Federal Circuit Holds To Bilski's "Machine-or-Transformation" Test

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With *In re Ferguson*, No. 2007-1232 (Fed. Cir. Mar. 6, 2009), the Federal Circuit provided its first application of the new test for patentable subject matter it announced last year in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008)(*en banc*). In *Ferguson*, the Federal Circuit held that a business method claim covering the use of a shared marketing force failed to satisfy the requirements of 35 USC § 101, noting the claim was invalid under *Bilski's* "machine-or-transformation" test.

Ferguson arose from an appeal from a rejection by the U.S. Patent and Trademark Office Board of Patent Appeals and Interferences of all the claims of U.S. Patent Application No. 09/387,823 ("the '823 application"). Claim 1 of the '823 application recites:

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 Federal Circuit found the "definitive" test to determine patentable subject matter was the "machine-or-transformation" test and held the claims in the '823 application met neither prong of the test. In particular, claim 1 was neither "tied to any concrete parts, devices, or combination of devices," nor did it "transform any article into a different state or thing." The court further stated that, "[a]t best it can be said that Applicants' methods are directed to organizing business or legal relationships in the structuring of a sales force (or marketing company)."

The Federal Circuit refused to apply the new alternative test proposed by the applicants, namely that patentable subject matter exists if "the claimed subject matter require[s] that the product or process has more than a scintilla of interaction with the real world in a specific way." The court noted the "sole," "definitive," "applicable," "governing" and "proper" test for determining whether a process claim could meet the requirements for patentable subject matter under 35 USC §101 is the "machine-or-transformation" test.

The Federal Circuit further clarified the "useful, concrete, and tangible result" test announced in *State Street* was unequivocally rejected in *Bilski*.

Intellectual Property