

The opinion in support of the decision being entered today was not written for publication and is not binding precedent of the Board.

Paper No. 19

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte STEPHEN J. CHASKO

Appeal No. 2004-1484
Application 09/438,396

ON BRIEF

Before FRANKFORT, NASE, and MACDONALD, Administrative Patent Judges.

FRANKFORT, Administrative Patent Judge.

DECISION ON APPEAL

This is a decision on appeal from the examiner's final rejection of claims 1 through 20, all of the claims pending in this application.

As noted on page 1 of the specification, appellant's invention relates generally to a method and apparatus for tracking customer purchasing habits, and more particularly, to

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such a method and apparatus wherein a portable device with a memory, such as a smart card, tracks customer purchasing habits related to plural profit margin categories. Another aspect of the invention relates to a method and apparatus wherein a portable device with a memory storing customer identification and customer purchasing habits interfaces with a point of sale (POS) terminal that stores customer information for only one customer at a time and transmits the customer information only to the portable device and modifies the stored information on the portable device based on purchases by the one customer. Independent claims 1, 7, 13, 14, 19 and 20 are representative of the subject matter on appeal and a copy of those claims can be found in the Appendix to appellant's brief.

The prior art references of record relied upon by the examiner in rejecting the appealed claims are:

Dorf	6,189,787	Feb. 20, 2001
Fernandez	6,266,647	Jul. 24, 2001
Walker et al. (Walker '573) ¹	6,327,573	Dec. 4, 2001

¹While the examiner, on page 3 of the answer, has listed U.S. Patent No. 6,049,778 to Walker et al. as being prior art relied upon in the rejections on appeal, we note that it is clear from the record of the application, particularly the final rejection (Paper No. 6, page 2), appellant's brief (Paper No. 14, page 9) and the statement of rejection set forth on page 3 of the

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Claims 1 through 18 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Fernandez in view of Dorf and Walker '573.

Claims 19 and 20 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Fernandez in view of Dorf.

Rather than reiterate the conflicting viewpoints advanced by appellant and the examiner regarding the above-noted rejections, we refer to the examiner's answer (Paper No. 16, mailed November 18, 2003) and to appellant's brief (Paper No. 14, filed April 25, 2003) for a full exposition thereof.

OPINION

In reaching our decision in this appeal, we have given careful consideration to appellant's specification and claims, to the applied prior art references, and to the respective positions

answer, that it is instead U.S. Patent No. 6,327,573 to Walker et al. which is being relied upon by the examiner in the rejection of claims 1 through 18 on appeal.

articulated by appellant and the examiner. As a consequence of our review, we have made the determinations which follow.

In rejecting claims 1 through 18 under 35 U.S.C. § 103(a) based on the collective teachings of Fernandez, Dorf and Walker '573, the examiner has determined that Fernandez teaches a customer loyalty program that uses smart cards to store accumulated loyalty points earned for different purchases, and comprises merchant POS stations (e.g., 103A-103D of Fig. 1) having read/write units (104A-104D) with processors to read stored balances from an EEPROM on a smart card, receive POS purchase data, calculate an appropriate amount of purchase award points to be credited, add those award points to the previous balance read from the smart card, and write the updated point balance to the card (col. 4, lines 2-13). What the examiner finds lacking in Fernandez is 1) any disclosure or teaching concerning managing and influencing customer purchasing habits based on profit margin categories, and 2) an express indication that the smart card mentioned therein includes both a memory and a processor. To account for these differences, the examiner looks to Dorf and Walker '573, urging that Walker '573 teaches another card-based loyalty system where a smart card having a

memory and a processor is used to store point balances and allows the stored point balances to be incremented responsive to a POS transaction (col. 1, lines 22-31). Based on the combined teachings of Fernandez and Walker '573, the examiner concludes that it would have been obvious to one of ordinary skill in the art at the time appellant's invention was made to use a smart card like that of Walker '573 in the system of Fernandez so that the smart card can interact with the POS system of Fernandez to increment/decrement card balances.

As for Dorf, the examiner contends that this patent teaches a card-based loyalty system where points are accumulated for various qualifying purchases and suggests awarding points for both product/manufacturer-specific purchases and/or retailer-specific purchases and also the purchase of a single product type (col. 9, line 34, et. seq.). Again recognizing that Fernandez does not teach or suggest managing and influencing customer purchasing habits based on profit margin categories, the examiner then makes the following assertions:

[h]owever, these differences are only found in the nonfunctional descriptive material and are not functionally involved in the method (or structurally programmed) steps recited. The steps would be preformed the same regardless of data content - read balances, associate purchased

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products with a balance, increment balances and write new balances to the cards. Thus, this descriptive material will not distinguish the claimed invention from the prior art in terms of Patentability, see *In re Gulack*, 703 F.2d 1381, 217 USPQ 401, 404 (Fed. Cir. 1983); *In re Lowry* 32 F.3d 1579, 32 USPQ2d 1031 (Fed. Cir. 1994). Therefore, it would have been obvious to one of ordinary skill at the time of the invention to have relied upon any type of data content, including profit margin ranges. Such data content does not functionally relate to the steps and the subjective interpretation of the data content does not patentably distinguish the claimed invention. Further, Dorf teaches awarding points for single product types [col 9, line 43]. It would have been obvious to one of ordinary skill at the time of the invention to have awarded product-specific points in the program of Fernandez as taught by Dorf. Associating and awarding points according to single products can be taken to be inherently awarding products to profit margin ranges, as each product inherently has its own profit margin or profit margin range, as defined by cost minus purchase price for example. (examiner answer, page 4)

After a careful evaluation of the teachings and suggestions to be derived by one of ordinary skill in the art from a collective evaluation of Fernandez, Dorf and Walker '573 as of the time appellant's invention was made, it is our opinion that the evidence adduced by the examiner is not sufficient to establish a *prima facie* case of obviousness with regard to the subject matter of claims 1 through 12 on appeal, but is sufficient with regard to the portable device defined in appellant's claim 13 and the distributed system defined in claims 14 through 18 on appeal.

Looking first to appellant's independent claim 1, we note that this claim is directed to a method of managing customer purchasing habits related to profit margin categories by using a first processor with memory (e.g., at a POS terminal) for receiving and transmitting data, said first processor being coupled to a portable device (e.g., a smart card) with a) memory for storing and transferring category values containing accumulated purchase values in each of different profit margin ranges and b) a second processor for executing instructions, the portable device being small enough to be carried by a person, and said first processor being able to transfer data with said portable device, said method comprising the steps of:

determining an accumulated purchase value in each of different profit margin ranges based on a customer purchase of at least one product having a profit margin; supplying said portable device to said first processor; transferring to said first processor category values containing accumulated purchase values in each of different profit margin ranges stored in said memory of said portable device; said first processor incrementing said category values by an amount in relation to the determined accumulated purchase value; and transferring said incremented category values from said memory of said first processor to the memory of said portable device.

Contrary to the examiner's position, we do not view the recitations in method claim 1 on appeal regarding profit margins and the transfer, manipulation and storage of data in each of different profit margin ranges or categories as being mere "nonfunctional descriptive material" that is not functionally involved in the method steps recited. Like appellant (brief, pages 11-14), it is our view that the recited profit margin ranges are functionally interrelated with the operation of a programmed computer executing the method steps as set forth in claim 1. As was noted on page 4 of the specification, the first processor memory (e.g., of a POS terminal) stores profit margin information, current sale information and sequences of instructions which, when executed by the first processor, cause the first processor to manage a customer's purchase information, i.e., by determining an accumulated purchase value in each of different profit margin ranges based on a customer purchase of at least one product having a profit margin, transferring to the first processor category values containing accumulated purchase values in each of different profit margin ranges stored in the memory of a portable device (e.g., a smart card) supplied to the first processor, said first processor then incrementing the transferred category values by an amount in relation to the

determined accumulated purchase value(s), and subsequently transferring said incremented category values from the memory of the first processor to the memory of the portable device. Thus, the descriptive material in the present case has a functional interrelationship with the way in which the computing process is performed and is not a mere arrangement or compilation of data that is merely stored so as to be read or outputted by a computer without creating any functional interrelationship.

In addition, we are unable to agree with the examiner's further conclusion in the answer (page 4) that associating and awarding points according to purchase of a single product type, as mentioned in Dorf (col. 9, line 43), "can be taken to be inherently awarding products to profit margin ranges, as each product inherently has its own profit margin or profit margin range" (answer, page 4). The applied prior art references provide no basis for reaching any such conclusion, and the examiner's position disregards the well known practice in the retail sector of having "loss leader" items or products which a retailer often sells below cost so as to attract customer's into the store.

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In light of the foregoing, we will not sustain the examiner's rejection of claim 1, or claims 2 through 6 which depend therefrom, under 35 U.S.C. § 103(a).

Independent claim 7 is directed to a computer system for managing customer purchase information including, *inter alia*, a memory coupled to a first processor, with said memory having stored therein

profit margin information of a customer purchase of at least one product having a profit margin, current sale information, and sequences of instructions which, when executed by said first processor, cause said first processor to manage customer purchase information by causing said first processor to command said second processor to execute instructions to cause the memory of the portable device to increment a stored category value by an amount in relation to the customer purchase information and a profit margin information of the customer purchase.

As with claim 1, it is our opinion that the descriptive material relating to profit margin information as set forth in independent claim 7 is functionally interrelated with the operation of a specially programmed computer programmed to manage customer purchase information based on profit margin information of a customer purchase of at least one product having a profit margin and current sale information, and to cause a first processor of the computer system to command a second processor of

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a portable device (e.g., a smart card) associated with the first processor to further execute instructions to cause the memory of the portable device to increment a stored category value by an amount in relation to the customer purchase information and a profit margin information of the customer purchase. Moreover, we again find that the examiner is incorrect in his position that awarding points for purchase of specific product types or a single product as in Dorf "can be inherently taken to be awarding products to profit margin ranges" (answer, page 4). For those reasons, we will not sustain the examiner's rejection of claim 7, or claims 8 through 12 which depend therefrom, under 35 U.S.C. § 103(a).

We reach a different conclusion with regard to the examiner's rejection of claims 13 through 18 under 35 U.S.C. § 103(a). In this instance, it is our opinion that the examiner has correctly concluded that the portable device of claim 13 and the distributed system of claims 14 through 18 (comprising one or more portable devices similar to those recited in claim 13) would have been obvious to one of ordinary skill in the art at the time of appellant's invention based on the collective teachings of Fernandez, Dorf and Walker '573, particularly Fernandez and

Walker '573. Like the examiner, noting that the smart card of Fernandez is not expressly said to include a processor, we find that it would have been obvious to one of ordinary skill in the art at the time appellant's invention was made to use a smart card like that of Walker '573, i.e., having both a memory and a processor to control access to the memory, in the system of Fernandez so that the smart card can properly interact with the POS system of Fernandez and increase or decrease values on the card in response to the POS transaction.

We also agree with the examiner's assessment of the weight to be accorded the data stored on the portable device (e.g., smart card) set forth in claims 13 and 14 through 18 on appeal. In this instance, the data representing category values in different profit margin ranges and customer identifying information stored in the memory of the portable device is a mere arrangement or compilation of data that is merely stored so as to be read or outputted by a computer without creating any functional interrelationship. Thus, the data stored in the memory of the portable device as specifically defined in both independent claims 13 and 14 is merely nonfunctional descriptive material and is therefore not entitled to patentable weight.

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Appellant has not specifically challenged the examiner's position with regard to claims 13 and 14 through 18 on appeal, and has not specifically pointed out where or how these particular claims define a structural and functional interrelationship between the category values and other claimed aspects of the invention permitting the category values' functionality to be realized.

For the above reasons, we will sustained the examiner's rejection of claims 13 through 18 under 35 U.S.C. § 103(a).

As for the examiner's rejection of claims 19 and 20 on appeal under 35 U.S.C. § 103(a) based on the combined teachings of Fernandez and Dorf, we agree with appellant that the examiner has failed to set forth a *prima facie* case of obviousness with regard to the retail checkout stand defined in these claims. With particular regard to claim 19, we note that the examiner's various positions concerning use of profit margin, its purported status as "nonfunctional descriptive material," and how such profit margin information can purportedly be inherently found in Dorf, are misplaced and unnecessary, since claim 19 does not mention profit margin, or profit margin ranges or categories. As

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for the recitations in claim 20 regarding the specially programmed processor using profit margin information, our views on the examiner's position are the same as they were above in regard to independent claims 1 and 7 on appeal.

We additionally note that the examiner has not addressed how the system of Fernandez, even if modified by Dorf, would provide response for the specially programmed processor of claims 19 and 20 and would perform steps © through (e) noted therein regarding the recited "combined signal" and derived reward signal resulting from a comparison of the combined signal with a predetermined value. Moreover, we agree with appellant that Fernandez indicates that the read/write units generally seen in the value storage system of Figure 1 of that patent each maintain a log of information relating to transactions from each card (col. 2, lines 38-44), and thus belies the examiner's conclusion that the last clause of claim 19 requiring the processor memory to never store a combined signal for more than one item is somehow to be inherently found in Fernandez. As for the examiner's further conclusion that it would have been obvious to merely temporarily store the points/purchase data for one customer using the system of Fernandez and not maintain such data from customer to

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customer, we find this position to be contrary to the teachings of Fernandez and to be based entirely on unsupported speculation and conjecture on the examiner's part. Therefore, we will not sustain the examiner's rejection of claims 19 and 20 under 35 U.S.C. § 103(a).

Since we have sustained the examiner's rejection of claims 13 through 18 under 35 U.S.C. § 103(a), but not the rejections of claims 1 through 12, 19 and 20 under 35 U.S.C. § 103(a), it follows that the decision of the examiner is affirmed-in-part.

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No time period for taking any subsequent action in connection with this appeal may be extended under 37 CFR § 1.136(a).

AFFIRMED-IN-PART

CHARLES E. FRANKFORT)	
Administrative Patent Judge)	
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JEFFREY V. NASE)	
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