UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte DATACARD CORPORATION,
Appellant and Patent Owner

Appeal 2009-013947
Reexamination Control 90/008,201
Patent 5,266,781
Technology Center 3900

Decided: January 21, 2010

Before KENNETH W. HAIRSTON, SCOTT R. BOALICK, and KEVIN F. TURNER, *Administrative Patent Judges*.

TURNER, *Administrative Patent Judge*

DECISION ON APPEAL

DATACARD CORPORATION[1] appeals under 35 U.S.C. §§ 134(b) and 306 from a final rejection of claims 1-3, 20-22, and 25. We have jurisdiction under 35 U.S.C. §§ 134(b) and 306.

We REVERSE.

[1] DataCard Corporation is the real party in interest and the current owner of the patent under reexamination.

STATEMENT OF THE CASE

Reexamination proceeding

This proceeding arose from a request for *ex parte* reexamination filed by Ann M. McCrackin on September 1, 2006 of United States Patent 5,266,781 ('781 Patent) issued to Dennis J. Warwick et al. on November 30, 1993, based on United States Application 07/745,597 filed August 15, 1991.

Related proceedings

The Brief indicates that the '781 patent is asserted in *Card Tech. Corp. v. DataCard Corp.; DataCard Corp. v. NBS Techs., Inc. and Card Tech. Corp*., No. 05-cv-02546 (D. Minn. filed May 16, 2006), in which Appellant's patent counterclaims have been stayed (App. Br. 3).

Appellant's invention

Patentee's invention relates to card processing systems of the type used for producing personalized information bearing cards (Spec. Col. 1, ll. 6-8). The system is modular which readily permits the assembly and reconfiguration of specific systems from modules that provide different functions (*id*. at col. 2, ll. 39-47; Fig. 1).

Claim 1, which we deem to be representative, reads as follows:

> 1. A card processing system used to produce information bearing cards comprising:
>
> (a) a system controller means for transferring information to and from card processing module means;

(b) a plurality of said card processing module means for processing said cards and for sequentially transferring cards through said card processing module means;

(e) said system controller means including:

(i) communication means including buffer means for storing messages for transmission to said card processing module means and for storing messages received from said card processing module means;

(ii) means for transfer card data into said buffer means for transmission to said card processing module means;

(f) each of said card processing module means including:

(i) communication means including buffer means for storing messages from said system controller means and for storing messages for transmission to said system controller;

(ii) local processor means for generating control signal for controlling processing means;

(iii) processor memory means for storing said card data during processing;

(iv) processing means responsive to said control signals for processing card data stored in said processor memory means onto said cards;

(v) memory transfer means for loading card data from said buffer means into said processor memory means.

The prior art reference relied upon by the Examiner in rejecting the claims is:

LaManna	4,686,898	Aug. 18, 1987

The Examiner also relied upon the Patent Owner's Admitted Prior Art (APA), specifically portions of the Background of the Invention section of the Specification of the '781 Patent: Col. 1, ll. 30-43.

The Examiner rejected claims 1-3, 20-22, and 25 under 35 U.S.C. § 103(a) as unpatentable over LaManna in view of the APA (Ans. 6-31).[2]

ISSUE

Appellant contends that the Examiner's rejection is in error because the LaManna system is not modular and it would not have been obvious to make that system modular (App. Br. 15). Appellant also asserts that LaManna and the APA do not teach a modular system as recited in the rejected claims (*id*.). The Examiner responds that LaManna's system is modular and the embosser units therein comport with Appellant's definition of "module" (Ans. 33) and that the card transport system disclosed in the instant Specification "functionally performs analogously to LaManna's desired (LaManna '898 col. 3: 27-30) 'single card transport' system, 'which eliminates the transferring of cards between belts which move the card past a single embossing unit …'" (Ans. 34).

Only those arguments actually made by Appellant have been considered in this decision. Arguments which Appellant could have made

[2] The '781 Patent also contains claims 4-19, 23, 24, and 26, which are not subject to reexamination.

but chose not to make in the Briefs have not been considered and are deemed to be waived. *See 37* C.F.R. § 41.37(c)(1)(vii).

Thus, the issue arising from the respective positions of Appellant and the Examiner is:

Has Appellant shown reversible error in the Examiner's determination that a person having ordinary skill in the art would have been led to combine LaManna with the APA to form a card processing system and/or method of card processing, as recited in independent claims 1, 20-22, and 25?

FINDINGS OF FACT

1. The instant Specification defines a "module" as "[a] combined hardware/software system for performing a single card processing task" (Spec., col. 23, ll. 10-12).
2. The instant Specification also provides that:

> The mechanical structures within each module, which perform specific card processing operations and card transfer operations, operate under the control of a local processor. A system controller governs a communication system which is used to instruct and interrogate the card processing modules.
>
> (Spec., col. 2, ll. 63-68).

3. The instant Specification provides that:

> As shown in FIGS. **3** and **4**, each module includes a standard chassis **60** which provides common mating surfaces and mounting hardware requirements, including structure for enabling easy replacement or addition of

> wheels **62** to the base **64** of the module chassis **60**. A common module chassis design means that the card path inlet and outlet will be the same from one module to the next such that the inlets and outlets of adjacent modules are aligned so as to allow transfer of a card from one module to the next.
>
> (Spec., col. 7, ll. 7-16).

4. The portions of the Background of the Invention section of the Specification of the '781 Patent relied upon as the APA:

> Prior art card processing systems, represented by U.S. Pat. No. 4,747,706, teach the inclusion of a host computer in the card processing system to read the data structures from the magnetic tape. The host computer then transfers this data to card processing electronics. The card processing electronics then generate the required card processing signals to instruct the system to perform the various card processing operations.
> Existing card processing systems typically are constructed with a fixed size chassis capable of containing a given size and fixed number of card processing modules.
>
> (Spec. col. 1, ll. 30-43).

5. LaManna discloses a credit card embossing system with a number of embossing units equal to the number of lines of characters to be embossed on the card (Abs.).

6. LaManna discloses that a common transport belt conveys the cards from an input hopper past the embossing stations of each of the in line embossers to a wait station (Abs.; Fig. 2, element 20).

7. In the Background of the Invention section of LaManna, a prior art embossing system is discussed that uses a plurality of separate

embossing units, where each embossing unit has a separate card transporting belt, with cards being transferred between the separate belts to emboss all of the lines of characters (Col. 2, ll. 25-37). The transfer between units is indicated to "deleteriously affect[s] throughput" (Col. 2, ll. 36-37).

8. LaManna describes a benefit of the invention described therein as "[a] single card transport mechanism is used to move cards between the multiple embossing units which eliminates the transferring of cards between successive belts" and that "eliminates wasted time that could be incurred from an asynchronous operation of the transport mechanism with respect to the embossing units" (Col. 3, ll. 26-36).

PRINCIPLES OF LAW

"Section 103 forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007).

KSR disapproved a rigid approach to obviousness (*i.e.*, an analysis *limited to* lack of teaching, suggestion, or motivation). *KSR*, 550 U.S. 398 at 419 ("The obviousness analysis cannot be confined by a formalistic

conception of the words teaching, suggestion, and motivation, or by overemphasis on the importance of published articles and the explicit content of issued patents.").

A prior art reference must be considered in its entirety, as a whole, including portions that would lead away from the claimed invention. *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1550 (Fed. Cir. 1983). "A reference may be said to teach away when a person of ordinary skill, upon reading the reference, would be discouraged from following the path set out in the reference, or would be led in a direction divergent from the path that was taken by the applicant." *In re Gurley*, 27 F.3d 551, 553 (Fed. Cir. 1994).

ANALYSIS

With respect to the rejection over LaManna and the APA, Appellant argues claims 1-3, 20-22, and 25 together (App. Br. 15-22). Appellant argues that all of the independent claims recite modules, which would be understood from the definition supplied in the Specification to require combined hardware/software units that can be inserted or removed from a card processing system (App. Br. 15-16). Appellant also argues that it would not have been obvious to modify the system in LaManna to make it modular because LaManna teaches away from such systems, and because such modification would render it unsatisfactory for its intended purpose and/or would change its principle of operation (App. Br. 19-22).

The Examiner finds that LaManna discloses a system which is modular, that LaManna does not teach away from the system of the instant claims, and that LaManna's single card transport is analogous to the modules of the claimed system being mechanically and electrically interconnected (Ans. 32-37). We cannot agree with the Examiner.

The Examiner has rejected the independent claims over the combination of LaManna and the APA, citing the APA as teaching "card processing systems employ card processing modules" (Ans. 21). While the Examiner has also indicated that LaManna itself contains modules, i.e. the embossing units, the further citation of the APA illustrates that the Examiner realizes the distinction between elements of a system and modules that can be reconfigured. As the Examiner points out, the independent claims do not recite such modules to be reconfigurable. However, the definition of module and uses of modules in the Specification implies such functionality (FF 1-3). We find that the common usage of module, as opposed to "element" or "component," as examples, would indicate that "modules" are modular and can be reconfigured. The Examiner's rejection of the independent claims tacitly acknowledges the distinction between "modules" and "elements" of a system.

As such, the proposed modification of LaManna, in view of the APA, would provide LaManna with modules that would necessarily be reconfigurable, per the section of the Specification cited by the Examiner as being APA (FF 4). Thus, it is proper to consider whether teachings in

LaManna would have led one of ordinary skill in the art in a direction divergent from the path that was taken by the applicant. As discussed below, we find clear teaching away in LaManna.

As Appellant has pointed out, LaManna discusses a prior art system that uses separate embossing units, where each embossing unit has a separate card transporting belt, which LaManna characterizes as deleteriously affecting output, and where LaManna touts that its system does not have such disadvantages (App. Br. 20-21; FF 7-8). Modifying LaManna to have separate modules would run counter to the express teachings of LaManna. We find that a person of ordinary skill, upon reading LaManna, would be discouraged from modifying its system to include multiple modules based on those teachings. Thus, we find that LaManna teaches away from the modification of its system suggested by the Examiner by the express disclosure of the difficulties of the prior art systems and the benefits of its own system.

Additionally, while the Examiner finds that LaManna's single card transport is analogous to the transport between modules of the claimed system (Ans. 36), we do not agree. The common transport belt in LaManna would necessarily move cards in lockstep through the emboss units, whereas the transport between modules would not necessarily occur in the same fashion. We do not find the card transport mechanisms to be analogous and any change in such mechanisms to LaManna would be a clear modification of the system of LaManna. As such, we find Appellant's arguments to be

compelling as to error in the rejection of independent claims 1, 20-22, and 25.

We note that Appellant has proffered additional, individual arguments with respect to the rejections of claims 1-3, 20-22, and 25 (App. Br. 22-29), but we need not reach those individual arguments to decide the propriety of the rejection over LaManna and the APA.

CONCLUSION

Appellant has shown that the Examiner reversibly erred in determining that a person having ordinary skill in the art would have been led to combine LaManna with the APA to form a card processing system and/or method of card processing, as recited in independent claims 1, 20-22, and 25.

DECISION

The decision of the Examiner to reject claims 1-3, 20-22, and 25 is REVERSED.

REVERSED

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United States Patent 5,266,781

cc:

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