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USPTO's 10th Annual Business Method Partnership Meeting Fails to Clear Up Patentable Subject Matter Confusion

By: David J. Muzilla, Patent Agent

In an overview on patentable subject matter given by the United States Patent and Trademark Office (USPTO), the agency stated that it is presently following the "machine-or-transformation test" as handed down by the Federal Circuit in *In re Bilski*. The agency noted, however, that the U.S. Supreme Court has agreed to review the Federal Circuit's decision.

Under the "machine-or-transformation test" for a method or process to be considered eligible for patentability, the method or process must be tied to a particular machine, or transform a particular article to a different state or thing. The USPTO did not elaborate in its overview as to what constitutes a "particular machine" or "transformation of a particular article." It re-iterated that its guidance to patent examiners on this subject can be found in the January 2009 memorandum from former Commissioner for Patents John J. Love; however, this memorandum also neglects to discuss what constitutes a "particular machine" or "transformation of a particular article." The USPTO is not likely to provide additional guidance on the subject until after the U.S. Supreme Court reviews the *Bilski* case.

The USPTO did state that there is agreement among its examiners that the *Bilski* "machine-or-transformation test" applies only to method and process claims. Recent decisions made by the Board of Patent Appeals and Interferences, however, *do not* appear to limit this test to only method and process claims. This contributes greatly to the confusion surrounding the issue.

The *Bilski* decision itself, as handed down by the Federal Circuit, did not give sufficient guidance as to how to apply the machine branch of the test. Instead, it left it up to future cases to elaborate upon machine implementation, as well as the answer to particular questions including whether or when the recitation of a computer suffices to link a process claim to a particular machine.

Non-agency presenters at the USPTO's Business Method Partnership Meeting attempted to suggest some guidelines of their own that may be followed for the time being. For example, to define a machine in the specification of the patent application (and/or in the claims) to steer away from limiting the machine to a single machine, and to avoid using terms that could be construed as describing the machine as not requiring any hardware elements.

Furthermore, if a claim is considered to cover both statutory and non-statutory subject matter, the claim as a whole could end up being rejected as being directed to non-statutory subject matter. For example, the term "computer-readable medium," which is often used in claims, could be interpreted as either a physical storage medium (statutory subject matter) or as a signal (non-statutory subject matter). It was recommended that practitioners should take care to define "computer-readable medium" as being limited to physical storage media (e.g., a hard drive, a CD-ROM, and EEPROM). It may be even better to define a "computer-readable storage medium" in the specification as being a physical storage medium, and a "computer-readable transmission medium" as being a signal, and only then proceeding to recite the "computer-readable storage medium" in the claims.

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Some other general guidelines for practitioners include making sure the specification of the patent application clearly sets forth, in detail, the technical aspects of the invention, including any technical details related to the transformation of data; describing the particular machines and devices that perform the method steps, providing multiple examples and embodiments; and making sure that the machine or device that is tied to the claimed method or process is not simply extra/post-solution activity. Additionally, practitioners should consider using Beauregard-style claims in the patent application (i.e., computer-readable medium claims as discussed herein).

The U.S. Supreme Court will determine if the restrictions of *Bilski* will stand, or if a more flexible approach should be defined. The questions to be considered by the Supreme Court include:

1. Does the "machine-or-transformation test" of the Federal Circuit contradict the congressional intent for patents to protect methods of doing or conducting business under 35 U.S.C. §273?

2. Did the Federal Circuit make an error by determining that a claimed method or process must to be tied to a particular machine, or transform a particular article into a different state or thing in order to be considered patentable subject matter?

A decision by the U.S. Supreme Court is likely to come in the first half of 2010. Possible outcomes include:

1. That the Supreme Court upholds the Federal Circuit decision in *Bilski* and the "machine-or-transformation test" remains in place;

2. That the Supreme Court disagrees with the Federal Circuit and restores the *State Street Bank* test of "useful, concrete, and tangible result;"

3. That the Supreme Court decides that neither *Bilski* nor *State Street Bank* is the proper test, and generates a new test; or

4. That the Supreme Court decides that neither *Bilski* nor *State Street Bank* is the proper test, but does not define a new test, and instead refers to a previous Supreme Court case to define the test (e.g., *Diamond v. Diehr* or *Diamond v. Chakrabarty*).

Whatever the U.S. Supreme Court decides, its decision will be applied to both pending patent applications as well as issued patents.

In conclusion, the legal standard for determining patent-eligible method or process claims is currently the Federal Circuit's "machine-or-transformation test" as decided in *In re Bilski*. There are still many questions associated with this test, and unfortunately little was clarified at the USPTO's recent Business Method Partnership Meeting. Thus, the USPTO and practitioners alike will have to wait for the U.S. Supreme Court to clarify and/or change the test, which may happen early next year.

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