

1 UNITED STATES PATENT AND TRADEMARK OFFICE

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3
4 BEFORE THE BOARD OF PATENT APPEALS
5 AND INTERFERENCES
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7
8 *Ex parte* STEPHEN D. READING
9

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11 Appeal 2008-1628
12 Application 10/101,917
13 Technology Center 3600
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16 Decided: June 19, 2008
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19 Before LINDA E. HORNER, ANTON W. FETTING, and JOHN C.
20 KERINS, *Administrative Patent Judges*.

21
22 FETTING, *Administrative Patent Judge*.

23 DECISION ON APPEAL

24 STATEMENT OF CASE

25 Stephen D. Reading (Appellant) seeks review under 35 U.S.C. § 134
26 (2002) of a final rejection of claims 1-7, the only claims pending in the
27 application on appeal.

1 We have jurisdiction over the appeal pursuant to 35 U.S.C. § 6(b)
2 (2002).

3 We AFFIRM-IN-PART and ENTER A NEW GROUND OF
4 REJECTION UNDER 37 C.F.R. § 41.50(b) (2007).

5 The Appellant invented a way of inventory management that applies,
6 in particular, to a parts inventory management system that facilitates
7 widespread control and supports various types of automated control and
8 routing transactions (Specification 1:6-8).

9 An understanding of the invention can be derived from a reading of
10 exemplary claim 1, which is reproduced below [bracketed matter and some
11 paragraphing added].

- 12 1. A parts management method particularly suited to
13 automotive dealers, comprising the steps of:
14 [1] qualifying a selling dealer having an inventory computer;
15 [2] querying the selling dealer's inventory computer
16 on a periodic basis
17 to identify parts
18 which the dealer wishes to return under one or more
19 return policies; and
20 [3] finding a buying dealer for one or more of the parts.

21
22 This appeal arises from the Examiner's final Rejection, mailed
23 December 22, 2005. The Appellant filed an Appeal Brief in support of the
24 appeal on November 21, 2006. An Examiner's Answer to the Appeal Brief
25 was mailed on March 21, 2007.

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PRIOR ART

The Examiner relies upon the following prior art:

Kagami US 5,128,861 Jul. 7, 1992

REJECTIONS

Claims 1, 6, and 7 stand rejected under 35 U.S.C. § 102(b) as anticipated by Kagami.

Claims 2-5 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Kagami and the admitted prior art.

ISSUES

The issues pertinent to this appeal are

- Whether the Appellant has sustained its burden of showing that the Examiner erred in rejecting claims 1, 6, and 7 under 35 U.S.C. § 102(b) as anticipated by Kagami.
- Whether the Appellant has sustained its burden of showing that the Examiner erred in rejecting claims 2-5 under 35 U.S.C. § 103(a) as unpatentable over Kagami and the admitted prior art.

The pertinent issues turn on whether Kagami describes finding a buying dealer for one or more of the parts.

FACTS PERTINENT TO THE ISSUES

The following enumerated Findings of Fact (FF) are believed to be supported by a preponderance of the evidence.

1 *Facts Related to Claim Construction*

2 01. The disclosure contains no lexicographic definition of
3 “qualifying.”

4 02. The ordinary and customary meaning of “qualify” is to declare
5 competent or capable, or to certify.¹

6 *Facts Related to Appellant’s Disclosure*

7 03. The Ford Motor Company is admitted as having the following
8 programs: (1) PIPP (Parts Inventory Protection Plan), (2) 30-Day
9 Returns, and (3) Idle Capital to other dealers (Specification 2:16-
10 19; 3:20 – 4:3).

11 04. The Ford Motor Company is admitted as identifying what Ford
12 refers to as Idle Capital according to (1) its status (Stock Status,
13 Non-Stock Status) and, (2) Sales History (Specification 4:3-4).

14 05. The Ford Motor Company is admitted as having each
15 qualifying dealer identify their Parts Suggested For Order by a
16 Stock Order Process (Specification 4:4-5).

17 *Kagami*

18 06. Kagami is directed to an inventory control method and system
19 used by a department store, and more particularly to a stock-
20 warning method (Kagami 1:6-10).

¹ *American Heritage Dictionary of the English Language* (4th ed. 2000).

1 07. Kagami issues a warning against the excess or deficiency of a
2 stock of goods in accordance with the degree of seriousness which
3 may be caused by the excess or deficiency (Kagami 2:3-10).

4 08. Kagami describes how in the case of excess goods, it is
5 necessary to dispose of goods by reduction in price, transfer
6 between stores, or return. On the other hand, in the case of
7 deficiency of the goods, it is necessary to order additional goods
8 by an additional order, or procurement or development of a
9 substitute (Kagami 2:29-38).

10 09. Kagami forecasts changes of sales for goods in a period of sale,
11 among goods to be monitored, and the degree of excess or
12 deficiency of a stock on hand is determined as a stock-warning
13 index. The degree of urgency of a countermeasure or an inventory
14 adjustment action (additional order, return, reduction in price,
15 transfer between stores, or the like) and so on are judged in
16 accordance with the value of the stock-warning index (Kagami
17 5:18-28).

18 *Facts Related To The Level Of Skill In The Art*

19 10. Neither the Examiner nor the Appellant has addressed the level
20 of ordinary skill in the pertinent arts of programming, systems
21 design, business systems, inventory management and control
22 systems, inventory salvage, electronic communications and
23 promotional campaigns. We will therefore consider the cited prior
24 art as representative of the level of ordinary skill in the art. *See*
25 *Okajima v. Bourdeau*, 261 F.3d 1350, 1355 (Fed. Cir. 2001)

1 (“[T]he absence of specific findings on the level of skill in the art
2 does not give rise to reversible error ‘where the prior art itself
3 reflects an appropriate level and a need for testimony is not
4 shown’”) (quoting *Litton Indus. Prods., Inc. v. Solid State Sys.
5 Corp.*, 755 F.2d 158, 163 (Fed. Cir. 1985).

6 11. One of ordinary skill in inventory control knew that the
7 conventional term for a list of parts to be drawn from inventory
8 was a “pick list” and documents for transporting inventory
9 included a “shipping order” and a bill of lading.

10 *Facts Related To Secondary Considerations*

11 12. There is no evidence on record of secondary considerations of
12 non-obviousness for our consideration.

13 PRINCIPLES OF LAW

14 *Claim Construction*

15 During examination of a patent application, pending claims are
16 given their broadest reasonable construction consistent with the
17 specification. *In re Prater*, 415 F.2d 1393, 1404-05 (CCPA 1969); *In
18 re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1369 (Fed. Cir. 2004).

19 Limitations appearing in the specification but not recited in the claim
20 are not read into the claim. *E-Pass Techs., Inc. v. 3Com Corp.*, 343 F.3d
21 1364, 1369 (Fed. Cir. 2003) (claims must be interpreted “in view of the
22 specification” without importing limitations from the specification into the
23 claims unnecessarily).

1 Although a patent applicant is entitled to be his or her own
2 lexicographer of patent claim terms, in *ex parte* prosecution it must be
3 within limits. *In re Corr*, 347 F.2d 578, 580 (CCPA 1965). The applicant
4 must do so by placing such definitions in the Specification with sufficient
5 clarity to provide a person of ordinary skill in the art with clear and precise
6 notice of the meaning that is to be construed. *See also In re Paulsen*,
7 30 F.3d 1475, 1480 (Fed. Cir. 1994) (although an inventor is free to define
8 the specific terms used to describe the invention, this must be done with
9 reasonable clarity, deliberateness, and precision; where an inventor chooses
10 to give terms uncommon meanings, the inventor must set out any
11 uncommon definition in some manner within the patent disclosure so as to
12 give one of ordinary skill in the art notice of the change).

13 *Anticipation*

14 "A claim is anticipated only if each and every element as set forth in
15 the claim is found, either expressly or inherently described, in a single prior
16 art reference." *Verdegaal Bros. v. Union Oil Co. of California*, 814 F.2d
17 628, 631 (Fed. Cir. 1987). "When a claim covers several structures or
18 compositions, either generically or as alternatives, the claim is deemed
19 anticipated if any of the structures or compositions within the scope of the
20 claim is known in the prior art." *Brown v. 3M*, 265 F.3d 1349, 1351 (Fed.
21 Cir. 2001). "The identical invention must be shown in as complete detail as
22 is contained in the ... claim." *Richardson v. Suzuki Motor Co.*, 868 F.2d
23 1226, 1236 (Fed. Cir. 1989). The elements must be arranged as required by
24 the claim, but this is not an *ipsissimis verbis* test, i.e., identity of terminology
25 is not required. *In re Bond*, 910 F.2d 831, 832 (Fed. Cir. 1990).

1 *Obviousness*

2 A claimed invention is unpatentable if the differences between it and
3 the prior art are “such that the subject matter as a whole would have been
4 obvious at the time the invention was made to a person having ordinary skill
5 in the art.” 35 U.S.C. § 103(a) (2000); *KSR Int’l v. Teleflex Inc.*, 127 S.Ct.
6 1727 (2007); *Graham v. John Deere Co.*, 383 U.S. 1, 13-14 (1966).

7 In *Graham*, the Court held that that the obviousness analysis is
8 bottomed on several basic factual inquiries: “[1] the scope and content of
9 the prior art are to be determined; [(2)] differences between the prior art and
10 the claims at issue are to be ascertained; and [(3)] the level of ordinary skill
11 in the pertinent art resolved.” 383 U.S. at 17. *See also KSR Int’l v. Teleflex*
12 *Inc.*, 127 S.Ct. at 1734. “The combination of familiar elements according to
13 known methods is likely to be obvious when it does no more than yield
14 predictable results.” *KSR*, at 1739.

15 “When a work is available in one field of endeavor, design incentives
16 and other market forces can prompt variations of it, either in the same field
17 or a different one. If a person of ordinary skill can implement a predictable
18 variation, § 103 likely bars its patentability.” *Id.* at 1740.

19 “For the same reason, if a technique has been used to improve one
20 device, and a person of ordinary skill in the art would recognize that it would
21 improve similar devices in the same way, using the technique is obvious
22 unless its actual application is beyond his or her skill.” *Id.*

23 “Under the correct analysis, any need or problem known in the field
24 of endeavor at the time of invention and addressed by the patent can provide
25 a reason for combining the elements in the manner claimed.” *Id.* at 1742.

1 recites no criteria for qualification. Kagami describes the applicability of its
2 system to department stores (FF 06). Department stores are generally
3 composed of multiple physical stores having a common name. Thus,
4 acceptance of a physical store into the department store chain operating
5 Kagami's system implies at least that store's capacity, i.e. qualification, to
6 operate within Kagami's system.

7 The Examiner also replies that the querying and identification of
8 returns step [2] is met by Kagami's periodic analysis of sales and inventory
9 to determine what is needed to be ordered and returned (Answer 6). We
10 again agree with the Examiner. Limitation [2] recites identifying parts for
11 return under some policy. Kagami describes that it is necessary to dispose
12 of excess goods by reduction in price, transfer between stores, or return (FF
13 08) and Kagami identifies these by periodic forecasts and inventory
14 monitoring, and determines the urgency of countermeasures such as returns
15 (FF 09).

16 The Examiner finally replies that Kagami requires finding a buying
17 dealer (Answer 6). Here we must part company with the Examiner. An
18 item may be returned to the supplier without finding a buying dealer.
19 Although Kagami does include transfers between stores among its
20 countermeasures (FF 09), another store within the same department store
21 chain is not necessarily another buying dealer.

22 Claims 6 and 7 both depend from claim 1, and therefore these
23 rejections share the same error as claim 1.

1 unless its actual application is beyond his or her
2 skill.

3 *KSR*, 127 S.Ct. at 1740.

4 When there is a design need or market pressure to
5 solve a problem and there are a finite number of
6 identified, predictable solutions, a person of
7 ordinary skill has good reason to pursue the known
8 options within his or her technical grasp. If this
9 leads to the anticipated success, it is likely the
10 product not of innovation but of ordinary skill and
11 common sense. In that instance the fact that a
12 combination was obvious to try might show that it
13 was obvious under § 103.

14 *Id.* at 1742.

15 Thus there need not be an explicit reference connecting Kagami with
16 the practices of the Ford Motor Company. Clearly, Ford's parts returns
17 programs were part of an inventory control system, since they were designed
18 to reduce inventory of unnecessary parts. This alone would have suggested
19 the use of known options of inventory control systems such as the inventory
20 control system in Kagami.

21 As to the specific limitations of these claims, these are not argued by
22 the Appellant. We find that the admitted prior art shows that all of the
23 limitations added by these claims were practiced by Ford Motor Company
24 (FF 03, 04, & 05). Again, since all of these practices related to parts returns,
25 which are inherently part of an inventory control process, this suggested the
26 use of some inventory control system such as that in Kagami.

27 The Appellant has not sustained its burden of showing that the
28 Examiner erred in rejecting claims 2-5 under 35 U.S.C. § 103(a) as

1 unpatentable over Kagami and the admitted prior art. However, since we
2 rely on the admitted prior art to describe limitation [3] of the parent claim
3 1 of these claims, and this differs from the Examiner's rejection of claim
4 1 under anticipation, we denominate this as a new ground of rejection under
5 37 C.F.R. § 41.50(b) (2007).

6 CONCLUSIONS OF LAW

7 The Appellant has sustained its burden of showing that the Examiner
8 erred in rejecting claims 1, 6, and 7 under 35 U.S.C. § 102(b) as anticipated
9 by Kagami but has not sustained its burden as to claims 2-5 rejected under
10 35 U.S.C. § 103(a) (2002) as unpatentable over the prior art. Claims 1, 6,
11 and 7 are newly rejected under 35 U.S.C. § 103(a) (2002) as unpatentable
12 over Kagami and the admitted prior art pursuant to 37 C.F.R. § 41.50(b)
13 (2007).

14 DECISION

15 To summarize, our decision is as follows:

- 16 • The rejection of claims 1, 6, and 7 under 35 U.S.C. § 102(b) as
17 anticipated by Kagami is not sustained.
- 18 • A new ground of rejection of claims 1, 6, and 7 under 35 U.S.C.
19 § 103(a) as unpatentable over Kagami and the admitted prior art is
20 entered pursuant to 37 C.F.R. § 41.50(b) (2007).
- 21 • The rejection of claims 2-5 under 35 U.S.C. § 103(a) as unpatentable
22 over Kagami and the admitted prior art is sustained. This rejection is
23 denominated as a new ground pursuant to 37 C.F.R. § 41.50(b)
24 (2007).

1 This Decision contains a new rejection within the meaning of 37
2 C.F.R. § 41.50(b) (2007).

3 Our decision is not a final agency action.

4 37 C.F.R. § 41.50(b) provides that Appellants, WITHIN TWO
5 MONTHS FROM THE DATE OF THE DECISION, must exercise one of
6 the following two options with respect to the new rejection:

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

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

14 No time period for taking any subsequent action in connection with
15 this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R.
16 § 1.136(a)(1)(iv) (2007).

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18 AFFIRMED-IN-PART - 37 C.F.R. § 41.50(b)

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