The opinion in support of the decision being entered today was not written for publication and is not binding precedent of the Board.

Paper No. 19

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte LEWIS FERGUSON,
DARRYL COSTIN and SCOTT C. HARRIS

Appeal No. 2003-1044
Application No. 09/387,823

ON BRIEF


JERRY SMITH, Administrative Patent Judge.

DECISION ON APPEAL

This is a decision on the appeal under 35 U.S.C. § 134 from the examiner's rejection of claims 1-68, which constitute all the claims in the application. An amendment after final rejection was filed on June 19, 2002 but was denied entry by the examiner.

The disclosed invention pertains to a method of bringing new products to market from the point where they are initially conceived as startup products.
Representative claim 1 is reproduced as follows:

1. A method of marketing a product, comprising:
   developing a shared marketing force, said shared marketing
   force including at least marketing channels, which enable
   marketing a number of related products;
   using said shared marketing force to market a plurality of
different products that are made by a plurality of different
autonomous producing company, so that different autonomous
companies, having different ownerships, respectively produce said
related products;
   obtaining a share of total profits from each of said
plurality of different autonomous producing companies in return
for said using; and
   obtaining an exclusive right to market each of said
plurality of products in return for said using.

The examiner relies on the following reference:

Greguras, Fred M., “Selling Software to Japan: Choosing the Right
Business relationship,” East Asian Executive Reports, vol. 14,

The following rejections are on appeal before us:

   § 112, first paragraph, as containing subject matter which was
not described in the specification in such a way as to reasonably
convey to one skilled in the art that the inventors, at the time
the application was filed, had possession of the claimed
invention.

paragraph, for failing to particularly point out and distinctly
claim the subject matter which applicants regard as their
invention.
3. Claims 1, 2, 4, 5, 8-10, 24, 27, 34, 46-48, 51, 55-58, 61 and 64 stand rejected under 35 U.S.C. § 102(b) as being anticipated by Greguras.


Rather than repeat the arguments of appellants or the examiner, we make reference to the briefs and the answer for the respective details thereof.

OPINION

We have carefully considered the subject matter on appeal, the rejections advanced by the examiner and the evidence of anticipation and obviousness relied upon by the examiner as support for the prior art rejections. We have, likewise, reviewed and taken into consideration, in reaching our decision, the appellants' arguments set forth in the briefs along with the examiner's rationale in support of the rejections and arguments in rebuttal set forth in the examiner's answer.
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It is our view, after consideration of the record before us, that the examiner’s rejections under 35 U.S.C. § 112 are not well founded. We are also of the view that the evidence relied upon does not support the prior art rejections as formulated by the examiner. Accordingly, we reverse all of the examiner’s rejections. However, we enter a new rejection of all claims on appeal using our authority under 37 CFR § 1.196(b).

We consider first the rejection of claims 1-9 and 13-45 under the first paragraph of 35 U.S.C. § 112 based on a failure to satisfy the written description requirement. The rejection is stated as follows:

At claim 1 line 8, “total profits” is new matter. At claim 13 lines 10 and 11, “total income stream associated with the product” is new matter. At claim 24 line 6, “total income stream” is new matter. At claim 36 lines 13-14, “and enforce intellectual property” is new matter [answer, page 3].

Appellants point to specific portions of the specification which they argue support the limitations in the claims challenged by the examiner [brief, page 4]. The examiner responds that although the term “profits” is supported by the disclosure, the term “total profits” is not. Similarly, the examiner acknowledges that the term “income stream” is supported by the disclosure but the phrase “total income stream” is not [answer, page 8].
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We will not sustain this rejection. We agree with appellants that there is no distinction between profits and total profits or between income stream and total income stream. We do not agree with the examiner that addition of the word total to the terms adds a material change to the meaning of those terms. For purposes of claim interpretation, total profits means profits and total income stream means income stream. We also agree with appellants that the specification as filed supports the claimed enforcement of intellectual property.

We now consider the rejection of claim 4 under the second paragraph of 35 U.S.C. § 112. The rejection states that "[t]he brackets at lines 1 and 2 leave the claim indefinite" [answer, page 4]. Appellants attempted to correct this obvious typographical error, but for some unknown reason, the examiner would not enter this amendment after final rejection. In the answer, the examiner acknowledges that the proposed amendment would eliminate the rejection [page 8].

We will not sustain this rejection because such a rejection is not the appropriate manner for challenging a typographical error. The claim should simply have been objected to. Those persons skilled in the art would have understood what was within the scope of claim 4.
We now consider the rejection of claims 1, 2, 4, 5, 8-10, 24, 27, 34, 46-48, 51, 55-58, 61 and 64 under 35 U.S.C. § 102(b) as being anticipated by Greguras. Anticipation is established only when a single prior art reference discloses, expressly or under the principles of inherency, each and every element of a claimed invention as well as disclosing structure which is capable of performing the recited functional limitations. *RCA Corp. v. Applied Digital Data Systems, Inc.*, 730 F.2d 1440, 1444, 221 USPQ 385, 388 (Fed. Cir.); *cert. dismissed*, 468 U.S. 1228 (1984); *W.L. Gore and Associates, Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1554, 220 USPQ 303, 313 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 851 (1984).

The examiner has indicated how he finds the claimed invention to be fully met by the disclosure of Greguras [answer, pages 4-5]. With respect to claim 1, appellants argue that the claim recitation of obtaining a share of total profits is different from a sales representative who works on a commission basis, which is a piece of each sale and not a share of total profits. Appellants also argue that claim 1 recites totally autonomous companies whereas Greguras describes joint ventures [brief, pages 5-6]. The examiner responds that the definition of "commission" includes a percentage of profits or a fee paid. The
examiner also responds that Greguras teaches totally autonomous manufacturing companies [answer, page 9]. Appellants respond that the examiner's definition is not commensurate with the normal connotation of commissions. Appellants submit several definitions of commission which suggest that a commission is a percentage of an amount received or collected as distinguished from a salary. Appellants reiterate their position that a commission and profits have nothing to do with each other [reply brief, pages 1-8].

We will not sustain the examiner's rejection of claim 1. The examiner's proposed definition of commission is broader than what Greguras discloses the term to mean. Specifically, Greguras states that a sales representative "works on a commission basis (a percentage of the sales the representative generates)." Thus, Greguras specifically defines a commission as a percentage of the sales that the representative generates. This definition is consistent with the definition argued by appellants. As noted by appellants, a commission defined in this manner is unrelated to the profits or total profits earned by a producing company who employs the representative. Thus, we find that the examiner has interpreted the reference in a manner inconsistent with its own teachings.
Our finding that a commission on this record is not the same as a share of total profits defeats the rejection of claim 1 under 35 U.S.C. § 102. Nevertheless, the examiner may wish to consider whether a commission can be considered to represent a share of total profits for a profitable company or whether it would have been obvious to the artisan to obtain a share of total profits in view of the teaching in Greguras of a commission. These are factual questions which require evidence and/or arguments which are not of record in this case. We leave it to the examiner to determine whether an evidentiary record can be provided which would support a different rejection of claim 1 under either 35 U.S.C. § 102 or § 103.

With respect to independent claim 10, appellants argue that Greguras does not teach the common technical support carried out for multiple software products in addition to the marketing [brief, page 6]. The examiner responds that Greguras teaches a specialized company to market sophisticated products that require significant technical support. The examiner finds that this disclosure meets a shared technical support fleet [answer, page 9].

Although we agree with the examiner that the Greguras teaching of a specialized company for sophisticated products
meets the claim recitation of shared technical support, we do not find that Greguras teaches the claimed acceptance of a percentage of an income stream from the independent company. Our finding is similar to the finding with respect to claim 1 regarding the share of total profits. Greguras does not teach a process in which an independent company turns over a percentage of an income stream to another company for marketing the independent company's product. As noted above, a commission is not the same as a percentage of an income stream paid to a marketing agent. Therefore, we do not sustain the examiner's rejection of claim 10. We again invite the examiner to consider whether a different evidentiary record can be provided to support a rejection of claim 10 under either 35 U.S.C. § 102 or § 103.

With respect to independent claim 24, appellants argue that the claimed marketing company obtaining a contingent share of the total income stream from marketing of the software is different than a sales representative who only obtains a commission [brief, page 7]. We will not sustain the rejection of claim 24 for the same reasons discussed above with respect to claim 1. The examiner should again note our additional comments with respect to claims 1 and 10 above.
Independent claim 46 recites a percentage of an income stream which is different from a commission as discussed above. Independent claim 57 recites obtaining a share of equity from each of the companies. Obtaining a share of equity is different from the commission disclosed by Greguras. Therefore, we do not sustain the examiner’s rejection of independent claims 46 and 57. The examiner should again note our additional comments with respect to claims 1 and 10 above.

In summary, we have not sustained the examiner’s rejection of any of the independent claims which were rejected under 35 U.S.C. § 102(b). Accordingly, we also do not sustain the examiner’s rejection of any of the claims which depend therefrom under 35 U.S.C. § 102(b).

We now consider the examiner’s rejection of claims 3, 6, 7, 11, 13-16, 19-23, 25, 26, 31, 33, 36, 38, 41, 53, 54 and 60 under 35 U.S.C. § 102(b) as anticipated by or, in the alternative, under 35 U.S.C. § 103(a) as being unpatentable over Greguras. These claims include independent claims 13 and 36, which include a recitation related to a percentage of total income stream associated with the product, and dependent claims which depend from one of the independent claims considered above. Therefore, all of these rejected claims recite the feature of a percentage
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of a total income stream or total profits. These recitations are not the same as the commission taught by Greguras for reasons discussed above. Since the examiner has not addressed the obviousness of these particular features with respect to the teachings of Greguras, the examiner has failed to establish a prima facie case of the obviousness of these claims. Therefore, we do not sustain the examiner's rejection of these claims alternatively under either 35 U.S.C. § 102 or 35 U.S.C. § 103. As noted above, we leave it to the examiner to determine whether an appropriate evidentiary record can be provide which would support the obviousness of replacing the commission taught by Greguras with the other claimed forms of compensation.

We now consider the examiner's rejection of claims 12, 17, 18, 28-30, 32, 35, 37, 39, 40, 42-45, 49, 50, 52, 59, 62, 63 and 65-68 under 35 U.S.C. § 103(a) as being unpatentable over Greguras. All of these claims except for claims 65-68 depend from an independent claim considered above. The examiner's rejection of each of these independent claims has been considered above, and the examiner's rejection has been determined to be inappropriate for reasons discussed above. Therefore, the rejection of each of these dependent claims is not sustained for
the same reasons discussed above with respect to the respective independent claims.

Independent claim 65 does not recite any exchange of payment based on profits, income stream or equity. Claim 65 basically recites a two-level technical support procedure wherein a group of technical support personnel routes technical support inquiries to the independent software companies when they are unable to complete the requested technical support themselves. Appellants argue that Greguras does not teach or suggest such technical support with dual layers of support as claimed. In the rejection the examiner acknowledged that Greguras does not teach this feature, but the examiner asserted that the sharing of technical support was a common business concept and nothing more than an application of the economic principle of comparative advantage. Appellants respond that there is no teaching or suggestion in the applied reference of anything about customer service representatives who go to the autonomous manufacturer if they cannot solve the problem themselves [reply brief, page 8].

We will not sustain the examiner’s rejection of claims 65-68 because the examiner has failed to establish a prima facie case of obviousness. The examiner has admitted that Greguras does not teach the feature of independent claim 65, and the examiner
simply dismisses the difference between the claimed invention and Greguras as nothing more than a common business practice. We are not permitted to accept conclusory findings made by the examiner that are not supported by any evidence on the record. Appellants have challenged the examiner's "finding" and we are constrained to agree with appellants that the present record does not support the examiner's rejection. The examiner is, of course, free to determine whether a better evidentiary record can be assembled which would support the obviousness of the claimed two layers of support.

In summary, we have not sustained any of the rejections of the claims made by the examiner. Therefore, the decision of the examiner rejecting claims 1-68 is reversed. We enter the following new rejection of the claims, however, using our authority under 37 CFR § 1.196(b).

Claims 1-68 are rejected under 35 U.S.C. § 101 as being directed to nonstatutory subject matter. Our interpretation of these claims is that they do not expressly or implicitly require performance of any of the steps by a machine, such as a general purpose digital computer. Structure will not be read into the claims for the purposes of the statutory subject matter analysis even though the steps might be capable of being performed by a
machine even though no machine has been disclosed in this application.

Statutory subject matter requires two things: (1) it must be in the "useful arts," U.S. Const., art. I, § 8, cl. 8, which is equivalent to the modern "industrial" or "technological arts," defined by Congress in the four categories of "process, machine, manufacture, or composition of matter" in 35 U.S.C. § 101; and, if it is, (2) it must not fall within one of the exceptions for "laws of nature, physical phenomena and abstract ideas." Under the most recent Federal Circuit cases, transformation of data by a machine (e.g., a computer) is statutory subject matter provided the claims recite a "practical application, i.e., 'a useful, concrete and tangible result.'" State St. Bank & Trust Co. v. Signature Fin. Group, Inc., 149 F.3d 1368, 1373, 47 USPQ2d 1596, 1600-01 (Fed. Cir. 1998). The claims do not expressly or implicitly require performance by a machine.

There seem to be three possible tests for statutory subject matter of non-machine-implemented process claims: (1) the definition of a "process" under 35 U.S.C. § 101 as requiring a physical transformation of physical subject matter, tangible or intangible, to a different state or thing; (2) the "abstract idea" exception; and/or (3) the test of whether the claim recites
a "practical application, i.e., 'a useful, concrete and tangible result" under State Street, which was stated in the context of transformation of data by a machine or a machine-implemented process, adapted somehow for a non-machine-implemented method.

Claims which are broad enough to read on statutory subject matter and on nonstatutory subject matter are considered nonstatutory. Cf. In re Lintner, 458 F.2d 1013, 1015, 173 USPQ 560, 562 (CCPA 1972) ("Claims which are broad enough to read on obvious subject matter are unpatentable even though they also read on nonobvious subject matter."). During prosecution, applicant can amend to limit the claims to statutory subject matter. Cf. Prater II, 415 F.2d at 1404 n.30, 162 USPQ at 550 n.30 (Where a patent is at issue: "By construing a [patent] claim as covering only patentable subject matter, courts are able, in appropriate cases, to hold claims valid in order to protect the inventive concept of the inventor's contribution to the art. The patentee at that time usually may not amend the claims to obtain protection commensurate with his actual contribution to the art."). Thus, that the claims might be statutory subject matter if performed by a machine does not make the claims statutory subject matter since no machine is required.
The U.S. Constitution authorizes Congress "To promote the Progress of ... useful Arts, by securing for limited Times to ... Inventors the exclusive Right to their ... Discoveries." U.S. Const., art. I, § 8, cl. 8. "This qualified authority ... is limited to the promotion of advances in the 'useful arts.'" *Graham v. John Deere Co.*, 383 U.S. 1, 5, 148 USPQ 459, 462 (1966). "[T]he present day equivalent of the term 'useful arts' employed by the Founding Fathers is 'technological arts.'" *In re Bergy*, 596 F.2d 952, 959, 201 USPQ 352, 359 (CCPA 1979), aff'd sub nom. *Diamond v. Chakrabarty*, 447 U.S. 303, 206 USPQ 193 (1980). "Technology" is defined as: "2a: applied science b: a technical method of achieving a practical purpose 3: the totality of means employed to provide objects necessary for human sustenance and comfort." *Webster's New Collegiate Dictionary* (G.&C. Merriam Co. 1977). As stated in Gillespie et al., *Chemistry* 2 (Allyn and Bacon, Inc. 1986): "We can describe the universe, and all the changes occurring in it, in terms of two fundamental concepts: matter and energy." We submit that a fundamental property of "technology" is that it deals with characteristics of the physical world, matter and energy, which are transformed and made useful to man in products and processes.
The "useful arts" ("technological arts") are defined by Congress in the statutory classes of 35 U.S.C. § 101, "process, machine, manufacture, or composition of matter." Section 101 is broadly inclusive of subject matter that can be patented. See S. Rep. No. 1979, 82d Cong., 2d Sess. 5 (1952), reprinted in 1952 U.S. Code Cong. & Admin. News 2394, 2399 ("A person may have 'invented' a machine or manufacture, which may include anything under the sun made by man, but it is not necessarily patentable under section 101 unless the conditions of the title are fulfilled."). However, "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). The statutory categories of "machine, manufacture, or composition of matter" broadly cover any "thing" that can be made by man and clearly fit the definition of "technology."

A "process" is more difficult to analyze. A "process" is broadly defined in the dictionary as "a series of actions or operations conducing to an end." Webster's. Any series of actions or operations is a process within the dictionary definition. However, not every process in the dictionary sense is a "process" under §§ 100(b) and 101 within the "useful arts"
"technological arts"). See *Parker v. Flook*, 437 U.S. 584, 588 n.9, 198 USPQ 193, 196 n.9 (1978) ("The statutory definition of 'process' is broad.... An argument can be made, however, that this Court has only recognized a process as within the statutory definition when it either was tied to a particular apparatus or operated to change materials to a 'different state or thing'.")

Section 100(b) of Title 35 U.S.C. defines "process" to mean "process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material." The definition of "process" to mean "process, art or method" makes it clear that the terms are synonymous.

See S. Rep. No. 1979, reprinted in 1952 U.S. Code Cong. & Admin. News at 2409-10. "When Congress approved the addition of the term 'process' to the categories of patentable subject matter in 1952, it incorporated the definition of 'process' that had evolved in the courts" (footnotes omitted), In re Schrader, 22 F.3d 290, 295, 30 USPQ2d 1455, 1459 (Fed. Cir. 1994), which included this definition from *Cochrane v. Deener*, 94 U.S. 780, 788 (1877): "A process is . . . an act, or series of acts, performed upon the subject matter to be transformed and reduced to a different state or thing." The transformation definition has frequently been misunderstood to require transformation of an
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object or article. See Schrader, 22 F.3d at 295 & 295 n.12, 30 USPQ2d at 1459-60 & 1459 n.12 (noting imperfect statements requiring object or article in 1 William C. Robinson, The Law of Patents for Useful Inventions § 159 (1890) and Gottschalk v. Benson, 409 U.S. 63, 175 USPQ 673 (1972)). However, the "subject matter" transformed does not need to be a physical (tangible) object or article or substance, but can be physical, yet intangible, phenomena such as electrical signals or electromagnetic waves. See Schrader, 22 F.3d at 295 n.12, 30 USPQ2d at 1459 n.12 ("it is apparent that changes to intangible subject matter representative of or constituting physical activity or objects are included in this definition"); In re Ernat, 71 F.2d 169, 170, 22 USPQ 28, 29-30 (CCPA 1934); In re Prater, 415 F.2d 1378, 1387-88, 159 USPQ 583, 592 (CCPA 1968) (in the Telephone Cases, 126 U.S. 1 (1887), Bell's fifth claim to a process of transmitting sounds telegraphically by changing the intensity of a continuous electrical current, i.e., a process acting on energy rather than physical matter, was held valid and infringed). This misunderstanding may be the reason that the definition has not been accepted as the only test for statutory subject matter.
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It is possible that exceptions exist to the requirements that a "process" must be tied to a particular machine or apparatus or must operate to change subject matter to a 'different state or thing.' See Gottschalk v. Benson, 409 U.S. 63, 71, 175 USPQ 673, 676 (1972) ('It is argued that a process patent must either be tied to a particular machine or apparatus or must operate to change articles or materials to a 'different state or thing.' We do not hold that no process patent could ever qualify if it did not meet the requirements of our prior precedents.'); Parker v. Flook, 437 U.S. at 588 n.9, 198 USPQ at 196 n.9. However, care should be taken in abandoning or creating exceptions to a definition which has proven useful over many years. As far as we can determine, all cases involving method claims after Gottschalk v. Benson can be explained by the transformation of subject matter test. The Federal Circuit stated that a "'physical transformation' ... is not an invariable requirement, but merely one example of how a mathematical algorithm may bring about a useful application," AT&T v. Excel Communications, Inc., 172 F.3d 1352, 1359, 50 USPQ2d 1447, 1452 (Fed. Cir. 1999). However, AT&T involved a method of transforming data on a machine, not a disembodied method, and it does not say that no physical transformation of subject matter is
required if no machine is claimed. Transformation of data by a machine is a special case. It also appears that what was meant in AT&T is that calculations on a machine can be statutory subject matter without "physical transformations" performed externally to the machine, such as using the calculated results to control a system.

Claims 1-68 recite steps for marketing a product and do not transform any physical subject matter, tangible (matter) or intangible (energy), into a different state or thing and, therefore, do not fall within the definition of a statutory "process" or within the meaning of "technology." The claimed steps can be performed manually by a human. Although a statutory "process" under § 101 does not have to be performed by a machine, there must be a transformation of physical subject matter from one state to another, e.g., a step of "mixing" two chemicals transforms two separate chemicals into a manufacture or a composition of matter, regardless of whether it is performed by a human or a machine. Here there is no transformation of physical subject matter. Thus, claims 1-68 are directed to nonstatutory subject matter as not meeting the definition of a "process" under § 101.
An idea of itself is not patentable, but a new device by which it may be made practically useful is." Rubber-Tip Pencil Co. v. Howard, 87 U.S. 498, 507 (1874). Abstract intellectual concepts are not patentable as they are the basic tools of scientific and technological work, but a "practical application" of the concept to produce a "useful" result is patentable. The "abstract idea" exception refers to disembodied plans, schemes, or theoretical methods. An "abstract idea" is "embodied" or a "practical application" or "concrete" when it is utilized in an invention that is a "process, machine, manufacture, or composition of matter" under § 101, and is "useful" when it has utility. Where the claim covers any and every possible way that the steps may be performed, this is more likely to be a claim to the "abstract idea" itself, rather than a practical application of the idea. For example, in discussing the mathematical algorithm in Gottschalk v. Benson, the Supreme Court discussed the cases holding that a principle, in the abstract, cannot be patented and then stated:

Here the "process" claim is so abstract and sweeping as to cover both known and unknown uses of the BCD to pure binary conversion. The end use may ... be performed through any existing machinery or future-devised machinery or without any apparatus.
409 U.S. at 68, 175 USPQ at 675. The fact that a claimed method is not tied to a machine, even if the method could be performed by a machine, and that it does not recite a transformation of physical subject matter to a different state or thing, is an indication that the method is a disembodied "abstract idea" and is not a practical application, as broadly claimed.

Claims 1-68 describe the plan or paradigm for marketing a product. The method, as claimed, is considered an "abstract idea" because no concrete and tangible means for accomplishing the plan is claimed. The method, as claimed, covers any and every possible way of implementing the plan, which indicates that it is directed to the "abstract idea" or concept itself, rather than a practical application of the idea. Even the mere presence of a physical step cannot transform an unpatentable principle into a patentable "process." See Diamond v. Diehr, 450 U.S. at 191-92, 209 USPQ at 10 ("A mathematical formula as such is not accorded the protection of our patent laws, and this principle cannot be circumvented by attempting to limit the use of the formula to a particular technological environment. Similarly, insignificant post-solution activity will not transform an unpatentable principle into a patentable process." (Citations
omitted.). Thus, we hold that claims 1-68 are directed to nonstatutory subject matter under the "abstract idea" exception.

The State Street test of a "practical application, i.e., 'a useful, concrete and tangible result," was announced in the context of transformation of data by a machine. Thus, it is not clear that the test applies in the present situation. Machines and machine-implemented processes, have generally been considered statutory subject matter, except in the special case where mathematical algorithms were involved. A machine implementation implicitly requires a physical transformation of subject matter, e.g., transformation of electrical signals into a different state or signal within a computer. A machine-implemented claim starts out with a presumption of being statutory subject matter. State Street simplifies analysis of machine-implemented claims. It appears that all that is necessary for a machine claim or a machine-implemented process claim to be statutory subject matter is that the data that is transformed is representative of or constitutes physical activity or objects, so that the result has some practical utility. With a non-machine-implemented method, no implied transformation by a machine can be relied on to make the method "useful" or "concrete and tangible."
To the extent that the State Street test applies to non-machine-implemented process claims, the test is interpreted as a restatement of existing legal principles. The terms "concrete and tangible" are interpreted to mean that the abstract idea or principle has been applied to subject matter that falls within one of the categories of inventions of § 101, either physical structure (machines, manufactures, or compositions of matter) or steps that transform physical subject matter to a different state or thing (a process). We do not think the phrase "concrete and tangible" was intended to mean "anything definite and requiring physical action" without regard to the nature of the subject matter of § 101. The term "useful" is interpreted to mean that the subject matter within one of the § 101 categories satisfies the utility requirement. A "practical application" requires both that the claimed subject matter be within a statutory category (embodied in something concrete and tangible) and have utility (be useful). Thus, a claim to a computer or a computer-implemented process would normally be statutory subject matter, because it transforms electrical signals inside of the computer and is "concrete and tangible," but it may fail to satisfy the "utility" requirement if it is merely a mathematical algorithm which transforms data not corresponding to something in the real
world. Conversely, a claim to a non-machine-implemented process may have "utility" to society, but the subject matter may not fall within the "useful arts" ("technological arts") of § 101 so as to be "concrete and tangible" if it does not transform physical subject matter. We have held that the claimed subject matter does not fall within the definition of a "process" under § 101 and is an "abstract idea," and, therefore, it is not a "practical application" of the plan because it does not produce a "concrete and tangible result." The State Street test requires that subject matter be "useful" and "concrete" and "tangible." While the claimed subject matter may be "useful" because it has some utility to society, this is not enough. Therefore, we hold that claims 1-68 are directed to nonstatutory subject matter because they do not recite a "practical application" or produce a "concrete and tangible result" under State Street.

This decision contains a new ground of rejection pursuant to 37 CFR § 1.196(b) (amended effective Dec. 1, 1997, by final rule notice 62 Fed. Reg. 53,131, 53,197 (Oct. 10, 1997), 1203 Off. Gaz. Pat. & Trademark Office 63, 122 (Oct. 21, 1997)). 37 CFR § 1.196(b) provides that "A new ground of rejection shall not be considered final for purposes of judicial review."

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37 CFR § 1.196(b) also provides that the appellant, **WITHIN TWO MONTHS FROM THE DATE OF THE DECISION**, must exercise one of the following two options with respect to the new ground of rejection to avoid termination of proceedings (§ 1.197(c)) as to the rejected claims:

1. Submit an appropriate amendment of the claims so rejected or a showing of facts relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the application will be remanded to the examiner.

2. Request that the application be reheard under § 1.197(b) by the Board of Patent Appeals and Interferences upon the same record.
No time period for taking any subsequent action in connection with this appeal may be extended under 37 CFR § 1.136(a).

REVERSED
37 CFR § 1.196(b)

JERRY SMITH
Administrative Patent Judge

LEE E. BARRETT
Administrative Patent Judge

JOSEPH L. DIXON
Administrative Patent Judge

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