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Paper 37
Date: January 28, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

FFF ENTERPRISES, INC.,
Petitioner,

v.

AMERISOURCEBERGEN SPECIALTY GROUP, INC.,
Patent Owner.

Case CBM2014-00154
Patent 8,285,607 B2

Before MICHAEL W. KIM, MICHAEL J. FITZPATRICK, and CHRISTOPHER L. CRUMBLEY, *Administrative Patent Judges.*

CRUMBLEY, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328 and 37 C.F.R. § 42.73

I. INTRODUCTION

In this covered business method patent review trial, instituted pursuant to 35 U.S.C. § 324, Petitioner FFF Enterprises, Inc. challenges the patentability of claims 1 and 2 of U.S. Patent No. 8,285,607 B2 (Ex. 1001, "the '607 patent"), owned by AmerisourceBergen Specialty Group, Inc. ("ABSG").

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision, issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73, addresses issues and arguments raised during trial. For the reasons discussed below, we determine that FFF has met its burden to prove, by a preponderance of the evidence, that claims 1 and 2 of the '607 patent are *unpatentable*.

A. Procedural History

On July 11, 2014, FFF filed a Petition requesting covered business method patent review of claims 1 and 2 of the '607 patent. Paper 3, "Pet." ABSG filed a Patent Owner's Preliminary Response. Paper 12, "Prelim. Resp." In a Decision on Institution of Covered Business Method Patent Review (Paper 14, "Dec."), we instituted trial on claims 1 and 2 based on the following grounds:

1. Whether claims 1 and 2 are unpatentable under 35 U.S.C. § 102(b)[1] as anticipated by Dearing;[2] and
2. Whether claims 1 and 2 are unpatentable under 35 U.S.C. § 102(a) as anticipated by Gibb.[3]

Dec. 21.

Following institution, ABSG filed a Patent Owner Response to the Petition (Paper 17, "PO Resp."), and FFF filed a Reply (Paper 21, "Pet. Reply").

FFF supported its Petition with the Declaration of Dr. Richard E Billo. Ex. 1003. With its Patent Owner Response, ABSG filed the Declaration of Dr. Daniel W. Engels. Ex. 2011. FFF took the cross-examination of Dr. Engels via deposition and filed the transcript. Ex. 1019. ABSG also submitted excerpts from the deposition testimony of Dale Danilewitz, the inventor of the '607 patent, taken during a related District Court action between the parties. Ex. 2015.[4]

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[1] The Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, took effect on March 18, 2013. Because the application from which the '607 patent issued was filed before that date, our citations to 35 U.S.C. §§ 102 and 103 are to their pre-AIA version.

[2] Ex. 1005, WO 2003/073201 A2 to Dearing et al. (Sept. 4, 2003).

[3] Ex. 1006, WO 2003/015510 A1 to Gibb (Feb. 17, 2005).

[4] Exhibit 2015 was filed under seal accompanied by a Motion for Protective Order (Paper 18), which we deny without prejudice in a Decision entered today (Paper 36). ABSG will have ten business days to re-file a revised Motion or withdraw Exhibit 2015.

Oral hearing was requested by both parties, and argument was held on September 22, 2015. A transcript of the oral hearing is included in the record. Paper 35, "Tr."

B. The '607 Patent

The '607 patent discloses an inventory management system that includes a cabinet containing product units having radio frequency identification ("RFID") tags. Ex. 1001, Abstract. The cabinet has the ability to wirelessly detect the RFID tags of items contained within, which permits the cabinet to monitor the inventory of items. *Id*. The cabinet communicates over a network with a server system, which can manage the inventory by generating an order for additional products to be added to the cabinet. *Id.*

Although the title of the '607 patent is "System and Method for Pharmaceutical Management and Tracking," neither the specification nor the claims limit the items stored within the cabinet to pharmaceuticals. The specification does describe, however, an exemplary embodiment in which the system is used to manage and track pharmaceuticals dispensed from a hospital pharmacy. *Id*. at 2:62–65. According to the specification, "a pharmacy may desire to have [pharmaceuticals] readily available but not be willing or able to pre-purchase." *Id*. at 6:34–37. In such cases, the specification discloses a consignment model in which the items are held on

the hospital premises in the cabinet, but not considered sold until removed from the cabinet or product packaging. *Id*. at 6:31–33.

The physical elements of the invention are described by the specification as conventional. The cabinet can be a "conventional refrigerator unit," modified to include an RFID reader, which is "known to those of skill in the art." *Id*. at 3:12–23. The data processing system of the cabinet "can be implemented using any appropriate technology . . . known to those of skill in the art." *Id*. at 3:37–40. The cabinet communicates with the central server "using any suitable data communications technology." *Id*. at 3:54–57.

C. Illustrative Claim

Both challenged claims of the '607 patent are independent. Claim 1 is illustrative of the claimed subject matter and reads as follows:

> 1. A product inventory management system, comprising:
>
> a cabinet configured to contain an inventory of product units having RFID tags, the cabinet further configured to monitor the inventory by wirelessly detecting the RFID tags; and
>
> a server system configured to communicate over a network with the cabinet, the server system operable to manage the inventory of the cabinet, the server system operable to create an order to have additional product units added to the cabinet according to the cabinet inventory,
>
> wherein the product units in the cabinet inventory are consignment product units, and the server system creates an

> invoice when the product units are removed from the inventory.

Id. at 9:10–10:2.

II. DISCUSSION

A. Standing

We determined, in our Decision to Institute, that FFF has standing to challenge the ’607 patent as a covered business method patent as defined in § 18(a)(1) of the America Invents Act. Pub. L. No. 112-29. Specifically, we found that FFF had been sued or charged with infringement of the ’607 patent (Dec. 6), that the challenged claims are directed to “apparatus for performing . . . operations used in the practice . . . of a financial product or service” (Dec. 7–8), and that the invention is not a “technological invention” (Dec. 8–10). In its Response, ABSG challenges the first and third of these findings, which we address below.

1. Sued or Charged with Infringement

The parties do not dispute that there is an action currently pending in the Eastern District of Texas—*AmerisourceBergen Specialty Group, Inc. v. FFF Enterprises, Inc.* (No. 4:13-cv-00755)—that includes a claim of infringement of the ’607 patent. Nor does ABSG dispute that it is the owner of the ’607 patent; indeed, counsel for ABSG explicitly stated during oral argument before the Board that ABSG is the sole owner of the patent. Tr. 82. Nevertheless, ABSG disputes that FFF has established that it has

been "sued or charged with infringement" of the '607 patent, because FFF is challenging ABSG's ownership of the '607 patent in the District Court action.[5] PO Resp. 6–7. In essence, ABSG argues that FFF cannot contend that ABSG is not the true owner of the '607 patent in District Court, while simultaneously contending before the Board that it has been sued by ABSG for infringement of the '607 patent. ABSG asserts that we are required to dismiss the Petition because, in the absence of an ownership ruling from the District Court, FFF's standing before us is in question.

We disagree, for several reasons. First, on the record before the Board in this proceeding, there is no question that ABSG is the patent owner. As noted above, ABSG has expressly admitted this fact, and FFF is not challenging ownership before us. On the record before us, FFF has shown that it has been "sued or charged with infringement" of the '607 patent.

Second, we do not consider it necessary to await a ruling from the District Court on ownership before proceeding. Certainly, the Board is not required to seek an ownership determination before proceeding with every petition filed under the America Invents Act. Such a requirement would be inconsistent with the statutory deadlines set by Congress, and would interfere with the "just, speedy, and inexpensive resolution of every

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[5] FFF contends in the District Court action that the '607 patent is owned by ASD Specialty Healthcare, Inc. ("ASD"), a wholly owned subsidiary of ABSG. PO Resp. 7.

proceeding." *See* 37 C.F.R. § 42.1(b). ABSG contends that, if the District Court grants FFF's motion to dismiss, it would render the action between the parties a "legal nullity," as if the action had never been brought. PO Resp. 9–10. Aside from being pure conjecture, this argument assumes that such a dismissal—after the filing date of the instant Petition—would negate that FFF had been sued for infringement for the purposes of this proceeding. Furthermore, it would not erase the fact that FFF has been charged with infringement of the '607 patent.[6]

At oral argument, ABSG raised the possibility that such a rule would mean that a sham lawsuit could be filed by a party that is clearly not the owner of a patent, in order to create standing for a petitioner to challenge that patent. Tr. 85 ("a Samsung employee could start suing Samsung for violations of Apple patents and Samsung could start filing CBM petitions"). In addition to the obvious FRCP Rule 11 sanctions a party filing such a complaint would likely receive from the District Court, the Board has tools available to police such egregious and facially improper situations. *See Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method*

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[6] *Global Tel*Link Corp. v. Securus Technologies*, Case CBM2014-00166 (PTAB Feb. 6, 2015) (Paper 17), cited by ABSG, is not to the contrary. In that decision, a panel of the Board held that the dismissal with prejudice of a District Court action, *prior to the filing of the Petition*, meant that the Petitioner was no longer "sued or charged with infringement." *Id*. at 6–8.

Patents, 77 Fed. Reg. 48,680, 48,709 (Aug. 14, 2012) (Response to Comment 102) ("Facially improper standing is a basis for denying the petition without proceeding to the merits of the decision."). In any event, this is not the situation currently before us, as ABSG's ownership of the '607 patent is reflected on the face of the patent itself. Ex. 1001, (73).

Finally, we are unpersuaded by ABSG's argument that proceeding without the involvement of ASD—the company FFF contends is the true owner of the '607 patent—risks issuing a final decision on patentability without the involvement of the true Patent Owner. PO Resp. 10–11. Neither FFF, nor the Board, mandated that ABSG appear in this proceeding as Patent Owner. Rather, pursuant to our Rules, FFF served the Petition at the correspondence address of record of the '607 patent. *See* 37 C.F.R. § 42.205(a); Pet. 81. ABSG chose to enter the proceeding as Patent Owner and file Mandatory Notices (Paper 8); ASD did not. Nor did ABSG seek leave from the Board, once FFF's challenge to ownership was made, to include its wholly owned subsidiary ASD as a potential Patent Owner in this proceeding, in order to protect ASD's potential interest in the '607 patent. It seems specious for ABSG to now ask that we dismiss this proceeding for failure to include a party whose absence is ABSG's own doing.

We are unpersuaded that there is sufficient reason for us to depart from the finding in our Decision to Institute, that FFF has been sued or charged with infringement of the '607 patent.

2. Technological Invention

In our Decision to Institute, we also considered whether claims 1 or 2 of the '607 patent recite a technological invention, specifically "whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution." 37 C.F.R. § 42.301(b). We noted that the specification of the '607 patent expressly states on numerous occasions that the physical elements of the invention were known, and instead focuses only on the financial aspects of the claims (*consignment units* and *invoicing*) as addressing the problem faced by the patent. Dec. 9–10. We concluded that "the elements of the claims are either admittedly known, but technological; or allegedly novel and nonobvious, but non-technological," and therefore the claims do not "recite[ ] a technological feature that is novel and unobvious over the prior art." *Id*. at 10.

In its Response, ABSG reasserts many of the arguments made in its Preliminary Response, which we previously found unpersuasive in our Decision to Institute. First, ABSG argues that the claims recite "technological features," because features such as a cabinet or RFID tags are not described in our Trial Practice Guide's list of "known technologies," which is limited to computer hardware or software. PO Resp. 13–14. This is a misreading of the Trial Practice Guide. The list of "known technologies" referenced by ABSG states as follows:

> The following claim drafting techniques would not typically render a patent a technological invention: (a) Mere recitation of known technologies, *such as* computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, or specialized machines, such as an ATM or point of sale device.

Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012) (emphasis added). The inclusion of "such as" in the passage implies that the list that follows is not meant to be exhaustive, as ABSG contends. As is clearly evidenced by the '607 patent specification, features such as cabinets and RFID tags were known at the time of the '607 patent, and, thus, we are unpersuaded that they can convert the claimed invention into a "technological invention."

Nor is it persuasive that, as ABSG argues, "the mere fact that some individual elements from the claims had been known in the prior art does not permit the avoidance of examining each claim as [a] whole to determine novelty and nonobviousness." PO Resp. 16. It is correct that we consider the claim as a whole when making our patentability determination, and will do so below. But that is a different consideration than whether the invention is a "technological" one for purposes of covered business method patent review standing. As directed by our Rules, our focus in determining whether a patent is for a technological invention is on whether "the claimed subject matter as a whole recites a technological *feature* that is novel and unobvious over the prior art." 37 C.F.R. § 42.301(b) (emphasis added).

Focusing on the entire claim's novelty and nonobviousness, as ABSG wishes, would lead to the illogical result that the combination of purely technological features in a novel and nonobvious way would result in a non-technological invention. This is contrary to our Trial Practice Guide's guidance. *See* 77 Fed. Reg. at 48,764 ("The following claim drafting techniques would not typically render a patent a technological invention: . . . (c) Combining prior art structures to achieve the normal, expected, or predictable result of that combination.").

Finally, we agree with FFF that the '607 patent, and ABSG's filings in this case, emphasize the fact that the invention is a business solution to a business problem, rather than "solv[ing] a technical problem using a technical solution." 37 C.F.R. § 42.013(b). In ABSG's own words, the problem addressed by the '607 patent is that "some pharmaceuticals are so prohibitively expensive (e.g., $2,000.00 per vial) that hospitals cannot afford to pre-purchase an inventory consistent with potential need." PO Resp. 2. ABSG states that this problem is addressed by "enabling use of *possible* consignment sales . . . with a combination of product monitoring and invoicing that accommodates hospital practices while billing only for products actually used." *Id*. It is clear that the '607 patent addresses a non-technological problem (the cost of pharmaceuticals) using a non-technological solution (consignment sales).

We have reviewed the entire record and the parties' arguments, and reaffirm our prior determination that the '607 patent is not directed to a

technological invention. For the foregoing reasons, ABSG's post-institution arguments to the contrary do not convince us otherwise.

B. Claim Construction

For purposes of our Decision to Institute, we analyzed each claim term in light of its broadest reasonable interpretation, as understood by one of ordinary skill in the art and as consistent with the specification of the '607 patent. 37 C.F.R. § 42.300(b); *see In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278–79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs. LLC v. Lee*, 84 U.S.L.W. 3218 (Jan. 15, 2016) (No. 15-446). In the Decision to Institute, we construed the term *consignment product unit* as "products that are considered sold when removed from the cabinet or the product packaging." Dec. 13–15. We also held that *the server system creates an invoice when the product units are removed from the inventory* should be given its ordinary meaning, and *manage the inventory* needed no explicit construction. Dec. 11–13, 15–16. In its Response, ABSG challenges our treatment of all three claim terms.

1. consignment product units

Central to the '607 patent and its solution to the problem of pharmaceutical costs is the notion that the products in the cabinet are *consignment product units*. In our Decision to Institute, we found that the customary meaning of *consignment* is "an arrangement in which possession, but not title, of goods is transferred to a third party agent—the consignee—

until the goods are sold to the ultimate purchaser." Dec. 13 (citing *Sturm v. Boker*, 150 U.S. 312, 326 (1893)). We determined, however, that this general definition does not make sense in the context of the '607 patent, because there is no "agent" *per se*, but rather an inanimate cabinet that holds the items pending transfer of title. *Id*. We noted that the specification of the '607 patent defines *consignment* in a slightly different manner: "the product is not sold when shipped for placement in a cabinet, but rather is held on *consignment* in the cabinet, and *considered sold when removed from the cabinet or the product packaging*." Dec. 14 (quoting Ex. 1001, 6:29–33 (emphasis added)). This manner of sale is contrasted with "direct sales," in which an invoice is created "either when the product units are shipped or when they are detected within [the] cabinet." Ex. 1001, 7:1–5. We held that "[t]he distinguishing feature of a *consignment* sale, as defined in the '607 patent, is therefore the time at which the items are considered sold and are invoiced," and construed *consignment product units* as "products that are considered sold when removed from the cabinet or the product packaging." Dec. 14–15.

FFF agrees with our construction (Pet. Reply 11–12); ABSG does not (PO Resp. 18–24). Rather, ABSG provides the testimony of Dr. Engels (Ex. 2011 ¶¶ 30–40) and reasserts that the ordinary meaning[7] of *consignment* should apply.

[7] ABSG does not reassert what this ordinary meaning is, but in its

First, ABSG challenges our determination that the ordinary legal meaning of *consignment* should not apply, because we determined that the inanimate cabinet cannot be an "agent" of the seller. PO Resp. 18–19. In ABSG's view, the agent in a consignment sale can also simply store the products pending sale, and therefore the customer on whose property the cabinet is placed could be considered the "agent" of the seller. *Id*. at 19. According to ABSG, there is nothing that prevents, for example, the hospital in such an arrangement from being both the "agent" and the "customer." *Id*. Setting aside the question of whether a sale without a third-party agent can still be considered a consignment sale, the difficulty with ABSG's argument is that to an outside observer, there would be no difference between a consignment sale and a direct sale. The customer would take immediate possession of the products in both arrangements, the only difference being when legal title passes to the customer. As we discuss below, we do not consider legal ownership of the product to be a limitation on the scope of the challenged claims, and we reject ABSG's argument on this point.

ABSG also argues that our construction excludes a preferred embodiment described in the specification, namely the embodiment wherein products are not considered sold until a certain time after removal from the cabinet, such as 72 hours. PO Resp. 20. According to ABSG, "[a]

Preliminary Response cited a general dictionary's definition of *consignment* as "goods 'sent to an agent for sale, with title being held by the consignor until a sale is made.'" Prelim. Resp. 13 n.1 (citing Ex. 2002, 434).

consignment product considered sold when removed from the cabinet, as required under the [Board's] adopted construction, would somehow have to be considered 'unsold' upon return to the cabinet – a circumstance not described or suggested by the '607 Patent." *Id*. This is not the case, and misrepresents the construction set forth in our Decision to Institute. That construction does not require items to be considered sold only when removed from the cabinet; as explicitly stated in the '607 patent specification, they may also be considered sold when removed from the product packaging. Ex. 1001, 6:29–33. Using this latter alternative, items could be removed from the cabinet and returned within a certain time period without being considered "sold," so long as they remained in their original packaging. We do not consider such a construction to be inconsistent with the preferred embodiment of the patent.

Furthermore, several statements by ABSG's counsel at oral argument suggest that our construction is the correct one, and that *consignment* does not turn on the possession of the product or its legal ownership. Attempting to describe the difference between a series of direct sales and a consignment sale, counsel stated that in a direct sale, "the first time that the supplier gets paid is [not] when the product gets used, when the product gets removed from the packaging. *And that's the difference between consignment and direct sales*." Tr. 67 (emphasis added). Furthermore, in response to questions from the panel on whether a claim could be limited by legal

ownership, counsel stated that *consignment* is not an abstract concept, but rather is "tangible":

> JUDGE CRUMBLEY: [H]ow can you define whether something falls within or outside of a claim based on the legal ownership of the item?
>
> MR. ALIBHAI: I think you are basing it upon how people conduct sales, goods, transactions. . . . That good is still something that is tangible and it is sitting in a cabinet. All of these are tangible product units, whether it is Tylenol or whatever we want to talk about.
>
> The only issue is that the claim requires, hey, *because it is consignment, what that means is the invoice, the billing, won't occur until use.* That's tangible. What is tangible about that is when you take it out of the cabinet and use it, when you take it out of the packaging and use it, then the server system is supposed to create an invoice.

Tr. 64–65 (emphasis added). These statements evidence that even ABSG's counsel, when pressed, defined whether a product is *consignment* in terms similar to that expressed in the '607 patent specification, consistent with the construction set forth in our Decision on Institution.

Nor do we determine that Dr. Engels' testimony is persuasive, or mandates a contrary result. Dr. Engels first cites the testimony of the inventor of the '607 patent, Mr. Danilewitz, that he "understood consignment to refer to placement of a product at the location of and under the control of a customer, but with ownership of the property remaining with the manufacturer/distributor until a contractually defined period following removal of the product from the cabinet." Ex. 2011 ¶ 32 (citing Ex. 2015,

3).[8] The Federal Circuit has cautioned, however, that "[t]he testimony of an inventor often is a self-serving, after-the-fact attempt to state what should have been part of his or her patent application." *Bell & Howell Document Mgmt. Products Co. v. Altek Sys.*, 132 F.3d 701, 706 (Fed. Cir. 1997). As such, and in view of the weight of the intrinsic evidence to the contrary discussed herein, we do not find Mr. Danilewitz's testimony persuasive.

Nor does Dr. Engels' citation to the APICS dictionary—a specialized dictionary from the American Production and Inventory Control Society—convince us that our construction is in error. Ex. 2011 ¶ 35. The APICS definition of *consignment* omits the requirement of an agent: "the process of a supplier placing goods at a customer location without receiving payment until after the goods are used or sold." Ex. 2013, 3; Ex. 2014, 3. This definition actually supports our adopted construction, because according to APICS the distinguishing feature of a *consignment* sale is not legal possession or ownership, but rather when payment is made. This is the characteristic highlighted in the specification of the '607 patent, and adopted in our construction.

Finally, we note that adopting ABSG's proffered construction, and defining *consignment product units* according to the ordinary legal definition of *consignment*, would define the scope of the claim by the ownership of the

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[8] As discussed above in footnote 4, ABSG has the option of withdrawing Exhibit 2015 within ten business days of this Decision, in which case Dr. Engels' reliance on the testimony of Mr. Danilewitz would become moot.

product, rather than by an observable characteristic of that product or a tangible result of the transaction such as payment. In other words, ABSG's construction would cause infringement of the claim to turn on ownership of the product, which is a creature of law, not an innate property of the product itself. We have serious doubts whether such a claim limitation is permissible, or if a claim term so construed would be entitled to any patentable weight.

While the broadest reasonable interpretation standard does not require us to construe claims to preserve their validity—and indefiniteness of the claims is not before the Board in this proceeding, in any event—we are mindful that adopting ABSG's construction would mean that a person of ordinary skill in the art would be unable to determine whether a potentially infringing system falls within the scope of the claim unless he or she has access to the contracts governing the sale of the items within the cabinet. *See Geneva Pharm., Inc. v. GlaxoSmithKline PLC*, 349 F.3d 1373, 1384 (Fed. Cir. 2003) ("A claim is indefinite if its legal scope is not clear enough that a person of ordinary skill in the art could determine whether a particular composition infringes or not."). Furthermore, legal ownership is a distinction "discernable only to the human mind," similar to limitations found to have no patentable weight under the printed matter doctrine unless they have a functional or structural relationship to the physical substrate. *See In re Distefano*, 808 F.3d 845, 848 (Fed. Cir. 2015); *In re Jie Xiao*, 462 F. App'x 947, 950 (Fed. Cir. 2011) (nonprecedential). Though the

ownership of the products is not printed matter, the logic of those cases is equally applicable here. *See King Pharmaceuticals, Inc. v. Eon Labs, Inc.*, 616 F.3d 1267, 1279 (Fed. Cir. 2010) ("The rationale behind this line of [printed matter] cases is preventing the indefinite patenting of known products by the simple inclusion of novel, yet functionally unrelated limitations."); *see also Ex parte Graff*, Appeal 2012-003941, 2013 WL 3873066, at *3 (PTAB July 23, 2013) (property interests are "legal abstractions" that are given no patentable weight), *aff'd by In re Graff*, 585 F. App'x 1012 (Fed. Cir. 2014) (nonprecedential). While not controlling on the broadest reasonable interpretation analysis, we nevertheless take into account the fact that ABSG's proffered construction raises these concerns.

For these reasons, we reaffirm our prior claim construction analysis, and interpret *consignment product units* as "products that are considered sold when removed from the cabinet or the product packaging."

2. manage the inventory

ABSG also challenges our decision to give *manage the inventory* its ordinary meaning, arguing that the term has no ordinary meaning. PO Resp. 24. ABSG reasserts its proposed construction from its Preliminary Response, "to update the inventory based on addition or removal over time of product units to or from the cabinet," which we declined to adopt in our Decision to Institute. *Id*. at 26; Dec. 15–16. We do not find ABSG's

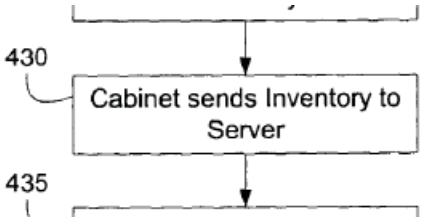
arguments any more persuasive at this stage of the proceedings, and reaffirm our conclusions from the Decision to Institute.

In its Response, ABSG's arguments are primarily grounded in its contention that *inventory*, as used in the claims, is "distinct from the instantaneous contents of the cabinet." PO Resp. 24. In ABSG's estimation, the *inventory* includes the contents of the cabinet, but also may include other items that have been removed from the cabinet but not yet considered "sold." *Id*. at 25. In other words, *inventory* is asserted to be a list kept by the server, as opposed to the physical contents of the cabinet.

ABSG's interpretation of *inventory* is at odds with the plain language of the claims and the specification of the '607 patent. Claim 1 begins by reciting "a cabinet configured to *contain* an inventory of product units," making clear that the inventory is the products contained in the cabinet. This usage is consistent through the rest of the claim: "cabinet further configured to monitor the inventory"; "manage the inventory of the cabinet"; "cabinet inventory." By contrast, when the specification of the '607 patent discusses an accounting of the contents of the cabinet kept on a server, it refers to an "inventory *list*" or "inventory *data*." *See, e.g.*, Ex. 1001, 1:58–61 ("receiving, in a server system . . . inventory data from a cabinet, the inventory data corresponding to an inventory of product units stored in the cabinet"); *id*. at 4:1–5 ("if a specific identifier is no longer detected during a periodic scan . . . the cabinet data processing system notes the missing identifier and removes it from the current inventory list for the cabinet").

At oral argument, counsel for ABSG provided two examples that allegedly contradict this usage, neither of which we determine to be persuasive. First, counsel indicated that the claims recite a "server system [ ] operable to manage the inventory," implying that the inventory is the list on the server. Tr. 40. ABSG cites Dr. Engels' testimony that the specification recites various management functions to be carried out by the server. PO Resp. 25–26 (citing Ex. 2011 ¶ 45). Counsel argued that such disclosures only make sense if the inventory itself is on the server. Tr. 42 ("[T]he server doesn't have an inventory of cabinets in it. It can't be that we're talking about the product itself anymore because the server can't have an inventory."). The portions of the specification cited by ABSG and Dr. Engels, however, recite various functions the server takes on the inventory *list*: "[c]abinet will communicate the current inventory *list* to server system" (Ex. 1001, 6:60–67); "serial number is added to the consumed product *list* and eventually reported to server system" (*id*. at 7:7–18) (emphases added). These citations, therefore, do not support ABSG's argument that the server must contain the inventory (as opposed to an inventory list).

Second, counsel directed our attention to Figure 4 of the patent (Tr. 43), specifically box 430 of the flowchart (reproduced below) that contains the phrase "Cabinet sends Inventory to Server":



In essence, ABSG argues that if *inventory* is the physical contents of the cabinet, then it makes no sense to say that the cabinet "sends inventory to server," as depicted in box 430. Any ambiguity in this usage, however, is resolved when the portion of the specification describing box 430 is consulted: "Cabinet 100 will communicate the current inventory *list* to server system 310, which will update a status record for each corresponding serial number (step 430)." Ex. 1001, 6:64–67 (emphasis added). It is apparent that box 430 represents sending the inventory *list* to the server, not the *inventory*, and is not inconsistent with the understanding that *inventory* is the set of products contained in the cabinet.

With this understanding, we return to the disputed claim phrase, *the server system operable to manage the inventory of the cabinet*. If the inventory of the cabinet refers to the physical contents of the cabinet, then ABSG's proposed construction is not required, and the ordinary meaning of the phrase is clear. The specification discloses, for example, that the server monitors the inventory and may send an order for new products to be added to the cabinet if the number of units falls below a certain threshold. *Id*. at 7:31–36. The server may also monitor the expiration date of the products, and order their removal from the inventory when expired. *Id*. at 7:42–50.

These functions fall within the ordinary meaning of *manage the inventory*; further construction of the term is unnecessary for the purposes of this Decision.

3. creates an invoice

Finally, ABSG disputes our determination in the Decision to Institute that an explicit construction of *creates an invoice* was unnecessary. PO Resp. 27–30. Specifically, ABSG argues that our rejection of its proposed construction, "the server system create[s] an invoice *based on the unique RFID serial number associated with the exact product unit removed* from the cabinet's inventory," was in error. *Id*. (emphasis added).

We declined to adopt ABSG's construction because we concluded it was overly narrow, and nothing in the specification tied invoicing to the "unique RFID serial number" of an exact product. Dec. 12–13. Rather, the specification merely states that the server "generate[s] billing and invoice data according to the reports from cabinets of product units that are delivered . . . or consumed." Ex. 1001, 5:57–60. This could be a report of a unique RFID serial number, but that is not the only possibility. Indeed, the specification states that "serial numbers" are not required by the invention at all. Ex. 1001, 4:58–61 ("[T]he term 'serial number' will be used herein to refer to the unique identifier, although those of skill in the art will recognize that any other style of unique identifier can be used."). ABSG's citations from the specification, that products are tracked by RFID serial number, are

not in the context of invoicing. In view of the complete record, our reasoning from the Decision to Institute holds, and ABSG's arguments in its Response fail to persuade us otherwise.

C. Anticipation by Dearing

FFF asserts that claims 1 and 2 are unpatentable under 35 U.S.C. § 102(b)[9] as anticipated by Dearing (Ex. 1005). Pet. 14–30. In our Decision to Institute, we determined that FFF had reasonably set forth how each element of the challenged claims is disclosed by Dearing. Dec. 16–17. In its Response, ABSG contends that three claim limitations are not met by Dearing: *consignment product units*, *manage the inventory*, and *the server system creates an invoice when the product units are removed from the inventory*. PO Resp. 5. As will be discussed below, each of these arguments is not supported in the record, or is grounded in an ABSG claim construction position we declined to adopt above.

1. Analysis of Anticipation

At the outset, we note that there is no dispute between the parties regarding the claim elements other than the three listed above. Upon review of the record, we find that Dearing discloses an embodiment having, for

[9] FFF states that Dearing is prior art to the '607 patent (Pet. 12); ABSG does not contend otherwise. We find that Dearing is prior art to the '607 patent under 35 U.S.C. § 102(b).

example, a cabinet ("micro-warehouses," Ex. 1005, 2) configured to contain an inventory of product units having RFID tags ("[e]ach of the products has a radio frequency ('RF') tag," *id*.); wireless detecting the RFID tags ("antenna or antenna array mounted on or in the micro-warehouse," *id*.); and a server system configured to communicate over a network with the cabinet, and which can order additional product units ("two servers (maintenance and commerce) that . . . perform inventory, account, ordering functions, and monitoring functions, such as micro-warehouse status," *id.* at 6). We turn, therefore, to the disputed elements.

a. consignment product units

We find that Dearing discloses that a customer is billed for a product upon removal from the micro-warehouse ("MW"), thereby satisfying the construction of *consignment product units*. This aspect is best exemplified by the following passage from Dearing:

> The customer then removes one or more products from the interior of the MW and then closes the door. Once the door is closed, client controller scans the products in the MW and sends an inventory message identifying the missing or added products to the server. The server compares the previous inventory prior to opening to the current inventory. From the comparison, the server determines the missing or added items in the MW. The inventory information is then communicated to the commerce engine, which preferably stores the information for future use for both marketing and inventory functions. Receipts for the used products can then be sent via electronic mail or printed and shipped via regular mail to the customer at the MW location.

> Invoicing can also occur using other electronic and non-electronic communication mechanisms.

Ex. 1005, 13–14 (internal numbers omitted).

ABSG contends that Dearing "describes only direct sales of products from the micro-warehouses, making no mention of consignment products." PO Resp. 31. Under ABSG's interpretation, Dearing only bills a customer upon addition of a product to the micro-warehouse, as opposed to upon use. Tr. 45–46. Therefore, even under the Board's construction of *consignment product units*, ABSG contends that the reference only discloses direct sales.

To support this argument, ABSG relies on a different portion of Dearing's disclosure, which describes the manner in which items are added to the MW:

> Having full access to the MW, the employee of a carrier or logistic service (such as UPS, Airborne Express, etc.) who delivered the carton now proceeds to place the individual items into the MW. . . . When the door closes or access is prohibited, a scan of the products placed within the MW is performed. Upon completing the scan, the client controller sends a change-in-inventory message to the commerce server. To ensure integrity of the inventory change billed to the customer, the client controller employs an integrity algorithm when the MW is scanned.

Ex. 1005, 12. ABSG interprets the reference in the last sentence—to an "inventory change billed to the customer"—to imply that billing occurs immediately after the addition of products to the MW. PO Resp. 32; Tr. 46–48. ABSG attempts to distinguish the first passage quoted above, pertaining to removal of products from the MW, as describing "keep[ing] track of what

person took it for marketing and inventory functions, and it says receipts for the used products . . . can then be sent via electronic mail or printed and shipped via regular mail. It is never invoicing that person." Tr. 48.

We disagree with ABSG's interpretation of the reference. Dearing discloses that a customer may access the MW and remove a product by using an RFID badge or other identifying badge or key. Ex. 1005, 13. The user badge may include "billing information and form-of-payment information in addition to having identification information." *Id*. at 3. Alternatively, the badge may be a smartcard that contains "a preloaded monetary equivalent that can be debited at the time of door closure for any products taken during the door open session." *Id*. at 9. It is apparent that Dearing contemplates billing the customer that is removing the items from the MW; otherwise, the inclusion of payment information of the access badge would be unnecessary. Dearing also, in the passage describing removal of items from the MW, concludes by stating that once items are removed from the MW and used the customer may be sent a receipt, or alternatively, an invoice. Ex. 1005, 13–14 ("Receipts for the used products can then be sent via electronic mail or printed and shipped via regular mail to the customer at the MW location. Invoicing can also occur using other electronic and non-electronic communication mechanisms.").

We decline ABSG's invitation to link the addition of products to the MW to billing, as would be required for a direct sale. The reference in the passage cited by ABSG, describing "ensur[ing] integrity of the inventory

change billed to the customer," does not specify that the billing is taking place at the time the MW is stocked. Rather, we interpret that disclosure to refer to running an integrity algorithm at the time of the stocking, so that the integrity of *later-billed* inventory changes is ensured. *See also* Ex. 1005, 29–30 (describing ongoing scans of cabinet contents to ensure "100% integrity of recorded inventory").

Dearing discloses invoicing, or alternatively, providing a receipt, to a customer, triggered by removal an item from the MW. This satisfies our construction of *consignment product unit*, namely "products that are considered sold when removed from the cabinet or the product packaging."

b. manage the inventory

We also find that Dearing discloses a server that is operable to manage the inventory of the cabinet, as required by the claims. Dearing discloses two servers that perform functions including "ordering." Ex. 1005, 6. One of those servers can "generate[ ] orders for products taken from the micro-warehouse by the user. The server can be programmed to automatically place those orders. This eliminates the need for the customer to re-order consumed items." *Id*. at 2–3. These functions meet the ordinary meaning of "managing the inventory" as discussed above.

ABSG's arguments are based on its erroneous construction of *manage the inventory*, which we declined to adopt. PO Resp. 34–35 (arguing that Dearing "equates inventory with the instantaneous contents of the micro-

warehouse" and does not disclose "addition or removal *over time*"). We, therefore, are unpersuaded by these arguments.

c. creates an invoice

As discussed above, Dearing discloses that after an item is removed from the MW, "[i]nvoicing can also occur using other electronic and non-electronic communication mechanisms." Ex. 1005, 13–14. This invoicing is discussed in the context of Dearing's "commerce engine," which is one of the two servers connected to the cabinet. *Id.*; *see also id.* at 6. ABSG appears to agree with this interpretation; citing the same portion of Dearing, ABSG's Preliminary Response stated that "[t]he removal of a product from the cabinet triggers invoicing as well as an inventory update." Prelim. Resp. 22–23.

ABSG's argument that Dearing fails to disclose creating an invoice essentially repeats its argument, from the Preliminary Response, that Dearing does not disclose invoicing for the unique product RFID serial number removed from the MW. PO Resp. 35–36. As discussed above, we do not interpret the claims to require such specific invoicing, and therefore again reject ABSG's argument on this point. We, therefore, find that the commerce engine that invoices the customer satisfies the claim limitation of *the server system creates an invoice when the product units are removed from the inventory*.

2. Conclusion on Anticipation

For the foregoing reasons, FFF has proven by a preponderance of the evidence that Dearing discloses all elements of challenged claims 1 and 2.[10] We, therefore, conclude that these claims are anticipated by Dearing, and thus are unpatentable under 35 U.S.C. § 102.

D. Anticipation by Gibb

FFF asserts that claims 1 and 2 are unpatentable under 35 U.S.C. § 102(a)[11] as anticipated by Gibb (Ex. 1006). Pet. 30–55. In our Decision to Institute, we determined that FFF had reasonably set forth how each element of the challenged claims is disclosed by Gibb. Dec. 18. In its Response, ABSG contends that three claim limitations are not met by Gibb: *consignment product units*, *manage the inventory*, and *the server system creates an invoice when the product units are removed from the inventory*. PO Resp. 5. As will be discussed below, each of these arguments is not supported by the record, or is grounded in an ABSG claim construction position we declined to adopt above.

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[10] The sole difference between claims 1 and 2 is that claim 2 requires a second cabinet. FFF provides sufficient evidence that a second cabinet is disclosed in Dearing (Pet. 27–28), and ABSG does not argue claim 2 separately.

[11] FFF states that Gibb is prior art to the ’607 patent (Pet. 12); ABSG does not contend otherwise. We find that Dearing is prior art to the ’607 patent under 35 U.S.C. § 102(a).

1. Analysis of Anticipation

As with Dearing, there is no dispute between the parties regarding the claim elements other than the three listed above. Upon review of the record, we find that Gibb discloses an embodiment having, for example, a cabinet ("mini bar," Ex. 1006, 18) configured to contain an inventory of product units having RFID tags ("smart tags attached to the articles to be dispensed," *id*.); wireless detecting the RFID tags ("RFID-scanner being able to communicate with transponder labels," *id*.); and a server system configured to communicate over a network with the cabinet ("dispenser is . . . connected via a central communications module to the central processor," *id.* at 19). We turn, therefore, to the disputed elements.

a. consignment product units

We find that Gibb discloses that a customer is billed for a product upon removal from the minibar, thereby satisfying the construction of *consignment product units*. Gibb states that once the minibar's detection device (for example, the RFID scanner) signals "that one or more articles have eventually been taken away from one of the shelves, the guest is charged." *Id*. at 11. This discloses "products that are considered sold when removed from the cabinet or the product packaging," satisfying our construction of *consignment product units.*

ABSG contends that, like Dearing, Gibb discloses only direct sales. PO Resp. 37–38. ABSG's argument relies on the fact that the same entity (for example, the hotel) owns the site where the minibar is located, the

minibar itself, and the products in the minibar. *Id*. Rather than focusing on when payment for the product is made, therefore, ABSG relies on the ownership of the item while it is in the minibar. As discussed above, we reject ABSG's legal ownership-based construction of *consignment*. ABSG's arguments regarding ownership of the items in the minibar is inapposite. The only relevant question is whether the customer is billed at the time the items are added to the minibar versus when they are removed from the minibar or from their packaging. Gibb discloses that billing occurs upon removal, satisfying the broadest reasonable interpretation of *consignment product unit*.

b. manage the inventory

We also find that Gibb discloses a server that is operable to manage the inventory of the cabinet, as required by the claims. Gibb discloses an "administering system for billing and/or administering the stock of articles available to be dispensed." Ex. 1006, 20. As with Dearing, these functions meet the ordinary meaning of "managing the inventory" as discussed above.

ABSG's arguments are again based on its erroneous construction of *manage the inventory*, which focus on the presence of an "inventory" distinct from the contents of the cabinet itself. PO Resp. 39. We did not find this claim construction argument persuasive above, and do not consider the claims to require "inventory" to mean anything other than the contents of the cabinet. We, therefore, are unpersuaded by ABSG's arguments.

c. creates an invoice

Finally, we find that Gibb discloses that the server creates an invoice following removal of a product from the inventory of the minibar. The "administering system," discussed above, is said to be for "billing dispensed articles." Ex. 1006, 2. As we discussed in our Decision to Institute, as commonly understood, an invoice is "[a] detailed list of goods shipped or services rendered, with an account of all costs; *an itemized bill*." Ex. 3001[12] (emphasis added).

ABSG makes two arguments regarding this element, neither of which we find persuasive. First, ABSG again argues that the claims require invoicing according to uniquely identified, particular products, as opposed to by product type. PO Resp. 42. We found no support for such a claim construction in the '607 patent, and do not find the argument persuasive here.

Second, ABSG's counsel contended at oral argument that "Gibb does not teach that the server system creates an invoice." Tr. 79. Referring to the "administering system" disclosure noted above, counsel continued, "[t]here is no teaching, no teaching in Gibb that the server that is mentioned there has anything to do with creating an invoice. And for that reason alone Gibb fails to teach that the server system creates an invoice." *Id*. at 80.

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[12] "invoice," THE AMERICAN HERITAGE DICTIONARY OF THE ENGLISH LANGUAGE (2011).

It is not evident to us that ABSG raised this latter argument prior to oral argument; thus, we need not consider it.[13] Nevertheless, even if we were to consider this argument we would not find it persuasive. As noted above, the "administering system" of Gibb is a server, and the reference discloses that the administering system is for "billing dispensed articles," among other things. Ex. 1006, 2; *see also id*. at 3, 7, 20. We do not accept ABSG's argument that Gibb fails to teach a server system that creates an invoice.

2. Conclusion on Anticipation

For the foregoing reasons, FFF has proven by a preponderance of the evidence that Gibb discloses all elements of challenged claims 1 and 2.[14] We, therefore, conclude that these claims are anticipated by Gibb, and thus are unpatentable under 35 U.S.C. § 102.

III. CONCLUSION

We conclude that FFF has demonstrated, by a preponderance of the evidence, that claims 1 and 2 of the '607 patent are unpatentable under

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[13] "A party may . . . only present [at oral hearing] arguments relied upon in the papers previously submitted. No new evidence or arguments may be presented at the oral argument." *Office Patent Trial Practice Guide*, 77 Fed. Reg. at 48,768.

[14] As with Dearing, FFF provides sufficient evidence that a second cabinet is disclosed in Gibb (Pet. 52–54), and ABSG does not argue claim 2 separately.

35 U.S.C. § 102 as anticipated by the disclosures of each of Dearing and Gibb.

IV. ORDER

Accordingly, it is

ORDERED that claims 1 and 2 of U.S. Patent No. 8,285,607 B2 are *unpatentable*;

FURTHER ORDERED that, pursuant to 35 U.S.C. § 328(b), upon expiration of the time for appeal of this decision, or the termination of any such appeal, a certificate shall issue canceling claims 1 and 2 of U.S. Patent No. 8,285,607 B2; and

FURTHER ORDERED that, because this is a final decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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Patent No. 8,285,607 B2

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