatentable over the combination of Lockhart and Beach. Lockhart is directed to a method for distributing mail items, e.g., postcards, and discloses that one side of the mail item may be covered, in whole or in part, by a substantially opaque covering, e.g., a polymer or paper-based cover, which can be peeled off by the recipient upon delivery (Lockhart ¶ 124). Lockhart discloses that the opaque covering may be printed with advertisements, coupons, or the like, and describes that the advertising revenue, received from third parties who purchase space on the mail item, can be used to offset (in whole or in part) the cost of mailing the item (*id.* ¶¶ 125–127).

Beach is directed to a postage assembly, and describes that the postage assembly defines and/or is representative of the authorized postage for mailing an article on which the assembly is mounted (Beach ¶ 14). As shown in Figures 2 and 4–7, the postage assembly includes a display field 20, which comprises a graphic presentation (indicated as 22) and a

commercial segment (indicated as 24). Beach discloses that commercial segment 24 is preferably presented in the form of an advertising display (*see id.* ¶¶ 39–42), and further discloses that graphic presentation 22 also can be an advertisement (*id.* ¶ 44).

The Examiner concludes that although Lockhart discloses placing an advertisement on a mail item, Lockhart does not expressly disclose placing an advertisement on the postage itself (Ans. 8). The Examiner cites paragraphs 39–42 and Figures 2 and 4–7 (item 24) of Beach to cure the deficiency of Lockhart. The Examiner then concludes that it would have been obvious to a person of ordinary skill in the art at the time of Appellant’s invention to modify Lockhart to include placing an advertisement on postage, as called for in claim 1, because “doing so exposes the advertisement to a wide audience since a large portion of the population uses stamps to mail items (Beach, paragraph 22), thereby increasing the advertisement reach to potential consumers” (Ans. 8).

Appellant maintains that the rejection of claim 1 is improper because the Examiner’s proposed modification of Lockhart with the teachings of Beach would change the principle of operation of Lockhart and render Lockhart unsatisfactory for its intended purpose (Br. 10–12). Appellant also argues that the references, when considered as a whole, teach away from the proposed combination (*id.* at 12), and that the Examiner used impermissible hindsight in combining Lockhart and Beach to arrive at Appellant’s claimed invention (*id.* at 12–13).

Appellant’s arguments are not persuasive at least because we conclude that Beach discloses and/or suggests all the features of claim 1. As described above, Beach discloses that advertisements are placed on a

postage assembly that defines and/or is representative of the authorized postage for mailing the article on which the assembly is mounted (Beach ¶ 14). Beach also observes “that addition of various types of advertisements to authorized postage could possibly result in a significant source of additional income, not previously available to various postal services around the world” (*id.* ¶ 23), i.e., Beach discloses placing advertisements on postage in exchange for compensation.

Because we conclude that Beach discloses and/or suggests the features of claim 1, the Examiner need not rely on Lockhart to support a conclusion of obviousness. As such, Appellant’s arguments concerning the impropriety of the combination of Lockhart and Beach are moot.

In view of the foregoing, we sustain the Examiner’s rejection of claim 1 under 35 U.S.C. § 103(a). We also sustain the Examiner’s rejection of claims 2–7, 9, and 11–15, which fall with claim 1. Because our rationale differs from that set forth by the Examiner, we denominate this a new ground of rejection under 35 U.S.C. § 103(a). *See* 37 C.F.R. § 41.50(b).

*Independent claim 17 and dependent claims 18–20*

Appellant’s arguments with respect to claim 17 are substantially similar to the arguments set forth with respect to claim 1 (Br. 13–14), and are unpersuasive for the same reasons set forth above. Accordingly, we sustain the Examiner’s rejection of claim 17 under 35 U.S.C. § 103(a). We also sustain the Examiner’s rejection of claims 18–20, which depend from claim 17 and are not argued separately except based on their dependence on claim 17.



*Dependent claims 8, 10, and 16*

Claim 8 and claims 10 and 16 depend from claims 1 and 9, respectively. Appellant does not present any arguments for the separate patentability of dependent claims 8, 10, and 16 except to assert that the secondary references relied on in rejecting the claims do not cure the alleged deficiencies of Lockhart and Beach, and that the dependent claims are, therefore, allowable based on their dependence on independent claims 1 and 9 (Br. 14).

We are not persuaded, for the reasons outlined above, that the Examiner erred in rejecting claims 1 and 9 under 35 U.S.C. § 103(a). Therefore, we sustain the Examiner's rejection of dependent claims 8, 10, and 16 for the same reasons.

DECISION

The Examiner's rejection of claims 1–20 under 35 U.S.C. § 101 is reversed.

The Examiner's rejections of claims 1–20 under 35 U.S.C. § 103(a) are affirmed. Insofar as our rationale differs from that set forth by the Examiner, we denominate this a NEW GROUND OF REJECTION.

37 C.F.R. § 41.50(b) provides that “[a] new ground of rejection . . . shall not be considered final for judicial review.” 37 C.F.R. § 41.50(b) also provides that the Appellants, WITHIN TWO MONTHS FROM THE DATE OF THE DECISION, must exercise one of the following two options with respect to the new ground of rejection to avoid termination of the appeal as to the rejected claims:

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(1) *Reopen prosecution.* Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the proceeding will be remanded to the Examiner.

(2) *Request rehearing.* Request that the proceeding be reheard under § 41.52 by the Board upon the same record.

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).

AFFIRMED

rvb