

PRECEDENTIAL OPINION

Pursuant to the Board of Patent Appeals and Interference's Standard Operating Procedure 2, the opinion below has been designated a precedential opinion.

Paper No. 78

UNITED STATES PATENT AND TRADEMARK OFFICE

<http://www.uspto.gov/web/offices/dcom/bpai/prec/2003-2088.pdf>

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte CARL A. LUNDGREN

Appeal No. 2003-2088
Application 08/093,516

HEARD: April 20, 2004

Before FLEMING, Chief Administrative Patent Judge, HARKCOM, Vice Chief Administrative Patent Judge, and HAIRSTON, JERRY SMITH, and BARRETT, Administrative Patent Judges.

PER CURIAM.

DECISION ON APPEAL

This is an appeal under 35 U.S.C. § 134(a) from the rejection of claims 1, 2, 6, 7, 19-22, 32, and 35-40, all the claims pending in the application.

Claim 1 is representative of the subject matter on appeal and reads as follows:

1. A method of compensating a manager who exercises administrative control over operations of a privately owned primary firm for the purpose of reducing the degree to which prices exceed marginal costs in an industry, reducing incentives for industry collusion between the primary firm and a set of

comparison firms in said industry, or reducing incentives for coordinated special interest industry lobbying, said set of comparison firms including at least one firm, said primary firm having the manager who exercises administrative control over said primary firm's operations during a sampling period, wherein privately owned means not wholly government owned, the method comprising the steps of:

a) choosing an absolute performance standard from a set of absolute performance standards;

b) measuring an absolute performance of said primary firm with respect to said chosen absolute performance standard for said sampling period;

c) measuring an absolute performance of each firm of said set of comparison firms with respect to said chosen absolute performance standard for said sampling period, said measurement of performance for each firm of said set of comparison firms forming a set of comparison firm absolute performance measures;

d) determining a performance comparison base based on said set of comparison firm absolute performance measures by calculating a weighted average of said set of comparison firm absolute performance measures;

e) comparing said measurement of absolute performance of said primary firm with said performance comparison base;

f) determining a relative performance measure for said primary firm based on said comparison of said primary firm measurement of absolute performance and said performance comparison base;

g) determining the managerial compensation amount derived from said relative performance measure according to a monotonic managerial compensation amount transformation; and

h) transferring compensation to said manager, said transferred compensation having a value related to said managerial compensation amount.

This is the second time this case has been appealed to the Board. In Appeal No. 96-0519, a merits panel reversed the examiner's rejection premised upon 35 U.S.C. § 101 (non-statutory

subject matter) of the claims then pending. The panel stated "[w]e find that the claim language recites subject matter that is a practical application of shifting of physical assets to the manager. We note the remaining claims also recite the above practical application. Therefore, we find statutory subject matter." Paper No. 49, page 7.

Dissatisfied with the outcome of the previous appeal, the Examining Corps filed a "Request for Reconsideration and Rehearing" (Paper No. 50, December 15, 1999) that lists two issues for reconsideration as follows:

1. Whether the invention as a whole is in the technological arts.
2. Assuming that the invention is in the technological arts, whether the claim transferring compensation to a manager is a practical application.

Id., page 2.

Appellant filed a response to the Request for Reconsideration and Rehearing (Paper No. 51, January 13, 2000).

In an opinion (Paper No. 52) mailed March 13, 2001, an expanded panel of the Board remanded the application to the examiner for two reasons. First, the record did not reflect that the examiner had considered and evaluated appellant's response to the Request for Reconsideration and Rehearing, and second, the Office of the Deputy Commissioner for Patent Examination Policy had requested that the application be remanded to the jurisdiction of the patent examiner so that issues regarding

"technological arts" and "practical application" could be further considered.

Following further prosecution before the examiner in which the examiner maintained a rejection under 35 U.S.C. § 101 (non-statutory subject matter), appellant filed a second appeal to this Board (Paper No. 64, December 12, 2002), followed by his Appeal Brief (Paper No. 69, March 13, 2003). The examiner filed an Answer on May 1, 2003 (Paper No. 70), that was followed by a Reply Brief (Paper No. 72, June 20, 2003). Oral argument was held by an expanded panel on April 20, 2004, and the case was taken under advisement.

DISCUSSION

We reverse the examiner's rejection under 35 U.S.C. § 101 (non-statutory subject matter). In reviewing the Examiner's Answer, we find the examiner refers the reader to Paper No. 60 for a statement of the rejection under § 101. We have reviewed Paper No. 60 and find that a rejection under this section of the statute is set forth on pages 4-8 thereof. The examiner states "both the invention and the practical application to which it is directed to be outside the technological arts, namely an economic theory expressed as a mathematical algorithm without the disclosure or suggestion of computer, automated means, apparatus of any kind, the invention as claimed is found non-statutory." Paper No. 60, page 7.

In reviewing the examiner's "Response to Argument" set forth at pages 3-8 of the Examiner's Answer of May 1, 2003, we first note that the examiner states that "the part of the 35 U.S.C. § 101 rejection that asserted that claims 1, 2, 6, 7, 19-22, 32, and 35-40 fail to produce a useful, concrete, and tangible result is withdrawn."¹ By withdrawing this rejection, it can be concluded that the examiner has found that the process claims on appeal produce a useful, concrete, and tangible result.

Since the Federal Circuit has held that a process claim that applies a mathematical algorithm to "produce a useful, concrete, tangible result without pre-empting 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.

Thus, the only issue for review in this appeal is, to use the examiner's terminology, "whether or not claims 1, 2, 6, 7,

¹ The examiner had instituted two separate rejections under Section 101 in Paper No. 60. The first was on the basis that the claims were "nothing more than an abstract idea which is not associated or connected to any technological art," id., pages 4-7, and second was that the claims did not "achieve a practical result," id., pages 7-8.

19-22, 32, and 35-40 are limited to the technological arts, as required by 35 U.S.C. § 101." Examiner's Answer, page 3.

35 U.S.C. § 101 provides:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

As seen, claim 1 on appeal is directed to a process. Thus, one may wonder why there is any issue regarding whether claim 1 is directed to statutory subject matter. The issue arises because the Supreme Court has ". . . recognized limits to § 101 and every discovery is not embraced within the statutory terms. Excluded from such patent protection are laws of nature, physical phenomena and abstract ideas." Diamond v. Diehr, 450 U.S. 175, 185, 209 USPQ 1, 7 (1981). However, in this appeal, the examiner has not taken the position that claim 1 is directed to a law of nature, physical phenomena or an abstract idea, the judicially recognized exceptions to date to § 101. Rather, the examiner has found a separate "technological arts" test in the law and has determined that claim 1 does not meet this separate test.

The examiner finds the separate "technological arts" test in In re Musgrave, 431 F.2d 882, 167 USPQ 280 (CCPA 1970); In re Toma, 575 F.2d 872, 197 USPQ 852 (CCPA 1978); and Ex parte Bowman, 61 USPQ2d 1669 (Bd. Pat. App. & Int. 2001) (non-precedential). We have reviewed these three cases and do not

find that they support the examiner's separate "technological arts" test.

In Musgrave, the court reversed a rejection under 35 U.S.C. § 101 that the claims under review therein were non-statutory because it disagreed with the Board that "these claims . . . are directed to non-statutory processes merely because some or all of the steps therein can also be carried out in or with the aid of the human mind or because it may be necessary for one performing the processes to think." Musgrave 431 F.2d at 893, 167 USPQ 289. After so holding, the court went on to observe "[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 'useful arts.' Const. Art. 1, sec. 8."

We do not view the court's statement in Musgrave in regard to the technological arts to have created a separate "technological arts" test in determining whether a process is statutory subject matter. Indeed, the court stated as much in Toma. The court first noted that the examiner in that case had "cited [inter alia, Musgrave] for the proposition that all statutory subject matter must be in the 'technological' or 'useful' arts... ." Toma, 575 F.2d at 877, 197 USPQ at 857. The court then stated that cases such as Musgrave involved what was

called at that time a "mental steps" rejection and observed, "[t]he language which the examiner has quoted was written in answer to 'mental steps' rejections and was not intended to create a generalized definition of statutory subject matter. Moreover, it was not intended to form a basis for a new § 101 rejection as the examiner apparently suggests." Id. at 878, 197 USPQ at 857. We do not believe the court could have been any clearer in rejecting the theory the present examiner now advances in this case.

We have also considered Ex parte Bowman, cited by the examiner. Bowman is a non-precedential opinion and thus, not binding.

Finally, we note that the Supreme Court was aware of a "technological arts test," and did not adopt it when it reversed the Court of Customs and Patent Appeals in Gottschalk v. Benson, 409 U.S. 63, 175 USPQ 673 (1972). As explained in Diamond v. Diehr, 450 U.S. 175, 201, 209 USPQ 1, 14 (1981) (Stevens, J., dissenting) (footnotes omitted):

In re Benson, [441 F.2d 682, 169 USPQ 548 (CCPA 1971)] of course was reversed by this Court in Gottschalk v. Benson, 409 U.S. 63, [175 USPQ 673] (1972). Justice Douglas' opinion for a unanimous Court made no reference to the lower court's rejection of the mental-steps doctrine or to the new technological-arts standard. Rather, the Court clearly held that new mathematical procedures that can be conducted in old computers, like mental processes and abstract intellectual concepts, see id., at 67, [175 USPQ at 674-675], are not patentable processes within the meaning of § 101. (Footnotes omitted.)

Our determination is that there is currently no judicially recognized separate "technological arts" test to determine patent eligible subject matter under § 101. We decline to propose to create one. Therefore, it is apparent that the examiner's rejection can not be sustained. Judge Barrett suggests that a new ground of rejection should be entered against the claims on appeal. We decline at this stage of the proceedings to enter a new ground of rejection based on Judge Barrett's rationale, because in our view his proposed rejection would involve development of the factual record and, thus, we take no position in regard to the proposed new ground of rejection. Accordingly, the decision of the examiner is reversed.

REVERSED

Michael R. Fleming)	
Chief Administrative Patent Judge)	
)	
)	
)	BOARD OF PATENT
Gary V. Harkcom)	APPEALS
Vice Chief Administrative Patent Judge)	AND
)	INTERFERENCES
)	
)	
Kenneth W. Hairston)	
Administrative Patent Judge)	

JERRY SMITH, Administrative Patent Judge, dissenting.

I would affirm the examiner's rejection. One must understand at the outset that the examiner's rejection raises the question of whether there is a "technological arts" standard implicitly required within the constitutional mandate authorizing Congress to grant patents in order to promote the progress of the useful arts. For purposes of this dissent, the term "technological arts" should be construed to mean nothing more than a threshold nexus to some field of technology to fall within the constitutional mandate. Likewise, any reference to "science" should be interpreted to mean based on scientific principles, which renders a claimed invention as falling within the constitutional mandate.

The issue presented by the examiner is a new one. That is, one can scrutinize as many court decisions as one may like, but there is no decision out there which unequivocally holds that the claimed invention on appeal before us must be granted a patent. Likewise, there is no decision out there that unequivocally holds that the claimed invention on appeal must be denied a patent. Thus, in my view, the issue before us raised by the examiner is one of first impression.

The "technological arts" standard as used by the examiner is intended to represent a more modern term for the reference to "useful arts" in the Constitution. The Constitution authorized

the Congress to award patents to inventors in order to promote the progress of the useful arts. While I do not question the power of Congress to pass laws to carry out this mandate, whatever law passed by the Congress cannot be applied in such a manner as to enlarge the constitutional mandate. Thus, any laws passed by the Congress to grant patents should be applied in a manner that is consistent with the constitutional mandate. My view of this mandate is that an invention must in some manner be tied to a recognized science or technology in order to promote the progress of the useful arts. Although a machine, manufacture, or composition of matter will rarely fail to meet the constitutional mandate, processes represent an especially troublesome type of invention. This is because almost anything can be claimed as a series of steps that technically can be considered a process, but the term process is so broad that it can be used to claim inventions that cover nothing more than human conduct or thought processes that are totally unrelated to any science or technology. Thus, I am not questioning the authority of the Congress to pass 35 U.S.C. § 101, but only the scope being given to the statute by the majority.

The majority is of the view that every invention is patentable unless it is nothing more than an abstract idea, a law of nature or a natural phenomenon, each of which has been held to be unpatentable by court decisions. These categories of

nonstatutory subject matter did not come to us by Scripture, however, but instead, resulted from some enlightened individual raising the question of whether such subject matter should be patented. Inventions within these categories certainly can be claimed in a manner which technically comply with 35 U.S.C.

§ 101. The point is that there is no absolute law that says that every category of nonstatutory subject matter has been decided for all time.

I would affirm the rejection, therefore, not because it is directed to a method of doing business, but rather, because the process as claimed is not tied to any known science or technology. If the claim recited that the steps were performed by a computer, then I would agree that the claimed invention would at least have met the constitutional "technological arts" standard, although the claimed invention would still need to be analyzed under 35 U.S.C. § 101 for conventional compliance with that section of the statute. There is no science or technology associated with the claimed invention. It is interesting to note that the claimed invention could have been performed by the writers of the Constitution using only the knowledge available at that time. I find it ludicrous, however, to think that the writers of the Constitution would have found the idea of providing compensation to an executive, as claimed, to be something that would qualify for a patent.

As noted above, I believe the issue before us is one of first impression. I have not overlooked the holdings in any of the cases most related to this issue because there is no computer being claimed here so that the most related cases do not apply. In fact, all the "relevant" cases cited by the majority relate to inventions that either specifically recited machines or were clearly performed in an environment that was an accepted science or technology.

If the majority simply wants to take comfort in the idea that all categories of nonstatutory subject matter have been established, and no new categories will be considered, then I disagree. The majority's position that essentially anything that can be claimed as a process is entitled to a patent under 35 U.S.C. § 101 opens the floodgate for patents on essentially any activity which can be pursued by human beings without regard to whether those activities have anything to do with the traditional sciences or whether they enhance the technological arts in any manner.

Who should raise the question of whether inventions are properly within the constitutional mandate if not the agency charged with applying the statutes? The examiner's rejection is based on a fundamental position that the claimed invention does not fall within the constitutional mandate regarding inventions which may be patented. This is a very important constitutional

question. Such constitutional questions cannot be answered by the Congress or even by this Board. The appropriate forum for deciding this question is the federal judiciary. Unfortunately, the federal judiciary cannot get jurisdiction of this issue unless someone takes the issue to it. The majority has ensured that, at least in this case and probably the foreseeable future, the entity best capable of deciding the constitutionality question will not get a chance to consider it. If it should turn out somewhere down the road that the federal judiciary decides that the "technological arts" requirement raised by the examiner is mandated by the Constitution, then it will mean that the invention on appeal before us as well as countless others will have improperly received patents. I cannot be concerned that an affirmance of the examiner's rejection may imply that many other previously issued patents should not have been granted. It cannot possibly be good public policy to continue to issue invalid patents just to be consistent with the past.

I expect that there will be an initial reluctance to accept this position because it is new. I only hope that this decision will open a public discourse on the topic of whether every process that technically falls within the scope of 35 U.S.C. § 101 automatically recites statutory subject matter. If this decision does nothing more than raise questions about the limits of nonstatutory subject matter that require the Congress to step

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in and clarify the limits of 35 U.S.C. § 101, then this dissent will have been worthwhile.

Although I would affirm the examiner's rejection as is, I also join Judge Barrett in making a new ground of rejection under 35 U.S.C. § 101. I join Judge Barrett in his exhaustive treatment of why the invention on appeal is unpatentable under 35 U.S.C. § 101.

)	BOARD OF PATENT
)	APPEALS
Jerry Smith)	AND
Administrative Patent Judge)	INTERFERENCES

BARRETT, Administrative Patent Judge, concurring-in-part and dissenting-in-part.

The majority reverses the examiner's rejection on the narrow ground that there is no separate "technological arts" test under 35 U.S.C. § 101. That is, the majority holds that "technological arts" is the wrong test for statutory subject matter under § 101, but it does not state what the proper test should be and does not expressly say that the claimed subject matter is statutory. I concur with the majority's holding that there is no separate and distinct "technological arts" test. "Technological arts" has been said to be a modern equivalent of the "useful arts" in the U.S. Constitution, which, in my opinion, is fully circumscribed by the four categories of subject matter in § 101. However, I would enter a new ground of rejection for lack of statutory subject matter under § 101 based on different reasoning.

I dissent as to the majority's statement that "[a]s seen, claim 1 on appeal is directed to a process," apparently because it sets forth a series of method steps. In my opinion, not every claim to a series of steps constitutes a "process" under § 101. I also dissent as to statements in the opinion that imply that the sole test for statutory subject matter is the "useful, concrete and tangible result" test because the majority fails to acknowledge that this test was set out in the context of machine claims and machine-implemented process claims, which are not present here. I also dissent from the implied conclusion that the claims recite a "useful, concrete and tangible result" just because the original Board decision in Appeal No. 96-0519 held that "the claim language recites subject matter that is a practical application of shifting physical assets to the manager" (Paper No. 49, page 7), which conclusion has not been vacated, and because the examiner withdrew the rejection based on the failure of the claims to produce a useful, concrete, and tangible result. The examiner may have withdrawn this ground for the rejection simply because he felt that there was no way to overcome the Board's original statement. I do not agree that the claims recite a "practical application, i.e., 'a useful, concrete and tangible result,'" if that is the test.

I consider it the Board's duty to decide cases and to provide guidance to the Examining Corps in cases involving difficult legal questions. Thus, I disagree with the majority's decision not to state the test for statutory subject matter and not to state whether they consider the subject matter to be statutory. This application was filed July 16, 1993, and is the last of a series of continuation applications going back to November 1988. If the outcome of this case is not to issue the

Pages 17 – 86 of the opinion in
Ex parte Lundgren, Appeal No. 2003-
2088 (BPAI 2005)

Are intentionally omitted from this
excerpt of the case

Pages 17 – 86 provide the background
analysis for the tests discussed by
Judge Barrett on page 86 and going
forward.

data in step 7 of Fig. 2 and computing a weighted sum of absolute performance measures for each rival firm in step 8 of Fig. 2; step d), "determining a performance comparison base," corresponds to the step of computing a weighted average in step 9 of Fig. 2; step e), "comparing said measurement of absolute performance of said primary firm with said performance comparison base," corresponds to the subtraction step in step 10 of Fig. 2; and step g), "determining the managerial compensation amount derived from said relative performance measure according to a monotonic managerial compensation amount transaction," corresponds to the computation step 11 in Fig. 2. The last step h), "transferring compensation to said manager, said transferred compensation having a value related to said managerial compensation amount," corresponds to step 4 of Fig. 1.

Possible tests

The cases seem to provide four possible tests for statutory subject matter of non-machine-implemented process claims:

- (1) Transformation. The 1877 Cochrane v. Deener definition of a statutory "process" requires a transformation of physical subject matter to a different state or thing. As noted in Schrader, the subject matter transformed can be tangible or intangible, which I interpret to be matter or some form of energy to be consistent with the definition of "technology." This Supreme Court test has a good pedigree and I think defines the essential nature of a statutory "process" and "technology." I believe that all cases where statutory subject matter was found can be explained with this test.
- (2) Exceptions. The exceptions for "laws of nature, physical phenomena and abstract ideas," are, logically, a second test, i.e., "but for" the exceptional condition, the claimed process would be patentable subject matter. Exceptions, while providing counterexamples, often fail to provide positive definitions. Moreover, an "abstract idea" can be found in any process and the detection of its presence, like the finding of a mathematical algorithm, is not dispositive. It is difficult to determine whether a process is merely a "law of nature," "physical phenomena," or "abstract idea," because the claims are usually drafted to recite minor physical limitations such as data-gathering steps, field of use limitations, and post-solution activity. The question is whether the claim "as a whole" is directed to the kind of subject matter that was intended to be protected.

- (3) "Useful, concrete and tangible result". The State Street test of a "practical application, i.e., 'a useful, concrete and tangible result,'" was stated in the context of transformation of data by a machine or a machine-implemented process. The test has not yet been applied as a general test for statutory subject matter of non-machine-implemented processes. The terms are not defined, nor has any authority been cited for this test. Machines are concrete physical things and processes performed on machines would seem to produce a "concrete and tangible result." To the extent the State Street test applies to non-machine-implemented process claims, I would interpret a "concrete and tangible result" to be another way of saying that the claim must not be directed to an "abstract idea" and to require a transformation of physical subject matter under the definition of a "process" in test (1), and/or a finding that the subject matter is not an "abstract idea" under test (2); i.e., it must recite eligible subject matter. The "useful result" part of the test is interpreted to mean that subject matter, which qualifies as a statutory "process," has utility according to the utility requirement of § 101. A "practical application" requires that the subject matter produces a "useful result" and a "concrete result" and tangible result." The State Street test appears to combine the separate § 101 requirements for eligible subject matter (subject matter within a category of "process, machine, manufacture, or composition of matter") and utility.
- (4) "Technological arts". For the reasons stated in the section entitled "'Technological arts' test," I conclude that there is no separate "technological arts" test. The "technology" requirement implied by "technological arts" is contained within the definitions of the statutory classes. While I understand the desire for a simple test, I believe that sanctioning such a test would inevitably lead to bare conclusory statements that "the claimed subject matter is not within the technological arts and does not involve technology" with no way for applicants to show otherwise.

Analysis

The three tests are applied below.

(1)

Claim 1, as is common with method claims, does not recite how the steps are implemented. The claimed steps are broad enough to be performed without a machine and appellant admits

that a machine is not disclosed or claimed. The claimed steps do not require transformation of any physical subject matter, such as an electrical signal, into a different state or thing. Steps a) and f) are directed to the abstract ideas of selecting a performance standard and measure and, as claimed, require no physical embodiment or transformation. Steps b), c), d), e), and g), all correspond to computation steps, which, since no machine is claimed, are disembodied. The only things transformed are numbers related to performance data of the primary firm and the comparison firms, numbers related to the relative performance, and numbers related to a managerial compensation amount. The last step h) does not recite any physical implementation.

Although steps b) and c), as recited and disclosed, imply data input steps, there is nothing necessarily physical about these steps as claimed. However, even if there was, this would be nothing more than routine data gathering which does not make the subject matter statutory. See Sarkar, 588 F.2d at 1335, 200 USPQ at 139 ("If the steps of gathering and substituting values were alone sufficient, every mathematical equation, formula, or algorithm having any practical use would be per se subject to patenting as a 'process' under § 101."); Grams, 888 F.2d at 839-40, 12 USPQ2d at 1828. The last step h), "transferring compensation to said manager, said transferred compensation having a value related to said managerial compensation amount," as broadly recited, does not transform any physical subject matter to a different state or thing, or require any specific kind of physical activity, it merely transfers ownership of money. The transferring step can be manually recording an amount in a ledger, payment of paper money, an IOU, a verbal commitment, an electronic direct deposit, etc. Not all physical acts are the kinds of acts that give rise to a statutory process. Further, step h) is considered to be nothing more than an incidental post-solution activity step, which cannot convert a nonstatutory abstract idea into a statutory process. See Parker v. Flook, 437 U.S. at 590, 198 USPQ at 197 ("The notion that post-solution activity, no matter how conventional or obvious in itself, can transform an unpatentable principle into a patentable process exalts form over substance."); Diamond v. Diehr, 450 U.S. at 191-92, 209 USPQ at 10 ("[I]nsignificant post-solution activity will not transform an unpatentable principle into a patentable process."). These statements in Supreme Court cases cannot be ignored.

In accordance with State Street, we do not rely on the presence of the mathematical algorithm in a Freeman-Walter-Abele analysis, but, instead, focus on the ultimate question of whether claim 1, as a whole, recites a statutory process. Here the

claimed plan to reduce incentives for industry collusion is based on business, economic, game theory, or antitrust knowledge, not the application of natural science or engineering knowledge to physical structure or to physical acts which transform physical subject matter (matter or a form of energy) to a different state so as to be a practical application of "technology." I hold that claim 1 is directed to nonstatutory subject matter because the steps do not transform physical subject matter from one state to another, as required by the definition of a § 101 "process."

(2)

The subject matter of claim 1 is also directed to an "abstract idea" or, at least, it is nonstatutory because it broadly covers both the nonstatutory "abstract idea" and any physical implementation of it that might possibly be statutory. Claim 1 describes a plan or scheme for compensating a manager to reduce incentives for industry collusion. It is nothing but an disembodied "abstract idea" until it is instantiated in some physical way within one of the categories of the "useful arts" in § 101 so as to become a practical application of the idea. None of the claimed steps recite how the steps are physically implemented; thus, the steps remain a disembodied "abstract idea." Because the steps, including the last step of "transferring compensation," cover any and every possible way of performing the steps of the plan, by human or by any kind of machine, this is evidence that claim 1 is so broad that it is directed to the "abstract idea" itself, rather than a practical means for implementing the concept. Even if, for some reason, the last step of "transferring compensation" is considered a concrete physical act, not every physical act is the kind of act that gives rise to a statutory process. Further, step h) is incidental post-solution activity that does not transform a nonstatutory abstract idea into a statutory process. See Parker v. Flook, 437 U.S. at 590, 198 USPQ at 197; Diamond v. Diehr, 450 U.S. at 191-92, 209 USPQ at 10. While physical acts of individuals or organizations would, no doubt, be required to implement the steps, and while the actual implementation of the plan in some specific way might be considered statutory subject matter, these unrecited limitations can not be read into the claim. The fact that claim 1 might cover both statutory and nonstatutory subject matter does not make it statutory. Thus, I further conclude that claim 1 is directed to nonstatutory subject matter because it falls within the "abstract idea" exception.

(3)

I concluded in (1) that the claimed subject matter on appeal does not fall within the definition of a "process" under § 101 because it does not transform physical subject matter into a different state or thing, and concluded in (2) that it is an "abstract idea." Thus, because a "concrete and tangible result" is the opposite of an "abstract idea" and requires some sort of physical instantiation, I conclude that claim 1 does not recite a "concrete and tangible result" or a "practical application" of the plan for reducing incentives for industry collusion under the State Street test requiring a "useful, concrete and tangible result." While the plan may be "useful" in the sense that it is capable of having utility to society, assuming that is what is meant by the term in the State Street test, the State Street test requires the result to be "useful" and "concrete" and "tangible," so merely being "useful" is not enough. Claim 1 describes the abstract idea itself, not a concrete and tangible embodiment of the idea. For these reasons, I disagree with the examiner's conclusion (answer, p. 3) that the claims recite a "useful, concrete and tangible result" under the State Street test. Therefore, I also hold that claim 1 is directed to nonstatutory subject matter because it does not recite a "practical application" or produce a "concrete and tangible result" under the State Street test, to the extent that the test applies to non-machine-implemented process claims.

CONCLUSION

For the reasons stated above, I agree that there is no separate and distinct "technological arts" test, but conclude that claim 1 is not directed to statutory subject matter under 35 U.S.C. § 101 for different reasons than those expressed by the examiner. I would enter new grounds of rejection as to claims 1, 2, 6, 7, 19-22, 32, and 35-40.

)	BOARD OF PATENT
)	APPEALS
LEE E. BARRETT)	AND
Administrative Patent Judge)	INTERFERENCES

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John R. Hlavka
Watts, Hoffmann, Fisher & Heinke & Co.
P.O. Box 99839
Cleveland, OH 44199-0839

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