

Keywords: 35 U.S.C. § 101; technological arts; business method; useful, tangible, and concrete result

General: There is no judicially recognized “technological arts” test; a method claim that applies an algorithm to produce a useful, concrete, and tangible result is directed to statutory subject matter under 35 U.S.C. § 101, irrespective of whether the claimed invention is directed to the “technological arts.”

Ex parte Lundgren

76 U.S.P.Q.2d 1385 (Bd. Pat. App. & Int. 2005)

Decided September 28, 2005

I. Facts

Lundgren is the applicant for patent on a method for compensating a business manager disclosed in U.S. Patent Application No. 08/093,516 (“the ‘516 application”). During prosecution, the patent examiner rejected the claims of the ‘516 application under 35 U.S.C. § 101 as directed to non-statutory subject matter. Lundgren appealed this rejection to the Board of Patent Appeals and Interferences, and a panel of patent judges reversed the rejection. Particularly, the panel stated that the recited claim language includes subject matter that is a practical application of shifting of physical assets to the manager and is, therefore, directed to statutory subject matter.

Following this decision, the Examining Corps requested reconsideration and rehearing of the decision by the board. More specifically, the Examining Corps requested reconsideration of whether the claimed invention as a whole is within the “technological arts” and, if so, whether transferring compensation to a manager is a practical application. In an unusual action, the Office of the Deputy Commissioner for Patent Examination Policy then explicitly requested that the application be remanded to the examiner to further develop the record with respect to the issues of “technological arts” and “practical application.”

The application was subsequently remanded to the examiner, who proceeded to again reject the claims of the application under § 101 as directed to non-statutory subject matter. In making the rejection, the examiner argued that the claimed invention and the practical application to which it is directed are outside the technological arts and, thus, non-statutory. The examiner characterized the claims as “an economic theory expressed as a mathematical algorithm without the disclosure or suggestion of computer, automated means, [or] apparatus of any kind.” The examiner further argued that the claims did not achieve a practical result, in that they did not produce a useful, concrete, and tangible result. Lundgren appealed this rejection. Following the appeal brief filed by Lundgren, the examiner withdrew the assertion that the claims did not achieve a practical result. Consequently, an expanded panel heard oral arguments with respect to the remaining basis for rejection, i.e., that the invention was outside the technological arts, on April 20, 2004.

II. Issues

Was the examiner correct in relying on a technological arts test to reject the claims of the ‘516 application under 35 U.S.C. § 101 as directed to non-statutory subject matter?

III. Discussion

No. The majority of the expanded panel emphatically reversed the rejection in a per curiam opinion. This opinion noted that the examiner conceded that the claims at issue produce a useful, concrete, and tangible result, and stated:

Since the Federal Circuit has held that a process claim that applies a mathematical algorithm to ‘produce a useful, concrete, tangible result without preempting other uses of the mathematical principle, on its face comfortably falls within the scope of § 101,’ *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 1358, 50 USPQ2d 1447, 1452 (Fed. Cir. 1999), *one would think there would be no more issues* to be resolved under 35 U.S.C. § 101. However, the examiner is of the *opinion* that there is a separate test for determining whether claims are directed to statutory subject matter, i.e., a ‘technological arts’ test. 76 U.S.P.Q. at 1386 (emphasis added).

While recognizing that the Supreme Court has placed certain boundaries on the scope of 35 U.S.C. § 101, the expanded panel noted that the only recognized exceptions to otherwise statutory subject matter are laws of nature, physical phenomena, and abstract ideas. *See Diamond v. Diehr*, 450 U.S. 175, 185, 209 U.S.P.Q. 1, 7 (1981). The panel then noted that the examiner had not suggested that the claims of the application fell within one of these exceptions, but had instead “found” a separate technological arts test in the law and determined that the claims did not meet this separate test. The panel quickly raised and dismissed the three cases cited by the examiner in support of this technological arts test.

The panel first addressed the examiner’s reliance on two Court of Customs and Patent Appeals cases from the 1970s. *See In re Musgrave*, 431 F.2d 882, 167 U.S.P.Q. 280 (C.C.P.A. 1970); *In re Toma*, 575 F.2d 872, 197 U.S.P.Q. 852 (C.C.P.A. 1978). The panel noted that *Musgrave* concerned a rejection based on the “mental steps” doctrine, and held that a method is not directed to non-statutory subject matter for the mere fact that some or all of the steps of a method can also be carried out in the human mind. The court in *Musgrave* also opined that “[a]ll that is necessary, in our view, to make a sequence of operational steps a statutory ‘process’ within 35 U.S.C. § 101 is that it be in the technological arts so as to be in consonance with the Constitutional purpose to promote the progress of the ‘useful arts.’ Const. Art. 1, sec. 8.” The panel then pointedly noted that the opinion in *Toma*, which the examiner was inexplicably relying upon for support, explicitly dismissed a “technological arts” test, stating that the language of *Musgrave* quoted above was not intended to create a generalized definition of statutory subject matter or to form a basis for a new § 101 rejection.

With respect to the third case cited by the examiner, *Ex parte Bowman*, the panel summarily dismissed this case as a non-precedential opinion. Finally, the panel noted that the Supreme Court was aware of the genesis of a technological arts test, but chose not to adopt such a test. *See Gottschalk v. Benson*, 409 U.S. 63, 175 U.S.P.Q. 673 (1972). For these reasons, the panel held that there is not a judicially recognized technological arts test to determine patentable subject matter under 35 U.S.C. § 101. Consequently, the panel reversed the examiner’s rejection of the claims.

It should be noted that two of the five panel judges dissented from the majority opinion, believing that the claims should have been rejected under § 101. In a short dissenting opinion, Judge Smith argued in favor of the technological arts test. Judge Barrett also provided a separate opinion that concurred with the majority opinion in its holding that there is not a separate technological arts test. However, Judge Barrett provided in the opinion an expansive treatise on the history of 35 U.S.C § 101 and argued, among other things, that not every claimed process should be considered

a “process” under § 101 and that the “useful, concrete, and tangible result” test is not the proper test for the claims at issue.

IV. Conclusion

It should be noted that the majority opinion in this case prompted the Patent Office to issue new examination guidelines to examiners, including a substantial change in the way examiners are to analyze a claim under § 101. Essentially, the guidelines provide that a claimed process reciting a practical application of an abstract idea, a natural phenomenon, or a law of nature is patentable subject matter. A claim recites a practical application if the claimed invention either (1) transforms an article or physical object to a different state or thing, or (2) otherwise produces a useful, concrete, and tangible result. In this context, the guidelines further state that a result is useful if the utility requirement is fulfilled; the result is concrete if it is not abstract, i.e. practical; and the result is tangible if it is substantially repeatable.

Also noteworthy is that these guidelines explicitly state that “the following tests *are not to be applied* by examiners” (emphasis added) in determining whether the claimed invention is patent eligible subject matter:

- (A) “not in the technological arts” test;
- (B) Freeman-Walter-Abele test;
- (C) mental step or human step tests;
- (D) the machine implemented test; and
- (E) the per se data transformation test.