

2012

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## Recommended Citation

Klyashtorny, Daniel, "Cleaning up the Morass: Adopting a Uniform Standard in Process Patent Review" (2012). *Law School Student Scholarship*. 122.

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## Cleaning up the Morass: Adopting a Uniform Standard in Process Patent Review

By: Daniel Klyashtorny

*This paper seeks to establish that the “machine or transformation” (“MOT”) test should be the only test used, by the courts, when analyzing the subject matter eligibility of process patent applications. The dispute, regarding the strict application of the MOT test when analyzing process patent applications, is one that has resulted in great controversy within the courts. In a 9-0 decision, the court, in Bilski II, ruled that that the MOT was not to be the exclusive test used in determining the patentability of a process. Instead, the court proposed that the MOT be among one of the tests available. This article seeks to establish that even though the courts have not foreclosed the application of the MOT analysis for subject matter eligibility, it should be deemed the sole analysis to be used by the courts when reviewing process patent applications.*

### **I. Introduction:**

In 2010, the Supreme Court ruled that the MOT test was not to be the sole test for determining the subject matter eligibility of process patent applications.<sup>1</sup> The court did not invalidate the application of the test in its entirety; rather it limited exclusive reliance on its use. The result of this decision has created much uncertainty as to what analysis to conduct when presented with an application for a process patent. This continues to emerge as a growing concern where process patents are frequently sought in conjunction with business methods, human related observations as well as numerous computer-related developments.

Although computer programs are not the exclusive domain in conjunction with which process patent applications are submitted, it is one that has shed light on the issue of process patent analysis due to several factors. First, the continuous evolution of the computer industry has spurred creation of software that accompanies the emerging technology. Second, software development is being tailored to industries where reliance upon it is unprecedented. Lastly, software development does not strictly adhere to the creation model envisioned by existing patent laws.

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<sup>1</sup> Bilski v. Kappos, 130 S. Ct. 3218, 3231 (2010) (“Bilski II”).

Court opinions that preceded *Bilski II*, in analyzing process patent applications, have varied in their decisions. A number of tests were applied, yet a uniform standard was not adopted. Then, the decisions in *Benson*<sup>2</sup>, *Flook*<sup>3</sup> and *Diehr*<sup>4</sup> offered a glimmer of hope in the providing uniformity when each referred to a more objective standard, later coined the “MOT” test. Although the decisions did not explicitly coin the term, each, in their review of process patent applications, conducted a similar analysis.

Numerous decisions that have followed *Bilski II* continue to defer to the MOT test, despite *Bilski II*'s holding. Some of the most prominent cases, on the post-*Bilski II* process patent landscape, include *Ultramercial*<sup>5</sup>, *Cybersource*<sup>6</sup> and *Dealertrack*<sup>7</sup>. In each of the decisions, the Federal Circuit continues to apply the MOT test, despite the direction set forth by the Supreme Court. This creates an issue. In seeking to adopt an objective standard for analysis, the Federal Circuit continues to circumvent the authority of the higher court.

To make matters even more complicated, the Supreme Court has recently handed down a fairly rigid decision, *Prometheus*, pertaining to process patents.<sup>8</sup> The unanimous opinion of the court reasserted its position in *Bilski II*. In a 9-0 verdict, the decision held that despite the lower court's reference to the MOT, the process was un-patentable. Despite the highest court's unwillingness to designate the MOT test as the only standard in process patent analysis, it is yet to propose a viable alternative.

This article seeks to establish that although the MOT test may not be the only standard used, by the courts, to assess the subject matter eligibility of process patents, it is still the most

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<sup>2</sup> *Gottschalk v. Benson*, 409 U.S. 63 (1972).

<sup>3</sup> *Parker v. Flook*, 437 U.S. 584 (1978).

<sup>4</sup> *Diamond v. Diehr*, 450 U.S. 175 (1981).

<sup>5</sup> *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. 2011).

<sup>6</sup> *Cybersource Corp. v. Retail Decisions, Inc.*, 654 F. 3d 1366 (Fed. Cir. 2011).

<sup>7</sup> *Dealertrack, Inc. v. Huber*, 2012 U.S. App. LEXIS 1161 (Fed. Cir. 2012).

<sup>8</sup> *Mayo Collaborative Servs. v. Prometheus Labs*, 132 S. Ct. 1289 (2012).

reliable. There has been much controversy regarding the proper analysis to be conducted, when attempting to assess the subject matter eligibility of a particular process. This paper, in turn, suggests that the MOT test provides a more objective standard that may be uniformly applied when analyzing process patent applications. In addition to analyzing the development of the MOT test, the paper will also look at existing alternatives, to MOT, as well as economic justifications that bolster the test's use despite some drawbacks of its strict application.

This article explores the various analyses used in determining the patentability of a process. As such, the second part of the paper will delve into the general subject matter requirements for something to receive patent protection. This part will focus on the relevant fundamentals of patent law through an analysis of core statutes and cases. In doing so, this part concentrates on laying the foundation for what is required for something to be patentable.<sup>9</sup> Once the elements for patentability are set forth, the discussion will become more tailored to the specific statutory requirements for process patents.<sup>10</sup> Although the statutory requirements provide the framework, relevant case law will further narrow the elements necessary for process patents. The case law analysis will not only provide a better understanding of the various courts' requirements for process patents, but will provide a segue into the crux of this article: the proper test to be applied when determining subject matter eligibility of process patent applications.

While the statutory language has laid the foundation for the requirements of a process patent, courts have diverged in their methodology when conducting the threshold subject matter review. The third part will focus on various tests that have either been discussed or utilized in determining the subject matter eligibility of process patent applications. The section will

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<sup>9</sup> 35 U.S.C. §101. "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."

<sup>10</sup> 35 U.S.C. §100(b). "The term "process" means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material."

commence with a cursory overview of the evolution of MOT. The discussion of the MOT test will lead into the *Bilski II* opinion, where the court held that the MOT test is not to be the exclusive subject matter review for process patent applications. The court's decision in *Bilski II* added uncertainty to the patent community, providing for diverging approaches to process patent applications in the lower courts. Thereafter, the discussion will review the alternative tests. Specifically, this will include an evaluation of tests such as the Freeman-Walter-Abele,<sup>11</sup> "Useful, Concrete and Tangible Result",<sup>12</sup> Technological Arts<sup>13</sup> and New Comiskey Physical Steps.<sup>14</sup> In reviewing the tests, the discussion will provide an example of how the tests were applied to a given set of facts. In addition, the MOT test will be applied to each set of facts to contrast the results. The discussion will demonstrate that these tests diverge in their review processes. Moreover, by contrasting each test with an application of the MOT will help provide a more comprehensive review of the position set forth in this article.

Despite the holding in *Bilski*,<sup>15</sup> the MOT test is still readily utilized by the lower courts in their scrutiny of process patent applications. Part four of the article will look at some of the key holdings in the post-*Bilski* era. Specifically, this section will demonstrate the state of disarray that the lower courts are in. Certain Federal Circuit opinions will further indicate the uncertainty

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<sup>11</sup> In re Abele, 684 F.2d 902 (C.C.P.A 1982).

<sup>12</sup>The "Useful, Concrete and Tangible Result" test finds that a process is patentable if it produces a "useful, concrete, and tangible result". See *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 1357 (Fed. Cir. 1999). See also *State Street Bank & Trust Co. v. Signature Financial Group*, 149 F.3d 1368 (Fed. Cir. 1998).

<sup>13</sup> This test concludes that process patents should only be for "technological inventions that involve the application of science or mathematics, thereby excluding non-technological inventions. In re *Bilski*, 545 F. 3d 943, 959, n.21 (Fed. Cir. 2008) ("Bilski I").

<sup>14</sup> See In re *Comiskey*, 499 F.3d 1365 (Fed. Cir. 2007). Bars any claim with mental process if it lacks significant physical steps. Specifically it states that, "[a] claim reciting an algorithm or abstract idea can state statutory subject matter only if, as employed in the process, it is embodied in, operates, transforms, or otherwise involves another class of statutory subject matter." *Id.* at 1376.

<sup>15</sup> See *Bilski II*, 130 S. Ct. at 3231 (holding that the MOT test is not the exclusive test to be applied in analyzing process patent applications).

that exists with regards to adhering to strict 35 U.S.C. §101 analyses.<sup>16</sup> Instead, courts are seeking to analyze process patents under 35 U.S.C. §§102, 103 and 112. This trend largely diverges from the precedent and is curtailed by the Supreme Court's most recent opinion.<sup>17</sup> Based on the issues presented by the various Federal Circuit opinions, it becomes clear that the MOT test should be the only test used when analyzing process patents. In doing so, the courts will be provided a clear, uniform standard that will enable them to analyze process patent applications pursuant to a traditional §101 analysis.

Although the MOT test is the advocated method of process patent analysis, it may have certain drawbacks that should to be considered. Part five of the article will critique the MOT test and will analyze the drawbacks of mandating it as the sole test for process patentability. Notwithstanding the consideration of the test, this part will also consider the idea of implementing a uniform, single test for process patents rather than continuing with the status quo. The latter produces a patent landscape where the courts are free to use an array of methods when reviewing patent eligibility for purposes of §101. Lastly, the considerations set forth in this section will be revisited when conducting the balancing test, in part six.

In part six, the article sets out to consider both sides of the argument. On one hand, the article advocates implementing a single method of review for courts to adhere to when analyzing process patent applications. On the other hand, the article will consider the potential drawbacks from implementing a uniform standard. This comparison will be largely facilitated by an

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<sup>16</sup> See *Myspace, Inc. v. Graphon Corp.*, 2012 U.S. App. LEXIS 4375 (Fed Cir. 2012)(Court reviewed a process to create, modify store and search database records over a computer network. In its review, Court conducted the threshold inquiry of patentability using §§102, 103 and 112 rejecting the threshold inquiry of §101. In his opinion, Judge Plager suggested that this is more practical rather than engaging in the “murky morass of §101 verbiage.” *Id.* at 24.)

<sup>17</sup> See *Prometheus*, 132 S. Ct. at 1293 (Court rejected the use of §§102 and 103 in lieu of the §101 threshold inquiry. *Id.* at 39-40.)

economic cost benefit analysis. Specifically, the article will utilize a Net Benefits approach in conducting the review.<sup>18</sup>

## II. Patent Requirements:

Congress has defined the subject matter requirement for inventions seeking patent protection in Section 101 of the Patent Act.<sup>19</sup> Specifically, the Patent Act defines the term “process” as “process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.”<sup>20</sup> Furthermore, the Supreme Court has elaborated on what constitutes a patentable process claim, noting that a process may be patentable, irrespective of the particular form of the instrumentalities used . . . A process is a mode of treatment of certain materials to produce a given result. It is an act, or a series of acts, performed upon the subject- matter to be transformed and reduced to a different state or thing. If new<sup>21</sup> and useful<sup>22</sup>, it is just as patentable as is a piece of machinery.<sup>23</sup>

While the Patent Act covers a broad range of subject matter, there are three important subject matter exceptions from patentability: “laws of nature, physical phenomena, and abstract ideas.”<sup>24</sup> The Supreme Court has found that these categories of exceptions “are not patentable, as they are the basic tools of scientific and technological work.”<sup>25</sup> Thus, the Court has written that, “a new mineral discovered in the earth or a new plant found in the wild is not patentable subject

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<sup>18</sup> David W. Barnes, *The Incentives/Access Tradeoff*, 9 NW. J. TECH. & INTELL. PROP. 96, 121 (2010). Professor Barnes discussed the rule to be used when applying the Net Benefits test:

“An increase in exclusive rights to intellectual property is justified only when the value of increased creative activity resulting from increased incentives is greater than the value of the benefits lost from reduced access.” *Id.* at 121.

<sup>19</sup> 35 U.S.C. §101. “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.”

<sup>20</sup> 35 U.S.C. §100(b).

<sup>21</sup> *See* 35 U.S.C. §102.

<sup>22</sup> *See* 35 U.S.C. §103.

<sup>23</sup> *Diamond v. Diehr*, 450 U.S. 175, 182-83 (1981) (quoting *Cochrane v. Deener*, 94 U.S. 780, 787-88 (1877)).

<sup>24</sup> *Bilski II*, 130 S. Ct. 3218, 3225 (2010) (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980)); *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972).

<sup>25</sup> *Benson*, 409 U.S. at 67.

matter. Likewise, Einstein could not patent his celebrated law that  $E=mc$ ; nor could Newton have patented the law of gravity. Such discoveries are manifestations of nature, free to all men and reserved exclusively to none.”<sup>26</sup>

### **III. Process Patent Review Tests and *Bilski*:**

There are a number of tests that exist for analyzing process patents. Throughout this section, the discussion will focus on establishing the current state of the law as well as considering some of the tests that have been utilized in analyzing process patent applications. The discussion will begin by referring to the most recent decision in *Bilski II*. In order to understand the impact of the Supreme Court’s decision, an overview of the lower court’s holding is also warranted.<sup>27</sup> Subsequent to establishing the current state of the law, the section will go through some of the tests that have been referred to, in scrutinizing process patents. In doing so, each test will first be defined. Once the defined, the test will be analyzed for its intended application, strengths and weaknesses as well as its current disposition. The discussion will also include an overview of the MOT test. In doing so, this will lay the groundwork for comparing the MOT test with its alternatives. While reading the section, it is important to keep in mind that courts have faithfully deferred to the MOT test, in their review of process patents. The remaining tests have been used more sporadically, adopted by some courts while being rejected by others. *Bilski II*’s declassification of the MOT as the default method of review for process patent applications has had a broad impact on the practice area. As a result, it has created uncertainty and confusion, in the lower courts as to the method, which should be applied. This will be discussed in further detail in subsequent parts of the article.

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<sup>26</sup>Prometheus, 132 S. Ct. at 1293.

<sup>27</sup> *Bilski I*, 545 F. 3d 943 (Fed. Cir. 2008).



Prior to examining, weighing and determining the optimal manner by which to analyze process patents, it is necessary to first establish the current state of the law. The law as it currently stands came about as a result of a decision to disallow a patent for “[a] method for managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price.”<sup>28</sup> The Federal Circuit, in *Bilski I*, determined that the MOT test should be employed in order to analyze the patentability of the process.<sup>29</sup> Ultimately, applying this analysis, the Federal Circuit deemed the process unpatentable.<sup>30</sup> Subsequently, the Supreme Court, *Bilski II*, granted certiorari in the matter. While the Supreme Court ultimately upheld the lower court’s decision, it made a crucial determination: that the MOT test was not the sole analysis to be used in reviewing process patent applications.<sup>31</sup> Significantly, however, while failing to adopt the position that MOT be the default review process for threshold subject matter inquiry, the court underlined the test’s importance and usefulness.<sup>32</sup>

The MOT test has significantly evolved in the past several decades and has become widely used by the courts in the review of process patents. The roots of the test can be traced back to nineteenth century jurisprudence.<sup>33</sup> The modern test, however, can be primarily attributed to three decisions, *Benson*,<sup>34</sup> *Flook*<sup>35</sup> and *Diehr*<sup>36</sup>. In its most boiled down form, the

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<sup>28</sup>*Id.* at 949.

<sup>29</sup>*Id.* at 949.

<sup>30</sup>*Id.* at 965 (Court held that the applicants sought to patent a non-transformative process that involves mental steps without the aid of a computer, machine or other device. Ultimately, the majority felt granting a patent on such a process, would “effectively pre-empt any application of the fundamental concept of hedging.”)

<sup>31</sup>*Bilski II*, 130 S. Ct. at 3231.

<sup>32</sup>In *Bilski II*, the Court noted that, “[t]his Court’s precedents establish that the machine or transformation test is a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under §101.” *See Bilski II*, 130 S. Ct. 3218, 3227 (2010).

<sup>33</sup>“One may discover a new and useful improvement in the process of tanning, dyeing, etc., irrespective of any particular form of machinery or mechanical device.” *Corning v. Burden*, 56 U.S. 252, 267-68 (1854).

<sup>34</sup>In *Benson*, the court found that a mathematical process for converting binary coded decimal numbers into pure binary numbers, on a general purpose computer, was overly broad and unpatentable. *Gottschalk v. Benson*, 409 U.S. 63 (1972).

test finds that a “claimed process is patent eligible if: (1) It is tied to a particular machine or apparatus; or (2) it transforms a particular article into a different state or thing.”<sup>37</sup> Given that the MOT consists of two elements, patent applicants can meet subject matter criteria by satisfying either element. To better understand the meaning of the test, however, each component should be evaluated independently.

The first element indicates that a process should be tied to a “particular machine.”<sup>38</sup> A machine can be broadly defined and, as such, courts have attempted to limit the scope of the “machine” element in order to make it more easily applicable. First, courts have ruled that the process may not be tied to a machine in order to perform a “purely mental process”, one that may be otherwise performed with a pen and paper.<sup>39</sup> Courts have also stated that a process must reference a particular machine and a general-purpose computer will not meet the necessary requirements of the machine element.<sup>40</sup>

Similar to the first element of the MOT test, the “transformation” component is also broad and seeks further clarification to its intended meaning and scope. Opinions have sought to

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<sup>35</sup> The court, in *Flook*, determined that a method for adjusting the alarm limits in the catalytic conversions of hydrocarbons was unpatentable as it merely monitored conditions and was tied to an alarm. *Parker v. Flook*, 437 U.S. 584 (1978).

<sup>36</sup> In *Diehr*, the court found that the process met §101 subject matter eligibility and was patentable. There, a process was proposed for measuring the time that uncured rubber should remain in the mold in order to attain a certain thickness. The court found that it was sufficiently tied to a machine and an adequate transformation had taken place. *Diamond v. Diehr*, 450 U.S. 175 (1981).

<sup>37</sup> *Bilski I*, 545 F. 3d at 954 (citing *Benson*, 409 U.S. at 70 (“Transformation and reduction of an article ‘to a different state or thing’ is the clue to the patentability of a process claim that does not include particular machines.”)); *Diehr*, 450 U.S. at 192 (finding that use of mathematical formula in process “transforming or reducing an article to a different state or thing” constitutes patent-eligible subject matter); *Flook*, 437 U.S. at 589 n.9 (“An argument can be made [that the Supreme] 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.’”))

<sup>38</sup> See *Bilski II*, 130 S. Ct. 3218, 3227 (2010).

<sup>39</sup> In *Cybersource*, the court stated that, “merely claiming a software implementation of a purely mental process that could otherwise be performed without the use of a computer does not satisfy the machine prong of the machine-or-transformation test.” *Cybersource Corp. v. Retail Decisions, Inc.*, 654 F. 3d 1366, 1375 (Fed. Cir. 2011) (citing *Benson*, 409 U.S. at 65-67).

<sup>40</sup> *CLS Bank Int'l v. Alice Corp. Pty, Ltd.*, 768 F. Supp. 2d 221 (D.D.C. 2011). In *CLS*, the court stated that, “...district courts have determined that a method claim that is directed to a general purpose computer is not tied to a particular machine under the MOT test.” *Id.* at 237.

narrow the breadth of the proposed meaning by imposing limitations to its application. In its raw form, the transformation component simply states that the process must transform an article into a different state or thing.<sup>41</sup> Given the wide variety of processes that may seek exclusive rights, an extremely narrow definition may serve as a disservice. Conversely, allowing for a broad definition to remain in place may afford excessive protection for processes that may not otherwise deserve it.<sup>42</sup> As a result, the courts have defined certain limitations to this element.

There are several key limitations, delineated by the courts, which will provide additional guidance to applying the “transformation” element of the test. First and foremost, courts have concluded that, “the transformation must be central to the purpose of the claimed process.”<sup>43</sup> Furthermore, courts have limited the transformation element’s applicability to transformations of business risks or other such abstract ideas.<sup>44</sup> Moreover, merely adding a data-gathering step to an algorithm will not transform the formula into a patentable process.<sup>45</sup> Lastly, in a recent Supreme Court decision, *Prometheus*,<sup>46</sup> the Supreme Court added an additional limitation to the transformation element. There, the court rejected application of the transformation component to transformations dealing with humans.<sup>47</sup>

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<sup>41</sup> See *Bilski I*, 545 F. 3d 943, 954 (Fed. Cir. 2008).

<sup>42</sup> This discussion will be further explored in Section VI, as part of the Net Benefit analysis.

<sup>43</sup> See *Bilski I*, 545 F.3d at 962.

<sup>44</sup> In *Bilski I*, Chief Judge Michel stated that, “[p]urported transformations or manipulations simply of public or private legal obligations or relationships, business risks, or other such abstractions cannot meet the test because they are not physical objects or substances, and they are not representative of physical objects or substances.” *Id.* at 963.

<sup>45</sup> *Id.* at 963 (citing *In re Meyer*, 688 F.2d 789, 794 (C.C.P.A. 1982) (“[data-gathering] step[s] cannot make an otherwise nonstatutory claim statutory.”))

<sup>46</sup> See *Mayo Collaborative Servs. v. Prometheus Labs*, 132 S. Ct. 1289, 1293 (2012).

<sup>47</sup> In *Prometheus*, the court rejected to apply the “transformation” element to a process involving human transformations. *Id.* The court found that the proposed transformation was too intertwined with the laws of nature and did not add anything significant to the laws of nature themselves. *Id.* at 1302. It appears that the court is reluctant to allow human transformation to be a potentially patentable process due to its implications on allowing process patents to creep too closely to laws of nature. *Id.* at 1302.

### *Other Tests*

The first test, Freeman-Walter-Abele, was used to determine whether mathematical principles or algorithms were patentable subject matter. The test arose as a result of three decisions, *In re Freeman*<sup>48</sup>, *In re Walker*<sup>49</sup> and *In re Abele*<sup>50</sup>. The intention of the test was to provide a test that identified patent claims that did not attempt to monopolize traditionally unpatentable subject matter, such as, mathematics, thinking, and laws of nature. Initially, the test was mainly devised for software related patents. And so, even though the test was primarily formulated to address mathematical algorithms, it was said to have some applicability in all subject matters. In its final form, the analysis had two steps. The first step, involves determining whether a particular claim recites an algorithm within the meaning of *Benson*. Then, it was necessary to determine whether that algorithm is “applied in any manner to physical elements or process steps.”<sup>51</sup> Once the steps of the test have been established, the practical application of the test should be considered.

An example of the test’s application can be evidenced in *Abele*.<sup>52</sup> There, the court used the Freeman-Walter-Abele test to determine the subject matter eligibility of claim 6, which contrived an algorithm that calculated the change in data as an x-ray beam, part of CAT scan machine, passed through an object and displayed the calculated change in information on the screen.<sup>53</sup> The court found that both elements of the test were satisfied since the process (1) recited an algorithm; and (2) the algorithm was sufficiently applied to the process steps. The court expanded on the determination of the second element in stating that the algorithm

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<sup>48</sup> *In re Freeman*, 573 F.2d 1237 (C.C.P.A. 1978).

<sup>49</sup> *In re Walker*, 618 F.2d 758 (C.C.P.A. 1980).

<sup>50</sup> *In re Abele*, 684 F.2d 902 (C.C.P.A. 1982).

<sup>51</sup> *Id.* at 905-907.

<sup>52</sup> In *Abele*, the court reviewed a process that improved the CAT scan imaging technique and ultimately reduced the level of radiation to which the body was exposed. *Id.* at 905-907.

<sup>53</sup> *Id.* at 903-904.

calculated the change in data only after the x-ray beam passed through the object being measured. Thus, the algorithm was a necessary part of process.<sup>54</sup>

Had the MOT test been applied to facts set forth in *Abele*, it would have likely yielded similar results, at least under the first element of the MOT test. Under the first prong of MOT, the process was sufficiently tied to a particular machine, the CAT scan apparatus. On its face, it does not appear that the machine qualifies under any of the limitations of the machine element. Specifically, the machine in this case, is not a general purpose machine, but rather a computer and screen that are used in conjunction with the CAT scan apparatus to calculate the data as the laser passes through the object. Conversely, however, it appears that the transformation element of MOT would not have been satisfied. In *Abele*, as the laser passes through the object, an algorithm calculates the change in data and transfer the information regarding the calculation to a screen. This appears to amount to mere data gathering and calculation instead of a transformation. The process in claim 6 is markedly different from the process in *Diehr*<sup>55</sup> and it appears that no transformation actually took place.

Overall, in its initial formation, the Freeman-Walter-Abele test may have had useful application in the sphere of software, specifically in dealing with the analysis of algorithms as patentable subject matter. As time passed, it became clear that it did have its limitations, in light of certain court decisions. It was eventually pronounced dead in *Bilski I*.<sup>56</sup> Moreover, in pronouncing the test to be inadequate, the majority in *Bilski I* discussed the apparent conflict that

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<sup>54</sup> “The specification indicates that such attenuation data is available only when an X-ray beam is produced by a CAT scanner, passed through an object, and detected upon its exit. Only after these steps have been completed is the algorithm performed, and the resultant modified data displayed in the required format.” *Id.* at 908.

<sup>55</sup> In *Diehr*, uncured rubber was poured into a mold in order to make cured products. The process was used to determine the time in the time that the rubber needed to remain in the press in order to achieve a certain thickness of the rubber. *Diamond v. Diehr*, 450 U.S. 175, 177 (1981).

<sup>56</sup> *Bilski I*, 545 F. 3d 943, 959 (Fed. Cir. 2008).

the test encounters when dealing with the Supreme Court’s prohibition on dissecting claims and evaluating their patent eligibility based on individual limitations.<sup>57</sup>

The second test that has been used to analyze process patents is the “useful, concrete and tangible result” test. The name was originally coined from the *Alappat* discussion of the inadequacy of the Freeman-Walter-Abele test when analyzing a business method patent application.<sup>58</sup> The court, in *State Street*, further expanded upon the test while affirming the insufficiency of Freeman-Walter-Abele test in reviewing a business method patent application for a data processing system used in implementing an investment structure for the administration and accounting of mutual funds.<sup>59</sup> Although the test appears to have similarities to the language of the MOT test, it falls short of the comprehensive analysis conducted by the latter. On its face, it appears that the “useful, concrete and tangible result” test may share some of the same attributes as the MOT test. Yet, the test was found to facilitate an inadequate review of process patents.<sup>60</sup> Interestingly, *Bilski I* did not explicitly preclude future use of the analysis.

An example of the application of the “useful, concrete and tangible result” test can be gleaned from the discussion in *State Street*.<sup>61</sup> There the court discussed how algorithms that are

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<sup>57</sup> *Id.* at 958 (citing *Flook*, 437 U.S. at 594 (requiring the analysis of a claim as a whole in a section 101 patent analysis)).

<sup>58</sup> The court distinguishes between a disembodied mathematical concept, which is unpatentable, and an algorithm that is applied to create a specific result. As such, the court stated that, “[t]his is not a disembodied mathematical concept which may be characterized as an “abstract idea,” but rather a specific machine to produce a *useful, concrete, and tangible result.*” In re *Alappat*, 33 F.3d 1526, 1544 (Fed. Cir. 1994) (emphasis added).

<sup>59</sup> “Today, we hold that the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces “a *useful, concrete and tangible result*”—a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades.” *State Street Bank & Trust Co.*, 149 F.3d 1368, 1373 (Fed. Cir. 1998) (emphasis added) *See also* *AT&T Corp.*, 172 F.3d at 1357 (Finding a business method patent application to sufficiently meet the requirements of §101, “[b]ecause the claimed process applies the Boolean principle to produce a *useful, concrete, tangible result* without pre-empting other uses of the mathematical principle...”)(emphasis added)).

<sup>60</sup> “But while looking for “a useful, concrete and tangible result” may in many instances provide useful indications of whether a claim is drawn to a fundamental principle or a practical application of such a principle, that inquiry is insufficient to determining whether a claim is patent-eligible under §101.” *Bilski I*, 545 F. 3d at 959.

<sup>61</sup> *See State Street Bank & Trust Co.*, 149 F.3d at 1373.

disembodied abstract concepts are not useful. In order to be patentable, however, the algorithm must be applied in a useful way.<sup>62</sup> This useful application can be seen in *State Street* where a mathematical formula was used to transform data into a final stock share price.<sup>63</sup> Hypothetically, the MOT test can also be applied, to the given set of facts.

Under the MOT analysis, the same process is unlikely to satisfy the subject matter requirement of §101. First, the facts do not indicate that a particular machine is identified for purposes of the calculation. Instead, it appears that the data appears to be entered into a general purpose computer for the calculation to take place. As per *CLS Bank Int'l*, general purpose computers do not meet the machine element of the MOT test.<sup>64</sup> Moreover, it is unlikely that the transformation element, of MOT, will be satisfied either. The facts in *State Street* indicate that dollar figures are input into an algorithm, which then calculates a final stock share price.<sup>65</sup> The court, in *Bilski I*, denounced the applicability of the transformation element to business risks or other such abstractions.<sup>66</sup> And so, by substituting the MOT test in lieu of the “useful, concrete and tangible result test” to the same set of facts, a different result will likely emerge.

The third test, the “Technological Arts” test, determines the eligibility of process patent applications on the grounds of their technological nature. This test was proposed by certain amici

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<sup>62</sup> *Id.* at 1373.

<sup>63</sup> In *State Street*, “the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces “a useful, concrete and tangible result” --a final share price momentarily fixed for recording...”*Id.* at 1373.

<sup>64</sup> See *CLS Bank Int'l v. Alice Corp. Pty, Ltd.*, 768 F. Supp. 2d 221 (D.D.C. 2011).

<sup>65</sup> See *State Street Bank & Trust Co.*, 149 F.3d at 1373.

<sup>66</sup> In *Bilski I*, the court found that a process for hedging risk did not meet the necessary requirements of the MOT test. Specifically, the court held that the business risk was not sufficiently tied to physical steps in order to meet the necessary requirements of the transformation element. *Bilski I*, 545 F. 3d 943, 963 (Fed. Cir. 2008).

in their involvement with *Bilski I*. The advocates defined the test as reserving patents solely for technological inventions.<sup>67</sup>

The majority in *Bilski I* outwardly rejected the proposition. In their opposition to its application, the majority voiced several reasons. First, they felt that the parameters of the test are unclear, specifically the meanings of “technological arts” and “technology”. These are constantly evolving terms and their application in a given instance may be ambiguous.<sup>68</sup> More importantly, the majority noted that neither the Supreme Court nor the Federal Circuit had ever adopted such an analysis. And so, based on these understandings, the untested approach was rejected. Even though the test was never formally adopted, it may contain certain useful attributes that will be considered in a later section.

The final test to be considered, in the article, is the Comiskey Physical Steps test. The analysis focuses on ensuring that physical steps are present in process patent analysis. Specifically, the test bars any claim with a mental process, if it lacks significant physical steps.<sup>69</sup> Given the facts of the case, the court found that the proposed process was not patentable because it lacked significant physical steps. More specifically, *Comiskey* proposed a process for compelling mandatory arbitration of disputes pursuant to contractual documents where arbitration was mandated by the document.<sup>70</sup> Since the proposed process largely relied on human

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<sup>67</sup> Patents should be reserved for “[t]echnological inventions that involve the application of science or mathematics, thereby excluding “non-technological inventions” such as activities whose ability to achieve their claimed goals depended solely on contract formation.” *Id.* at 959, n.21.

<sup>68</sup> *Id.* at 959.

<sup>69</sup> “Thus, a claim that involves both a mental process and one of the other categories of statutory subject matter (i.e., a machine, manufacture, or composition) may be patentable under § 101.” *See In re Comiskey*, 499 F.3d 1365, 1377 (Fed. Cir. 2007).

<sup>70</sup> *Id.* at 1368-69.



intelligence, and not drawn to a particular machine or transformation, the court determined that it did not meet the threshold requirements of §101.<sup>71</sup>

Under the given facts, it appears that the Comiskey Physical Steps test largely resembles the probable outcome of the MOT analysis, had it been applied instead. Rather than focusing on the explicit need for physical steps the MOT test would have first looked at whether the proposed process was tied to a particular machine. Here, the proposed process mandated arbitration where it was contractually agreed to.<sup>72</sup> This is largely a mental process and would not satisfy the machine element. Next, under the MOT would review whether the process resulted in a particular transformation or change. On its face, it does not appear that a transformation took place. The process merely requires adherence to a contractual provision and seemingly lacks any sort of transformation. Taking it a step further, the process also fails to lie within the confines of the limitations of the transformation element. Specifically, this process amounts to be merely an abstract legal obligation, which is limited from qualifying as a transformation.<sup>73</sup>

Given its relative ambiguity, the court, in *Bilski I*, denounced this approach, claiming to have never created a new test.<sup>74</sup> Instead, *Bilski I* referred to Supreme Court precedent in noting that mental processes are excluded from §101. Moreover, *Bilski I* drew attention to the fact that the MOT test was applied to the claims in *Comiskey*, not a new analysis.

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<sup>71</sup> *Id.* at 1377-79 (quoting *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972) (“[M]ental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work.”))

<sup>72</sup> *See Bilski I*, 545 F. 3d 943, 959 (Fed. Cir. 2008).

<sup>73</sup> In *Bilski I*, the court stated that, “[p]urported transformations or manipulations simply of public or private legal obligations or relationships... cannot meet the test...” *Id.* at 963.

<sup>74</sup> *Id.* at 960.

#### IV. Current Status of Process Patent Examination:

In the aftermath of *Bilski II*, the patent world has been left with many questions, much uncertainty and, naturally, a difference of approaches when reviewing process patent applications. This section will focus on some of the key decisions that followed *Bilski II*. Notably, *Bilski II* remains the prevailing law. This section, however, focuses on the consequences of the Supreme Court's holding, particularly the state of confusion that it has created in the tracks of its decision.<sup>75</sup> In light of the turmoil, the series of decisions that have been generated by the Federal Circuit demonstrate an adherence to the MOT test as well as a drift from the recognized §101 analysis. This struggle between the Federal Circuit and the Supreme Court further demonstrates the need for a uniform standard in process patent application review.

In one of the first that opinions that reviewed a process patent application, post-*Bilski II*, the court relied heavily on the MOT test to determine that a credit card fraud prevention program was not patentable.<sup>76</sup> While the court ultimately couched its decision in the fact that the proposed methods were largely mental processes and abstract ideas,<sup>77</sup> it also utilized the MOT for the §101 subject matter inquiry.<sup>78</sup> Similarly, in *Dealertrack*, the court employed the MOT plus

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<sup>75</sup> *Bilski II* overturned *Bilski I*'s declaration that the MOT be the default rule for threshold subject matter review in process patent applications. *See Bilski II*, 130 S. Ct. 3218, 3231 (2010).

<sup>76</sup> *Cybersource Corp. v. Retail Decisions, Inc.*, 654 F. 3d 1366 (Fed. Cir. 2011).

<sup>77</sup> The court deemed the processes to be unpatentable because "claims 2 and 3 attempt to capture unpatentable mental processes (i.e., abstract ideas), they are invalid under §101." *Id.* at 1376. The concept of "abstractness" was discussed in *Research Corp.*, where the court found that for abstractness to invalidate a claim it must, "exhibit itself so manifestly as to override the broad statutory categories of eligible subject matter and the statutory context that directs primary attention on the patentability criteria of the rest of the Patent Act. *Research Corp. Techs. v. Microsoft Corp.*, 627 F.3d 859, 868 (Fed. Cir. 2010).

<sup>78</sup> The *Cybersource* court upheld the MOT analysis conducted by the lower court. In addition, the court gave a nod to *Bilski II*, acknowledging that a "patent claim's failure to satisfy the [MOT] test is not dispositive of the §101 inquiry. *Id.* at 1370. Furthermore, *Cybersource* undertook an "abstractness" analysis, in addition to the MOT review. *Id.* at 1370. Interestingly, while acknowledging the current state of the law, the court nevertheless undertook the MOT analysis, while adding its abstractness review as well.

abstractness analysis to determine that a computer aided method for processing car loans did not satisfy the threshold inquiry under §101.<sup>79</sup>

While the previous two opinions demonstrate how the Federal Circuit has continued to utilize the MOT test, despite its ability to contrive differing analyses, other decisions have sought to engineer entirely different approaches for threshold review of patentable subject matter. For instance, the court in *Ultramercial*, refrained from applying the MOT analysis. Instead, the court conducted solely an abstractness review to determine that the proposed method for distributing copyrighted products over the Internet met the threshold requirements of §101.<sup>80</sup> The court in *Myspace*,<sup>81</sup> however, ventured to recreate subject matter inquiry altogether. Rather than undertaking a traditional §101 analysis, the court stated that lower courts should avoid the “swamp of verbiage that is §101.”<sup>82</sup> The court then proposed that lower courts should instead “initially address patent invalidity issues in terms of the conditions of patentability defenses as the statute provides, specifically §§102, 103 and 112.”<sup>83</sup>

The latter proposition, which stood to essentially dismantle conventional threshold subject matter inquiry, could have serious consequences. In its proposition, *Myspace* advocated for a more “back door” approach to threshold subject matter inquiry.<sup>84</sup> Rather than first satisfying §101 requirements, *Myspace* found that it would be more productive to primarily establish patent eligibility on the basis of novelty<sup>85</sup> and non-obviousness<sup>86</sup> and only when

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<sup>79</sup> *Dealertrack, Inc. v. Huber*, 2012 U.S. App. LEXIS 1161 (Fed. Cir. 2012).

<sup>80</sup> *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. 2011).

<sup>81</sup> *Myspace, Inc. v. Graphon Corp.*, 2012 U.S. App. LEXIS 4375 (Fed Cir. 2012).

<sup>82</sup> *See Myspace*, 2012 U.S. App. LEXIS 4375 at 24.

<sup>83</sup> *Id.* at 24.

<sup>84</sup> Broadly speaking, §§102, 103 and 112 have traditionally been secondary considerations that are taken into account after §101 has been satisfied. As a summary, §102 conducts further inquiry into the novelty of the invention; §103 delves into the non-obviousness of the proposed subject matter; and §112 describes the specification requirements for patent applications, namely the documentation and description that must be included. 35 U.S.C. §§102, 103, 112.

<sup>85</sup> 35 U.S.C. §102.

necessary, turn to traditional §101 analysis.<sup>87</sup> This approach, however, quickly raised some concerns.

Specifically, the issue was addressed in the recent Supreme Court decision, *Prometheus*, where the court outwardly rejected substituting §§102, 103 and 112 as the initial threshold inquiry for §101.<sup>88</sup> Specifically, the court spoke of certain dangers associated with shifting the patent eligibility determination to §§102 and 103.<sup>89</sup> One of the dangers associated with the *Myspace* proposition, mentioned by the court, included the later sections' inability to screen out for unpatentable laws of nature.<sup>90</sup> The court cautioned that ignoring all laws of nature, under §§102 and 103 analysis, would not be a viable approach to circumventing the concern since all inventions inevitably "can be reduced to underlying principles of nature."<sup>91</sup> So, as evidenced by the cases described, the current approach to the review of process patent applications remains quite murky. Despite *Bilski II's* holding, courts have continued to turn the MOT, or a variation thereof, for guidance. The opinions who have attempted to reject §101 inquiry altogether, have been overruled and driven back to the unavoidable §101 inquiry. Overall, this supports the article's proposition that the MOT should be established as the uniform standard for process patentability review.

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<sup>86</sup> 35 U.S.C. §103.

<sup>87</sup> See *Myspace*, 2012 U.S. App. LEXIS 4375 at 24-29. (Court proposes that §§102, 103 and 112 be looked to first prior to engaging in §101. Only in certain instances should the "coarse filter of §101" be applied to address patent eligibility. *Id.* at 27.)

<sup>88</sup> *Mayo Collaborative Servs. v. Prometheus Labs*, 132 S. Ct. 1289 (2012).

<sup>89</sup> "[T]o shift the patent eligibility inquiry entirely to these later sections [ §§102 and 103 ] risks creating significantly greater legal uncertainty, while assuming that those sections can do work that they are not equipped to do." *Id.* at 1304.

<sup>90</sup> *Id.* at 1304-05.

<sup>91</sup> The court stated that, "ignoring all laws of nature when evaluating a patent application under §§102 and 103 would "make all inventions unpatentable because all inventions can be reduced to underlying principles of nature which, once known, make their implementation obvious." *Id.* at 1305 (citing *Diehr*, 450 U.S. at 189).

## V. Critique of Having MOT as the Single Uniform Test:

As with most propositions, it is necessary to look at the potential drawbacks of advocating that the MOT be the single test for process patent analyses. By looking at the drawbacks of the article's proposal, the argument will be viewed under a more realistic lens, one that is analogous to real world situations, which rarely yield results as planned and perfect as they anticipated. In the analyzing some of the potential drawbacks of the article's position, this section will both identify the flaws and will discuss the implication of a broad adoption of the proposed position. Moreover, the critiques will be revisited, in Section VI, when conducting the Net Benefit analysis of the proposal.

The first potential drawback of adopting the MOT as the uniform standard is the ambiguity of its requirements. On its face, it appears that the elements of the test are fairly clear. In its most simplified form, the test requires that a particular process be: (1) tied to a machine, or (2) transforms a particular article into a different state or thing.<sup>92</sup> But what does this really mean?

The first element of the MOT test requires that a particular process be tied to a "machine." A machine, however, may be broadly defined with a range of different meanings.<sup>93</sup> References to a machine may range from identifying a simple apparatus, to a complex computer and even to a "system of a living organism"<sup>94</sup> The question that naturally arises is, how can we mechanically determine what machines satisfy the review process and which do not pass muster?

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<sup>92</sup> See *Bilski I*, 545 F. 3d 943, 954 (Fed. Cir. 2008).

<sup>93</sup> Mirriam Webster has a number varying definitions for constitutes a machine. They are, "(a): a constructed thing whether material or immaterial; (b): conveyance, vehicle; (c): a military engine (d): any of various apparatuses formerly used to produce stage effects; (e) (1): an assemblage of parts that transmit forces, motion, and energy one to another in a predetermined manner (2): an instrument (as a lever) designed to transmit or modify the application of power, force, or motion (f): a mechanically, electrically, or electronically operated device for performing a task (a): a living organism or one of its functional systems (c) (1) : a combination of persons acting together for a common end along with the agencies they use (2) : a highly organized political group under the leadership of a boss or small clique." MERRIAM-WEBSTER, <http://www.merriam-webster.com/dictionary/machine> (last visited April 18, 2012).

<sup>94</sup> See *Prometheus Labs*, 132 S. Ct. at 1302.

In response, court opinions have attempted to limit the scope of the definition. For instance, courts have stated that the simply including a “general purpose” computer in a process will not satisfy the machine requirement.<sup>95</sup> Moreover, courts have found that incidental use of a machine, merely to speed up a process, will not meet the element either.<sup>96</sup> While there appears to be a continuous effort to narrow the scope of the definition, it can be argued that in its current form it is devoid of the necessary objectivity. Should the MOT be adopted uniformly, by the courts, there will need to be more of a consensus as to what types of objects will qualify under the first prong of the test.

The second element of the MOT test requires that the process transform the article. As with the machine prong of the test, it is not vividly clear what transformations will suffice for purposes of the test. In *Diehr*, it was determined that using a mold to transform raw rubber into various cured products satisfies the “transformation” prong of the MOT analysis.<sup>97</sup> Yet, in other cases, including business methods and human transformations, courts have found that the processes do not demonstrate a sufficient transformative process to meet the requirements of MOT.<sup>98</sup> As with the “machine” prong of the test, the ambiguity of the “transformation” requirement makes it difficult for the test to be applied objectively. Although courts have continually tried to narrow the scope of the MOT, it still protrudes certain ambiguities that may render it difficult to apply on an objective basis.

Along with the ambiguities of the MOT test, the “one size fits all” approach may give rise to some concern in adopting the MOT as a sole standard of review for process patents. Specifically, adopting a single standard may preclude certain processes from patent eligibility

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<sup>95</sup> See *CLS Bank Int'l v. Alice Corp. Pty, Ltd.*, 768 F. Supp. 2d 221 (D.D.C. 2011).

<sup>96</sup> *Cybersource Corp. v. Retail Decisions, Inc.*, 654 F. 3d 1366, 1375 (Fed. Cir. 2011) (citing *Benson*, 409 U.S. at 65-67).

<sup>97</sup> See *Diamond v. Diehr*, 450 U.S. 175, 177 (1981).

<sup>98</sup> See *Bilski I*, 545 F. 3d 943 (Fed. Cir. 2008); see also *Bilski II*, 130 S. Ct. 3218 (2010).

that would otherwise be patentable under alternative review methods. The main objective, in adopting a uniform standard, is to facilitate an environment where creators have sufficient incentives to create, while maximizing predictability and minimizing excessive protection. An environment that prematurely draws the line in the sand for certain processes may have detrimental effects on incentives, primarily on creators' willingness to take entrepreneurial risks. This apprehension is taken into consideration as part of the Net Benefit analysis. In the next section, the Net Benefit test will evaluate these potential consequences of under inclusiveness against the costs and benefits of having a uniform standard.

## **VI. Net Benefit Analysis of Uniform Approach to Process Patent Review:**

### *Overview of Net Benefits Test*

This section will review the proposed theory in light of its economic impact. Specifically, the economic analysis will weigh the benefits and drawbacks of establishing a unitary test for process patents. The intended outcome is to demonstrate that despite potential costs of implementing a strict regime, the benefits of having a single test outweigh the drawbacks of excluding the availability of multiple review methods.

In applying economic theory to analyze methods of process patent review, the article will utilize the Net Benefits approach.<sup>99</sup> “The Net Benefits approach considers whether the benefits from choosing one approach, increased free access, outweigh the benefits from choosing the

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<sup>99</sup>David W. Barnes. *Congestible Intellectual Property and Impure Public Goods*, 9 NW. J. TECH. & INTELL. PROP. 533, 550-551 (2011). In his article, Professor Barnes devises a variation of a traditional cost benefit analysis for intellectual property. The analysis is used to determine the appropriate level of protection that an intellectual property right should afford. Specifically, the analysis focuses on weighing the level of “free access” that the general public has against the degree of “exclusive rights” that are afforded to the creator. Furthermore, increased access may be regarded as either a cost, where it decreases income for the creator, or a benefit, if it allows the general public free access to the information. Similarly, exclusive rights may be seen as a benefit, where a creator is incentivized to produce new information, or a cost, if the general public is unable to reap the benefits of the information due to restricted access or the additional costs attached to accessing it.

other, increased exclusive rights.<sup>100</sup> Professor Barnes sets forth the rule for applying the Net Benefits test.<sup>101</sup>

With respect to process patent protection, it is necessary to create a rule that balances two factors. On the one hand, creating a rule that is too stringent will reduce the incentive for creators to create. On the other hand, lowering the bar, or allowing for multiple tests, will allow processes to be patentable that would not have been otherwise patent worthy. As a result, the latter factor will force consumers to pay for goods that they would not have had to, if the requirements were not as relaxed.

### ***Level of Exclusive Rights with Multiple Process Patent Tests***

This article takes the position that the current approach to process patent review does not adhere to the Net Benefits model. This becomes apparent when either rule of the Net Benefits test is applied to the current approach by the courts. It is first necessary to determine the extent and frequency of exclusive rights that is being afforded to process patent applicants. Second, the review should focus on whether the creative activity, resulting from increased exclusive rights outweighs the benefit of free access lost by the public.

The first part of the Net Benefits rule indicates that there should be an assessment as to the extent of exclusive right being afforded. As it currently stands, the courts have multiple tests available when reviewing process patent applications. These multiple tests result in greater exclusive rights by allowing varying standards to be applied by the courts. It is presumed that these varying tests result in a more subjective approach to reviewing process patent applications. Subjectivity may create room for wider discretion on the part of the court when determining viability of certain process patents. As a result, under the current system, exclusive rights to

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<sup>100</sup> *Id.* at 550.

<sup>101</sup> *See supra* note 18.



processes are more readily attainable than they would be under a more stringent, uniform review process. This can be evidenced when applying the various tests in Section III. Moreover, the more liberal availability of exclusive rights, under the tests, is demonstrated when the MOT is applied instead. In the instances where MOT was applied, in Part III, it was difficult to show that exclusive rights were warranted under the facts presented.

The second part of the Net Benefits approach focuses on the balancing the creative activity, stemming from the exclusive rights, against the decreased access available to the public. The test indicates that increased exclusive rights should be afforded when the rise in creative activity outweighs the decrease in access afforded to the public. As previously stated, there is a presumption that allowing for multiple tests to be used by the courts sets the stage for greater exclusive rights to be granted based on the increased subjectivity of the review process. Instead, by implementing a single uniform test, the level of subjectivity would likely decrease and exclusive rights would not be awarded as liberally.<sup>102</sup> The increased exclusive rights has not, however, been shown to increase creativity enough to justify reducing access to the public. It is quite the opposite. It appears that by allowing for multiple tests to be applied, the courts are granting exclusive rights to processes that may not deserve protection. This in turn, limits the public's ability to have access to information that should be freely accessible.

#### *Level of Exclusivity with Uniform Standard*

This section will focus the Net Benefit analysis of having a system of review where only a single test is used to review process patents. In so doing, the analysis will balance the level of exclusive rights that will be afforded under the MOT test, and the effect that this exclusivity will have on the public's ability to freely access the information. As per the Net Benefit rule, the level

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<sup>102</sup> This proposition will only hold true if the uniform test that is adopted, formulates stricter requirements than the aggregation of multiple subjective tests would set forth. The MOT appears to be more strict in its requirements as evidenced by its insertion into the examples in Section III.

of exclusivity afforded must be such that the creativity, that it provides incentives for, outweighs the diminished benefit to the public of having free access.<sup>103</sup>

Adopting the MOT test as the uniform standard, will reduce the extent of exclusive rights granted to process patent applicants. As was discussed in the previous section, the availability of multiple tests facilitates a more subjective review of process patent applications. The Supreme Court's unwillingness to confine §101 subject matter review to a single test for process patent applications has allowed the lower courts to craft analyses that have begun to circumvent the traditional §101 review.<sup>104</sup> This uncertainty, or "murky morass"<sup>105</sup> that has resulted from a lack of a uniform standard, most probably affords exclusive rights for processes that should not otherwise receive protection. For instance, the "useful, concrete and tangible result" test was discussed in Section III, as it was applied in *State Street*. It found that the process for stock valuation constituted patentable subject matter. The same facts, however, analyzed using MOT, would probably find the process to be an unpatentable business method.<sup>106</sup> In determining the appropriate level of exclusive rights to be provided, a level of incentives should be granted that sufficiently spurs creativity, without excessively limiting the public's free access.

Adopting the MOT test as the uniform standard, for process patent review, will minimize the level of exclusive rights afforded to patent applicants. By adopting a single rule for process patent review, courts will establish a more concrete, predictable standard for process patent applicants. Using the MOT as an example of a uniform standard, courts and applicants alike will understand that a process will not be afforded exclusive rights unless (1) it is tied to a particular

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<sup>103</sup> See *supra* note 18.

<sup>104</sup> See *Myspace, Inc. v. Graphon Corp.*, 2012 U.S. App. LEXIS 4375 (Fed Cir. 2012). In *Myspace*, the court attempts to conduct a §§102 & 103 analyses prior to establishing that the patents satisfied the §101 threshold inquiry. *Id.* at 24.

<sup>105</sup> *Id.* at 24.

<sup>106</sup> See *supra* part III.

machine or apparatus; or (2) it transforms a particular article into a different state or thing.”<sup>107</sup> Ideally, this limiting measure will in turn minimize the number of frivolous patent applications that courts will scrutinize since objective elements will need to be met in order for a proposed process to satisfy the subject matter requirements of §101. Given the objective test, courts will be able to scrutinize process patent applications more mechanically. This in turn, will allow them to disqualify any applications that do not set forth certain *prima facie* elements. Aside from efficiency, having a concrete, uniform standard will incentivize creativity on the part of inventors who will understand the threshold test that they must satisfy in order to receive protection for their novel idea.

Having one review process will also afford greater public access to otherwise [currently] patentable information. By reducing the number of process patents granted, the public will receive access to information that would be protected by exclusive rights. A single test, such as MOT, would have to conform to the Net Benefits analysis. Therefore, by limiting exclusive rights to those that pass the MOT test, creators will be afforded sufficient exclusivity so as to incentivize creative activity while not doing so in excess of that, which is necessary. As a result, enough exclusive rights shall be afforded to the creator to spur creative activity that outweighs the decrease in benefits that the general public enjoys from free access.

## **VII. Conclusion:**

This article advocates that the MOT should be the uniform test utilized in reviewing §101 subject matter eligibility of process patent applications. While the MOT test may not be the only standard used, by the courts, to assess the subject matter eligibility of process patents, it is still the most reliable.

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<sup>107</sup> See *Bilski I*, 545 F. 3d 943, 954 (Fed. Cir. 2008).

The paper discusses various tests that have either been discussed or utilized in determining the subject matter eligibility of process patent applications. The article went through the evolution of the MOT. The discussion of the MOT test naturally lead into the *Bilski II* opinion, where the court held that the MOT test was not to be the exclusive subject matter review for process patent applications. The court's decision in *Bilski II* added uncertainty to the review process to be adopted and ultimately gave rise to the argument proposed in this paper. When compared with alternative tests, it was concluded that the MOT test would provide a more strict review of process patent applications and would ultimately narrow the extent of exclusive rights to be granted.

The article also looked at certain potential drawbacks adopting the MOT test as the uniform standard. Specifically, this discussion focused on the arguably ambiguous elements of the MOT test. While courts have limited the elements of the MOT test, going forward, it may be useful to further narrow the scope in order to be able to apply the test in an objective manner. The article also discussed how a "one size fits all" approach might not be appropriate when dealing with processes. The considerations set forth in this part were integrated into the economic, Net Benefit, analysis conducted in the final part of the paper.

As support for its position, the article took into consideration the economic implications of adopting the MOT test as the uniform method for reviewing process patent applications. The Net Benefit test yielded that by adopting the MOT test as the uniform standard, exclusive rights granted would likely decrease but they would not be lessened to such a degree as would disincentivize creativity. Moreover, the economic analysis factored in the predictability of the uniform approach and its overall impact on efficiency to bolster support for the proposed position.