

CASE LAW UPDATE

November 10, 2005

CASE Ex Parte Lundgren, BPAI, No. 2003-2088, 9/28/05

MAIN ISSUE(S) Statutory Subject Matter

EXECUTIVE SUMMARY The invention is a method for determining executive compensation which does not require the use of a computer. The US Patent and Trademark Office (USPTO) had rejected the claim as not reciting statutory subject matter under 35 U.S.C. § 101 because it is not within "the technological arts." The Board of Patent Appeals and Interferences (BPAI) reversed the rejection stating that 35 U.S.C. § 101 does not include a requirement that the invention be within the technological arts.

KEY TERM(S) Statutory Subject Matter, Computer Implemented Inventions, "Technological Arts"

PROCEDURAL POSTURE The application was filed on November 29, 1988. All claims were rejected on August 9, 1994 as not reciting statutory subject matter. In a first appeal to the BPAI, the three-member panel reversed the examiner's rejection, finding that the claims recited statutory subject matter. The USPTO requested rehearing by an expanded panel. This panel remanded the application to the examiner who again rejected the claims as not reciting statutory subject matter. Applicant filed a second appeal on December 12, 2002. Oral argument was held by the expanded panel on April 20, 2004. This is a per curiam decision by the expanded panel.

FACTS The claims recite a method of setting compensation for a manager in a business in a way that discourages oligopolistic behavior by setting the manager's compensation based on the performance of the business relative to other businesses in the same field. The claim in question is a method claim which does not recite any computer-implemented steps. The examiner, in his Answer, explicitly withdrew a rejection that the asserted claims fail to produce a useful, concrete and tangible result. This was interpreted by the Board as an admission that the appealed process claims do produce a useful, concrete and tangible result. Thus, the only issue before the Board was whether 35 U.S.C. § 101 requires the invention to be within the "technological arts."

HOLDING The Board held that 35 U.S.C. § 101 does not include a "judicially recognized separate 'technological arts' test to determine patent eligible subject matter."

COURT'S REASONING The Board found that the claims were directed to a process and, thus, fit within 35 U.S.C. § 101 which explicitly states that processes are statutory subject matter. In his Answer, the examiner cited three cases: In re Musgrave, 575 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). The Board addressed the first two of these cases noting that In re Toma explicitly stated that the "mental steps" rejection of In re Musgrave "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..." Because the third case was non-precedential, the Board did not consider it. The Board also noted that the Supreme Court was aware of the "technological arts test" in Gottschalk v. Benson 409 U.S. 63m, 175 USPQ 673 (1972) and in Diamond v. Diehr, 450 U.S. 175, 209 USPQ 1 (1981) but did not adopt it. Absent clear guidance from the courts, the Board declined to adopt a new definition of eligible subject matter under 35 U.S.C. § 101.

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