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BUCHANAN, CHRISTOPHER R

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Ex parte ROBERT H. SCHEER

Appeal 2014-007801
Application 12/536,777
Technology Center 3600

Before MURRIEL E. CRAWFORD, ANTON W. FETTING,
and BIBHU R. MOHANTY, *Administrative Patent Judges*.

MOHANTY, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

The Appellant seeks our review under 35 U.S.C. § 134 of the final rejection of claims 7–13 which are all the claims pending in the application. We have jurisdiction under 35 U.S.C. § 6(b).

SUMMARY OF THE DECISION

We REVERSE and ENTER A NEW GROUND OF REJECTION under 37 C.F.R. § 41.50(b).

THE INVENTION

The Appellant's claimed invention is directed to managing inventory in a supply chain (Spec., page 1, lines 11-12). Claim 7, reproduced below, is representative of the subject matter on appeal.

7. A computer-readable media having computer-executable instructions for managing inventory of an item within a supply chain having a plurality of geographically distinct distribution points, the instructions performing steps comprising:
 - providing a forecast of demand over a forecast period for the item;
 - using the forecast of demand for the item to establish a critical stocking ratio for the item, the critical stocking ratio indicating a total quantity of the item which can be held in inventory over the forecast period;
 - using the critical stocking ratio for the item to apportion the total quantity of the item which can be held in inventory over the forecast period in shares to the plurality of geographically distinct distribution points in the supply chain by assigning over the forecast period a base stock level for the item at each of the plurality of geographically distinct distribution points in the supply chain and a reorder point for the item at each of the plurality of geographically distinct distribution points in the supply chain;
 - using an ontology which includes data indicative of restrictions and allowable locations within the supply chain for the item to determine a shipping method for replenishing the item at each of the plurality of geographically distinct distribution points in the supply chain; and
 - executing the shipping method when any of the plurality of geographically distinct distribution points in the supply chain fails to have a base stock level for the item thereby causing inventory within the supply chain to be managed in accordance with the critical stocking ratio.

THE REJECTIONS

The following rejections are before us for review:

Claims 7–13 are rejected under 35 U.S.C. § 103(a) as unpatentable over Caveney (US 5,608,621, iss. Mar. 4, 1997) and Tsukishama (US 6,535,773B1, iss. Mar. 18, 2003).

FINDINGS OF FACT

We have determined that the findings of fact in the Analysis section below are supported at least by a preponderance of the evidence¹.

ANALYSIS

Rejection under 35 U.S.C. § 103(a)

The Appellant argues that the rejection of claim 1 is improper because for failure to disclose elements of the claim limitation for

using an ontology which includes data indicative of restrictions and allowable locations within the supply chain for the item to *determine a shipping method for replenishing the item at each of the plurality of geographically distinct distribution points in the supply chain.*

(Appeal Br. 4-8, Reply Br. 3, 4, emphasis added).

In contrast, the Examiner has determined that argued claim limitations are shown by Caveney at columns: 1:20-40, 3:10+, 4:1-8, 5:36+; Tsukishama at Figure 2, col 1:15-25, col. 1:33, col. 7:41; and the well-known method of selecting shipping in the replenishment process (Final Rej. 3, Ans. 3).

¹ See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (explaining the general evidentiary standard for proceedings before the Patent Office).

We agree with the Appellant. The Appellant argues that Caveney fails to “determine a shipping method for replenishing the item *at each of the plurality of geographically distinct distribution points in a supply chain*” (App. Br. 5). While we agree with the Examiner’s analysis that determining a shipping method in the combination was well known or obvious, the Appellant has also argued that the this shipping was not shown for replenishing *at each of the plurality of geographically distinct distribution points in the supply chain* (App. Br. 5, Reply Br. 3).

The Examiner has determined that “each of the plurality of geographically distinct distribution points in the supply chain” is shown by Tsukishima at Figure 2, col 1:15-25, col. 1:33, col. 7:41, and that each of parts in the inventory is considered to be in a different manufacturing workstation showing geographically distinct distribution points (Final Rej. 3, Ans. 3). We disagree in this regard. Tsukishima at col. 1:15-25 discloses “material requirements planning” (MRP) for determining the “types or species of parts required for manufacturing an article to be manufactured in accordance with a schedule, [and] time points at which ...parts...are required””. However, there is no specific disclosure at this citation of a different workstations as all the parts could be delivered to a single assembly point. As another example, in Figure 2, the different “MRP arithmetic apparatuses” (10-1, 10-2, and 10-3) are not shown at these citations to different workstations where parts are received but rather arithmetic apparatuses to perform arithmetic for the inventory allotments (*see* col. 7:49-8:10). Since the above citations to Tsukishima fail to specifically show the different workstations with geographically distinct distribution points as asserted, this rejection of claim 7 and its dependent claims is not sustained.

NEW GROUND OF REJECTION

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: “laws of nature, natural phenomena, and abstract ideas” are not patentable. *See, e.g., Alice Corp. Pty Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014).

In judging whether claim 7 falls within the excluded category of abstract ideas, we are guided in our analysis by the Supreme Court’s two-step framework, described in *Mayo* and *Alice*. *Id.* at 2355 (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1296–97 (2012)). In accordance with that framework, we first determine whether the claim is “directed to” a patent-ineligible abstract idea. If so, we then consider the elements of the claim both individually and as “an ordered combination” to determine assess whether the additional elements “transform the nature of the claim” into a patent-eligible application of the abstract idea. *Id.* This is a search for an “inventive concept” an element or combination of elements sufficient to ensure that the claim amounts to “significantly more” than the abstract idea itself. *Id.* The Court also stated that “the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention”. *Id.* at 2358.

Here, we find that the claim is directed to the concept of forecasting and replenishing product supply chains. This is a fundamental economic practice long prevalent in our system of commerce, and is an abstract idea beyond the scope of § 101.

We next consider whether additional elements transform the nature of the claim into a patent-eligible application of the abstract idea, e.g., whether the claim does more than simply instruct the practitioner to implement the abstract idea using generic computer components. We conclude that it does not. Here, the claim is directed to the abstract idea of calculating when an item should shipped in the supply chain that can be performed mentally or with generic computer components. Further, the mere shipping of the item at the end of that calculation fails to transform the method into patent eligible subject matter. For this reason claim 7 is rejected under 35 U.S.C. § 101. Claim 8–13 contain limitations that are also directed to the same abstract idea and also fail to transform the nature of the claim and are rejected under this grounds as well.

CONCLUSIONS OF LAW

We conclude that the Appellant has shown that the Examiner erred in rejecting the claims as listed in the Rejections section above.

DECISION

The Examiner’s rejections of claims 7–13 are reversed. A new ground of rejection of claims 7–13 is applied under 35 U.S.C. § 101.

NEW GROUND

This decision contains a new ground of rejection pursuant to 37 C.F.R. § 41.50(b). 37 C.F.R. § 41.50(b) provides “[a] new ground of rejection pursuant to this paragraph shall not be considered final for judicial review.” 37 C.F.R. § 41.50(b) also provides that the Appellant, 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:

- (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

Should Appellant elect to prosecute further before the Examiner pursuant to 37 C.F.R. § 41.50(b)(1), in order to preserve the right to seek review under 35 U.S.C. §§ 141 or 145 with respect to the affirmed rejection, the effective date of the affirmance is deferred until conclusion of the prosecution before the Examiner unless, as a mere incident to the limited prosecution, the affirmed rejection is overcome.

If Appellant elects prosecution before the Examiner and this does not result in allowance of the application, abandonment or a second appeal, this case should be returned to the Patent Trial and Appeal Board for final action on the affirmed rejection, including any timely request for rehearing thereof.

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

REVERSED; 37 C.F.R. § 41.50(b)