Keywords: **35 U.S.C. § 101; Bilski; machine-or-transformation test; tied to a particular machine or apparatus; transforms a particular article into a different state or thing; meaningful limits on the claim's scope; field-of-use limitation**

General: **Applying the machine-or-transformation test of Bilski, the Board of Patent Appeals and Interferences holds that a "programmed computer method" is not patentable subject matter under 35 U.S.C. § 101.**

Ex parte Halligan
No. 2008-1588 (B.P.A.I. Nov. 24, 2008)
Application No. 09/757,206

I. Facts

Appellants claimed an invention directed to accounting for an entity's trade secret intellectual property assets. For example, Appellants attempted to claim a method for assigning values for certain factors of a potential trade secret, and making a determination as to whether the potential trade secret is an actual trade secret based on a metric calculated from the factors. Specifically, for example, claim 119 of Appellants' application recited the following:

> 119. *A programmed computer* method based upon the six factors of a trade secret from the First Restatement of Torts for identifying trade secrets within a plurality of potential trade secrets of a business, where each of the plurality of potential trade secrets comprise information, said method implemented by the programmed computer to effect the following steps:
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> a) *the programmed computer* providing a predetermined criteria for evaluating a potential trade secret of the plurality of potential trade secrets under each of the six factors of a trade secret from the First Restatement of Torts, said six factors including (1) the extent to which the information is known outside of the business; (2) the extent to which it is known by employees and other involved in the business; (3) the extent of the measures taken by the business to guard the secrecy of the information; (4) the value of the information to the business and its competitors; (5) the amount of time, effort or money expended by the business in developing the information and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others;
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> b) *the programmed computer* receiving a numerical score value for the potential trade secret under the predetermined criteria for each of the six factors;
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> c) *the programmed computer* calculating a metric from the received numerical score values under the six factors; and
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> d) *the programmed computer* determining that the potential trade secret is a trade secret when the calculated metric exceeds a predetermined threshold value.

Among other things, the Examiner rejected claims 1-70 and 119-123 under 35 U.S.C. § 101 as being directed to non-statutory subject matter because the claimed invention does not produce a useful, concrete, and tangible result.

Appellants appealed and asserted that despite the numerical scores of the claimed invention being based on subjective input of the user, the claimed invention nonetheless produces useful, concrete, and tangible results.

II. Issue

Did Appellants show that the Examiner erred in determining that the subject matter of claims 1-70 and 119-123 is not directed to patent-eligible subject matter under 35 U.S.C. § 101.

III. Discussion

No. The law in the area of patent-eligible subject matter was recently addressed by the Federal Circuit in *In re Bilski*, which the Board found relevant in this case. The *en banc* court in *Bilski* held that "the machine-or-transformation test, properly applied, is the governing test for determining patent eligibility of a process under § 101." *Bilski*, No. 2007-1130, __ F.3d __, 2008 WL 4757110, *9 (Fed. Cir. Oct. 30, 2008)(en banc).

With regard to the machine-or-transformation test, the Federal Circuit explained that "[a] claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing." *Id*. at *5 (citations omitted).

In *Bilski*, the court addressed the transformation branch of the machine-or-transformation test by asserting that the transformation of a particular article into a different state or thing must be central to the purpose of the claimed process. *Id.* With regard to the meaning of "article," the court explained that transformation of data is sufficient to render a process patent-eligible if the data represents physical and tangible objects (i.e., transformation of such raw data into a particular visual depiction of a physical object on a display). *Id*. at 12. Further, the court noted that the transformation of data is insufficient to render a process patent-eligible if the data does not specify any particular type or nature of data and does not specify how or where the data was obtained or what the data represented. As examples, the court cited a case relating to a process claim for graphically displaying variances of data from average values, and a case relating to a process claim involving an undefined "complex system" and indeterminate "factors" drawn from unspecified "testing." Neither of these examples was found to include patent-eligible subject matter.

In *Bilski*, the court declined to decide under the machine implementation branch of the machine-or-transformation test whether or when a computer is sufficient to tie a process claim to a particular machine. However, the court did provide some guidance by explaining that "the use of a specific machine or transformation of an article must impose meaningful limits on the claim's scope to impact patent-eligibility" and "the involvement of the machine or transformation in the claimed process must not merely be insignificant extra-solution activity." *Id*. at *11. (citations omitted).

In the present case, the Board found that claims 122 and 123 merely recited a series of process steps that were not tied to a machine in any manner. In other words, claims 122 and 123 were not found to limit the recited process steps to a specific machine or apparatus. Thus, claims 122 and 123 were found to fail the first prong of the machine-or-transformation test. Further, the recited steps of claims 122 and 123 were also found the fail the second prong of the machine-or-transformation test because the data does not represent physical and tangible objects. Rather, the recited data was found to represent information about a trade secret (an intangible asset). Thus, the Board found that claims 122 and 123 to be ineligible for patent under § 101. The court further noted that because the data does not represent physical and tangible objects, the issue of whether a mere calculation of a number based on inputs of other numbers is a sufficient "transformation" according to § 101 was not reached.

With regard to claims 119 and 120, the Board addressed the first prong of the machine-or-transformation test because these claims recite "a programmed computer method," which presented the issue of whether recitation of a programmed computer is sufficient to tie the process claims to a particular machine. The Board concluded that such a recitation failed to impose any meaningful limits

on the scope of the claims because it added nothing more than a general purpose computer that has been programmed in an unspecified manner to implement the functional steps recited in the claims. Specifically, the Board reasoned that were the recitation of a "programmed computer" in combination with purely functional recitations of method steps, where the functions are implemented using an unspecified algorithm, sufficient to transform otherwise unpatentable method steps into a patent-eligible process, this would exalt form over substance. In other words, the Board found that merely reciting a "programmed computer" should not render an otherwise ineligible process claim patent-eligible.

The Board reversed *pro forma* the rejection of claims 1-70 and 121 under 35 U.S.C. § 101. This reversal relates to another rejection on appeal. Specifically, these claims included "means plus function" language, which invoked 35 U.S.C. § 112, sixth paragraph. The Board found that the specification failed to disclose any specific algorithm that could be used by the disclosed computer to perform the recited functions of claims 1-70 and 121. Accordingly, because considerable speculation and assumption with regard to the meaning and scope of the claims would be required for rejection, a decision could not be reached on the issue under 35 U.S.C. § 101.

IV. Conclusion

Merely reciting "a programmed computer" in conjunction with otherwise ineligible process steps is insufficient to make a claim patent-eligible under 35 U.S.C. § 101 in view of the first branch of the machine-or-transformation test defined in *Bilski*.