Patent Practice in the Wake of *In re Bilski*

by

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Introduction

In the weeks since the Federal Circuit decided *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008), patent practitioners have scrutinized the court's opinion to determine how the "machine-or-transformation" test may be applied. This paper examines representative cases from the past in light of *Bilski* to analyze how earlier claims might fare under this test and glean tips that practitioners may wish to consider in the wake of *In re Bilski*.

Diamond v. Diehr

TIP: Avoid drafting claims in a way that "seek[s] to preempt the use of [an] equation" *Diehr* 450 US at 187, *Bilski* at 8.

Bilski reinforces this premise that was previously addressed in the *Diehr* decision. The *Diehr* Court found that the claims did not preempt the use of the equation that controlled the key calculation in the process of vulcanizing rubber (the Arrhenius equation), since the claims were full of structure throughout their method steps and included a key final step of opening the mold at the conclusion of the process.

TIP: Consider that mere "field-of-use limitations" will not make an otherwise ineligible process claim patent-eligible.

The *Bilski* Court emphasized the *Diehr* Court's discussion of pre-emption, which sets a higher bar than just finding that a claim is limited to a particular field of use. The application of a fundamental principle, not its limitation to a particular field, is what controls the statutory subject matter issue: "Pre-emption of all uses of a fundamental principle in all fields and pre-emption of all uses of the principle in only one field both indicate that the claim is not limited to a particular application of the principle. *See Diehr*, 450 U.S. at 193 n.14 ('A mathematical formula in the abstract is nonstatutory subject matter regardless of whether the patent is intended to cover all uses of the formula or only limited uses.') (emphasis added)." *Bilski* at 16.

TIP: Consider including references to physical structure as a central element within the method steps, not just in a single step at the end, which might otherwise be considered insignificant postsolution or extra-solution activity.

As stated in *Bilski*, "[t]he *Diehr* Court also reaffirmed a second corollary to the machine-or-transformation test by stating that 'insignificant postsolution activity will not transform an 'unpatentable principle into a patentable process.'" *Bilski* at 20. The claims in *Diehr* were patentable subject matter because "[t]he process as claimed included several specific steps to control the curing of rubber more precisely: 'These include installing rubber in a press, closing the mold, constantly determining the temperature of the mold, constantly recalculating the appropriate cure time through the use of the formula and a digital computer, and automatically opening the press at the proper time.'" *Diehr*, 450 U.S. at 187; *Bilski* at 13.

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EBay, Inc., et. al. v. MercExchange, L. L. C.

TIP: In a system[1], apparatus, or article of manufacture claim intended to cover a software implementation of a process, consider reciting <u>specific computer components</u> that perform elements of the process. Examples include: a communications interface, a handler, a storage device, a module, a processor, a computer, and a user interface. [2]

Don't assume that a system claim will automatically be considered "tied to a [particular] machine". Without recitation of appropriate machine elements, some system claims could be construed as describing a non-automated system comprising human functions.

TIP: When a claim recites computer components, consider whether the functional recitation clearly leverages all the recited computer components and identifies their interrelationships.

This is based on the corollary that "the involvement of the machine…must not merely be insignificant extra-solution activity."

TIP: Consider qualifying recited computer components to particularize the machine(s). Examples include: a <u>post/de-post communications</u> handler, a <u>presentation mapping</u> module, a <u>transaction</u> processor.

In her dissenting opinion, Judge Newman says "We aren't told when, or if, software instructions implemented on a general purpose computer are deemed 'tied' to a 'particular machine', for if *Alappat's* guidance that software converts a general purpose computer into a special purpose machine remains applicable, there is no need for the present ruling."

Judge Mayer, on the other hand, in his dissenting opinion states, "Where a claimed business method simply uses a known machine to do what it was designed to do, such as using a computer to gather data or perform calculations, use of that machine will not bring otherwise unpatentable subject matter within the ambit of section 101. *See Benson*, 409 U.S. at 67 (finding a process unpatentable where '[t]he mathematical procedures [could] be carried out in existing computers long in use, no new machinery being necessary')."

Clearly there is a recognition throughout the set of *Bilski* opinions that exactly what is required to meet the qualification of a "tie to a <u>particular </u>machine" is unclear; prudence might suggest reciting <u>qualified</u> (functionally, or by acting entity) computer componentry.

TIP: To the extent possible, place the recitation of computer components and contextual description in claim elements rather than the claim preamble, to avoid any uncertainty as to whether a given preamble limitation may be given patentable weight.

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[1] Other than a system claim with "means for…" terminology in claims that will cause reference back to the specification for disclosed structure under 35 U.S.C. §112, ¶ 6.
[2] *See* U.S. Patent No. 5,845, 265; examples from other sources could also be cited.

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Amazon "One-Click" Patent

The Amazon "one-click" patent (U.S. Patent No. 5,960,411) contains both method and system claims. With regards to the "tie to a particular machine" prong, the method claims contain some arguable recitation of computer components (e.g., "a client system" or "a server system"), and some dependent claims include further device elements (e.g., "a button" or "a pointing device"). The system claims recite several "components" (e.g., "a display component", "a single-action ordering component", and "a shopping cart component") which are not explicitly tied to a machine, and they recite the same "client system" and "server system" as the method claims. While it is not yet clear to what extent the transformation prong of the machine-or-transformation test will be considered applicable to business method or software claims, the following are some tentative conclusions and recommendations:

TIP: Consider whether the concept of transformation may encompass not only the change of A into A′, but also the generation of B from A. Furthermore, it appears that A and B can both co-exist at the end of the transformation (i.e., we're not talking just about the generation of B from A with A having to disappear from the picture).

This appears to be supported by the CAFC's statement in the *Bilski* majority opinion that "a claimed process is patent-eligible if it transforms an article into a different state <u>or thing</u>". Furthermore, the example of the dependent *Abele* claim that was considered patent-eligible would underline this:

> "[W]e held one of *Abele's* dependent claims to be drawn to patent-eligible subject matter where it specified that 'said data is X-ray attenuation data produced in a two dimensional field by a computed tomography scanner.' *Abele*, 684 F.2d at 908-09. This data clearly represented physical and tangible objects, namely the structure of bones, organs, and other body tissues. Thus the transformation of that raw data into a particular visual depiction of a physical object on a display was sufficient to render that more narrowly-claimed process patent-eligible."

This example involved the generation of an electronic display (potentially transient?) from underlying electronic data (possibly in non-volatile storage and unaltered by the rendering into a visual depiction?). There would appear to be many software or business method corollaries to this type of transformation.

TIP: Consider as the starting point for the transformation (A, in the nomenclature of the previous bullet) either (1) a physical object or substance, or (2) a "representative of" a physical object or substance.

The *Bilski* majority wrote that "It is virtually self-evident that a process for a chemical or physical transformation of <u>physical objects or substances</u> is patent-eligible subject matter." The challenge for many business methods and software processes is determining a physically tangible starting point for the transformation. The quote regarding the dependent Abele claim cited above is then interesting and applicable. The starting point for the transformation could indeed be electronic data, but it was highlighted that this data "represented physical and tangible objects",

leading to the conclusion that the transformation of related electronic data is patent-eligible. Thus, this would appear to be acceptable:

Physical object(s) ← *representative of* ← Electronic data 1 → *generates* → Electronic data 2

It also appears that the result of the transformation could perhaps be "representative of" the (or, at least, a) physical object or substance, as the court noted that "the transformation of that raw data into a particular visual depiction <u>of a physical object</u> on a display was sufficient to render that more narrowly-claimed process patent eligible."

TIP: Consider whether the underlying physical object need be explicitly recited in the claim.

Abele's claim 6, deemed patent-eligible in *In re Abele* and discussed by the *Bilski* majority, reads as follows (cited with parent independent claim 5):

5. A method of displaying data in a field comprising the steps of:

   calculating the difference between the local value of the data at a data point in the field and the average value of the data in a region of the field which surrounds said point for each point in said field, and

   displaying the value of said difference as a signed gray scale at a point in a picture which corresponds to said data point.

6. The method of claim 5 wherein said data is X-ray attenuation data produced in a two-dimensional field by a computed tomography scanner.

Claim 6 provides an application context for the mathematical algorithm, but does not explicitly recite what is being scanned.

TIP: Consider how to show the transformation is "central to the purpose of the claimed process," as required by the *Bilski* majority.

Interestingly, transforming raw X-ray data into a visual depiction via a "computed tomography" process was admitted prior art in *Abele*. According to the decision:

"Appellants have discovered that it is unnecessary to expose the body in the above fashion…Narrowing the beam is advantageous not only because the exposure of a body to X-ray is thereby reduced but also because computer calculation time to produce the image is shortened inasmuch as the amount of data to be processed is less…Appellants' invention is directed to an improvement in CAT scan imaging technique whereby the body is exposed to less radiation and, through use of a weighting function in the calculations producing the image, the artifacts are eliminated…What appellants have done is to discover an application of an algorithm to process steps which are themselves part of an overall process which is statutory."

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What appeared to be new, then, was 1) a change in how the raw data (starting point of the transformation) was captured, and 2) a subsequent modification (improvement) in the calculations to render an image (the transformation process).

So, requiring a transformation to be "central" to the process (satisfying § 101 considerations) may not mean that the novelty (§ 102/103 considerations) must reside exclusively, or perhaps even primarily, in the transformation.

The '411 patent is undergoing reexamination by the USPTO. Initially many of the claims were rejected due to newly cited prior art, but the examiner provided a suggestion for overcoming the rejection and the patent owner has filed an amendment. Following is the first independent method claim (as issued, prior to amendment).

1. A method **of placing an order for an item** comprising:
   under control of a client system,
   displaying information identifying the item; and
   in response to only a single action being performed, sending **a request** to order **the item** along with **an identifier of a purchaser of the item** to a server system;
   under control of a single-action ordering component of the server system, receiving the request;
   retrieving additional information previously stored for the purchaser identified by the identifier in the received request; and
   generating an order to purchase the requested item for the purchaser identified by the identifier in the received request using the retrieved additional information; and
   fulfilling the generated order to complete purchase of the item
   whereby the item is ordered without using a shopping cart ordering model.

(emphasis added). It is interesting to consider whether this method claim would meet the transformation prong of the machine-or-transformation test. A "request" is arguably the starting point for generating an order. The order appears to be the focus of the claim based on the preamble, and the generation of the order from information in the request plus other stored information seems central to the claimed process. The request includes identification of an item to be ordered and identification of the purchaser – arguably, "representative of" two physical objects, the item and the purchaser. At the server, the request is processed to generate an order (of the item for the purchaser, arguably associated with the same two physical entities), and ultimately to lead to order fulfillment. Consider whether this meets the "transformation" prong. Is the "request" adequately "representative of" one or more physical objects? Is the "request" the right type of "article" for transformation? Is the generated "order" an acceptable result?

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In re Abele

TIP: When drafting a patent claim including an algorithm or principle that refers to data, consider limiting any reference to the data to an application (not a field of use) in which the data clearly represents a physical, tangible article or thing, and include a claim element in which the data is transformed (for example, by the algorithm or principle) into a visual depiction of the physical article or thing on a display or other apparatus.

     According to *In re Abele*, 684 F.2d 902 (CCPA 1982), it is not necessary to transform the underlying physical object (or article or thing) that the data represents. *Bilski* supported this concept in the course of explaining the machine-or-transformation test. Furthermore, the claim must not pre-empt all uses of a principle, or all uses of a principle in only one field, but must be limited to a particular use e.g. a specific application.

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In re Alappat

TIP: Consider including detail in the description and drawings of the patent application regarding the immediate physical relevance of any data being transformed. Include fall-back positions, perhaps in dependent claims.

TIP: Include means-plus-function claims in addition to method claims. Because means-plus-function claims incorporate corresponding structural or material elements in the specification, the description and drawings of the application should be drafted with an eye toward satisfying the "tied to a particular machine or apparatus" prong of *Bilski*.

The Federal Circuit in *Alappat* upheld the validity of the independent claim shown below. The court applied the presumption that the "means for" language in the claim invoked interpretation under 35 U.S.C. § 112, ¶ 6. The structure that the *Alappat* court incorporated into the claim is shown in brackets and with emphasis.

> 15. A rasterizer **[*a "machine"*]** for converting vector list data representing sample magnitudes of an input waveform into anti-aliased pixel illumination intensity data to be displayed on a display means comprising:
> (a) means **[*an arithmetic logic circuit configured to perform an absolute value function, or an equivalent thereof*]** for determining the vertical distance between the endpoints of each of the vectors in the data list;
> (b) means **[*an arithmetic logic circuit configured to perform an absolute value function, or an equivalent thereof*]** for determining the elevation of a row of pixels that is spanned by the vector;
> (c) means **[*a pair of barrel shifters, or equivalents thereof*]** for normalizing the vertical distance and elevation; and
> (d) means **[*a read only memory (ROM) containing illumination intensity data, or an equivalent thereof*]** for outputting illumination intensity data as a predetermined function of the normalized vertical distance and elevation.

The *Bilski* holding was limited on its face to process claims, while Alappat's claims are to an apparatus. Thus, *Bilski* may not directly apply to the *Alappat* claim. Nonetheless, the *Alappat* claim appears to include machine recitations, such as "rasterizer," "arithmetic logic circuit," "barrel shifters," and a "read only memory."

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State Street Bank

TIP: Include means-plus-function claims in addition to method claims. Because means-plus-function claims incorporate corresponding structural or material elements in the specification, the description and drawings of the application should be drafted with an eye toward satisfying the "tied to a particular machine or apparatus" prong of *Bilski*. However, a patentee should keep in mind requirements for patentability generally applicable to software-only claims when drafting means-plus-function claims to avoid rejections for programming only software.

The claim at issue in the *State Street Bank* case is shown below. As in *Alappat*, the claim elements are recited in means-plus-function form and the court incorporated from the specification into the claim the structural features shown in brackets and with emphasis.

1. A data processing system for managing a financial services configuration of a portfolio established as a partnership, each partner being one of a plurality of funds, comprising:
   (a) computer processor means [*a personal computer including a CPU*] for processing data;
   (b) storage means [*a data disk*] for storing data on a storage medium;
   (c) first means [*an arithmetic logic circuit configured to prepare the data disk to magnetically store selected data*] for initializing the storage medium;
   (d) second means [*an arithmetic logic circuit configured to retrieve information from a specific file, calculate incremental increases or decreases based on specific input, allocate the results on a percentage basis, and store the output in a separate file*] for processing data regarding assets in the portfolio and each of the funds from a previous day and data regarding increases or decreases in each of the funds, [sic, funds'] assets and for allocating the percentage share that each fund holds in the portfolio;
   (e) third means [*an arithmetic logic circuit configured to retrieve information from a specific file, calculate incremental increases and decreases based on specific input, allocate the results on a percentage basis and store the output in a separate file*] for processing data regarding daily incremental income, expenses, and net realized gain or loss for the portfolio and for allocating such data among each fund;
   (f) fourth means [*an arithmetic logic circuit configured to retrieve information from a specific file, calculate incremental increases and decreases based on specific input, allocate the results on a percentage basis and store the output in a separate file*] for processing data regarding daily net unrealized gain or loss for the portfolio and for allocating such data among each fund; and
   (g) fifth means [*an arithmetic logic circuit configured to retrieve information from specific files, calculate that information on an aggregate basis and store the output in a separate file*] for processing data regarding aggregate year-end income, expenses, and capital gain or loss for the portfolio and each of the funds.

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As the Bilski court noted, the *State Street* claim recites an apparatus, so the machine-or-transformation test is not directly applicable. However, the "personal computer," "data disk," and "arithmetic logic circuits" may constitute sufficient disclosure to limit the claim to a "particular machine or apparatus" in method claims containing similar elements.

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AT&T v. Excel

TIP: Consider describing in the description and drawings of the patent application the particular machines tied to the processes claimed. Consider the relationship between this level of detail and what may be required for enablement.

The claim at issue in *AT&T v. Excel* is reproduced below.

1. A method for use in a telecommunications system in which interexchange calls initiated by each subscriber are automatically routed over the facilities of a particular one of a plurality of interexchange carriers associated with that subscriber, said method comprising the steps of:
   generating a message record for an interexchange call between an originating subscriber and a terminating subscriber, and
   including, in said message record, a primary interexchange carrier (PIC) indicator having a value which is a function of whether or not the interexchange carrier associated with said terminating subscriber is a predetermined one of said interexchange carriers.

The *AT&T* claim recites a method that according to the preamble is for use "in a telecommunications system." The "originating subscriber" and "terminating subscriber" likely refer to persons making telephone calls and the "interexchange carrier" likely refers to a long-distance telephone company, which may not suffice to show the requisite tie to particular machines required by *Bilski*.

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Lab. Corp. of America Holdings v. Metabolite Labs., Inc., 126 S.Ct. 2921 (2006)

These tips are based on an analysis of claim 13 of U.S. Patent No. 4,940,658, which recites:

> 13. A method for detecting a deficiency of cobalamin or folate in warm-blooded animals comprising the steps of:
> assaying a body fluid for an elevated level of total homocysteine; and correlating an elevated level of total homocysteine in said body fluid with a deficiency of cobalamin or folate.

TIP: When drafting elements of a method claim that use active verbs, such claim 13's recitation of "assaying" something or "correlating" A with B, consider providing details as to how the activity taking place is accomplished or predictably may be accomplished in the future. This description might include, for example, an explanation of any specific machinery that is or may be used to accomplish the particular activity.

Activities such as "assaying" and "correlating" often can be accomplished using a particular machine or apparatus given the context in which they are used. Alternatively, such activities can be characterized as transforming an article to a different state or thing with some specificity of description as to how they are carried out. This would help avoid an argument that claimed activities may be only mental processes and better place a method claim within the pre-emption boundaries outlined on p. 11 of *Bilski*:

> "A claimed process involving a fundamental principle that uses a particular machine or apparatus would not pre-empt uses of the principle that do not also use the specified machine or apparatus in the manner claimed. And a claimed process that transforms a particular article to a specified different state or thing by applying a fundamental principle would not preempt the use of the principle to transform any other article, to transform the same article but in a manner not covered by the claim, or to do anything other than transform the specified article."

TIP: The transformation of electronic data can make a claim patent eligible if the data represents a physical object, even where there is no transformation of the physical object itself.

The *Bilski* court reaches this conclusion on p. 26 of the majority opinion in the context on analyzing *In Re Abele*. The data gathered in Abele represented the structure of bones, organs, and other body tissues. The transformation of that data into a visual depiction of those objects was patentable. The *Bilski* court explained: "So long as the claimed process is limited to a practical application of a fundamental principle to transform specific data, and the claim is limited to a visual depiction that represents specific physical objects or substances, there is no danger that the scope of the claim would wholly pre-empt all uses of the principle." It remains to be seen whether a visual depiction of the object is always required to make data transformation patentable, or the visual depiction was just a helpful limitation present in *Abele*.

For instance, claim 13 of the *Metabolite* patent may pass the machine-or-transformation test based on a transformation of the data resulting from the "assaying" of body fluid. The

"correlating" element of the claim may be seen as transforming the data representing elevated levels of total homocysteine into a state indicating any deficiency of cobalamin or folate. However, given the discussion of data transformation in *Bilski*, it might be safer to amend the claim to recite a visual depiction of any deficiency.

Tip: A party such as Metabolite seeking to enforce a patent issued pre-*Bilski* might consider sending the patent through reissue before initiating litigation.

The reissue process would allow the patentee to amend the claims in a manner more likely to pass the machine-or-transformation test. The reissue possibility would depend greatly on the circumstances of the patent. For instance, if the prosecution history indicates that the patent examiner considered patentability under a test other than machine-or-transformation test, then reissue may be desirable. Concerns about validity under *KSR* or the timing of potential litigation might also affect the desirability of seeking reissue. Further, patentees may want to wait some for a period of time to see how future § 101 cases, such as *In Re Ferguson*, turn out to get additional guidance before seeking reissue.

Tip: A patentee such as Metabolite facing a § 101 defense during litigation might consider an argument that issued claims should get a presumption that they cover patentable subject matter, similar to the litigation presumption that an issued patent is valid.

This argument is supported by footnote 1 of *Bilski* (pp. 4-5) which notes that § 101 is a threshold requirement that all patent examiners must consider during examination. A patentee in litigation could argue that the public is entitled to assume that the PTO did its job; therefore an issued patent should be presumed to cover patentable subject matter. This would be analogous to the validity presumption given when §§ 102-103 defenses are raised in litigation. However, a counterargument might be that § 101 is a wholly legal analysis, and thus not entitled to the same deference as §§ 102-103 validity decisions, which are partially factual in nature. Further, previous § 101 cases do not indicate particular deference to the PTO's decision on patentable subject matter.

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In Re Ferguson et al.

These tips are based on an analysis of claim 1 of U.S. Patent Application No. 09/387,823, which claims:

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 companies, 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.

TIP: Patentees seeking business method patents may wish to consider submission of claims of varying scope to protect themselves against § 101 arguments. Some claims might include limitations reciting machines or apparatuses that are central to the operation of the claimed method.

Given the machine-or-transformation test, a good strategy for business method patent applications might be to include some claims with limitations reciting specific types of machines or apparatuses that are central to the operation of the claimed method. At a minimum, the claims could recite that the method involves a computer-implemented algorithm generating specific information for accomplishing the method, as the *Bilski* court declined to address this type of a limitation. Such claims may have more limited coverage if the patentee seeks to enforce them, but have a better chance to stand up to a § 101 challenge. Patentees, of course, can also submit claims which do not recite such machines to maintain varying scope of coverage.

TIP: Identifying a particular application of the business method that generates a tangible result may have a better chance of withstanding scrutiny, and make the application central to the claim.

Claim 1 of the '823 Application recites the use of the method for "marketing a product." Amending the claim to recite a more particular application and the specific machine or apparatus used to accomplish that specific application, or the transformation or generation of an article in the course of accomplishing the application, will help bring the claim within the purview of § 101. For instance, the USPTO's brief to the Federal Circuit in *Ferguson* explains that the claims in *AT&T v. Excel* were patentable, at least in part, because they recited a particular application and the generation of a message record as part of that application: "[T]he claim was for a particular application of that concept by having a telecommunications system generate a message record of the call which included a data field indicating whether the caller and the recipient shared the same long distance carrier." USPTO Br. at 24.

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Tip: Drafting business method claims as a "paradigm" for accomplishing the method seems unlikely to add anything to the machine-or-transformation analysis.

Claim 24 of the '823 Application essentially rewrites claim 1 by adding a preamble which recites "A paradigm for marketing software, comprising…" This claim does have the benefit that it provides a more specific application (marketing software), but the addition of the word "paradigm" does not appear to contribute anything additional for purposes of identifying either a specific machine or apparatus associated with the method, or an article that is transformed into a different state or thing.

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Netflix Patent No. 7,024,381

The '381 patent is to a computer-implemented approach for renting items to customers, customers specify what items to rent using item selection criteria separate from deciding when to receive the specified items. According to the approach, customers provide item selection criteria to a provider provides the items indicated by the item selection criteria to customer over a delivery channel. The provider may be either centralized or distributed depending upon the requirements of a particular application. A "Max Out" approach allows up to a specified number of items to be rented simultaneously to customers. A "Max Turns" approach allows up to a specified number of item exchanges to occur during a specified period of time. The "Max Out" and "Max Turns" approaches may be used together or separately with a variety of subscription methodologies.

TIP: Recite computer or processor as a central element in one or more limitations as performing the step.

TIP: Recite data or information (such as an attribute of a movie) that is a representation of a physical article (the movie itself) as a central element of the claim, and find a way to display that data or information after it is transformed (such as an image of the movie jacket).

TIP: Draft activities that can be described as postsolution or extra-solution as more integral elements of the claim. In the claim below, argue that integral elements include receiving data representing selection of desired movies, storing the data in a computer-readable memory, outputting on a display the movie rental queue, etc.

Claims 1 and 24 of the patent are reproduced below along with an analysis of the claims under *Bilski*:.

1. A computer-implemented method for renting movies to customers, the method comprising:
   providing electronic digital information that causes one or more attributes of movies to be displayed;
   establishing, in electronic digital form, from electronic digital information received over the Internet, a movie rental queue associated with a customer comprising an ordered list indicating two or more movies for renting to the customer;
   causing to be delivered to the customer up to a specified number of movies based upon the order of the list;
   in response to one or more delivery criteria being satisfied, selecting another movie based upon the order of the list and causing the selected movie to be delivered to the customer; and

in response to other electronic digital information received from the customer
over the Internet, electronically updating the movie rental queue.

Claim 1 *Bilski* Analysis:

Ties to a Specific Machine? Possible. Preamble recites "computer-implemented"
combined with recitation of electronic digital data, so cannot be performed by the human mind.
BUT, ties are not recited in method steps.

Transformation of physical article? Likely not. Movie rental queue is arguably not a
physical article. Although delivery of movies is recited, which is arguably physical, the claim
only requires "causing" the delivery which may not be the same as performing the delivery of the
physical object. Moreover, movies can be streamed via the internet, which may no longer be
"physical media" so claims not reciting the physical media. Displaying attributes of movies, is
insignificant extra-solution activity in that it is not limited to displaying of the image of the
physical DVD cover, for example.

24. A computer-implemented method for renting movies to customers, the method
comprising:
providing electronic digital information that causes one or more attributes of
movies to be displayed;
establishing, in electronic digital form, from electronic digital information
received over the Internet, a movie rental queue associated with a customer
comprising an ordered list indicating two or more movies for renting to the
customer;
causing to be delivered to the customer up to a specified number of movies
based upon the order of the list, wherein the customer is not charged a fee for
retaining one or more movies beyond a specified time associated with
delivery;
in response to one or more delivery criteria being satisfied, selecting another
movie based upon the order of the list and causing the selected movie to be
delivered to the customer; and
in response to other electronic digital information received from the customer
over the Internet, electronically updating the movie rental queue.

Claim 24 *Bilski* Analysis:

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Ties to a Specific Machine? Possibly. Preamble recites "computer-implemented" combined with recitation of electronic digital data, so cannot be performed by the human mind. BUT, ties are not recited in method steps.

Transformation of physical article? Likely not. Movie rental queue is arguably not a physical article. Although delivery of movies recited, which is arguably physical, the claim only requires "causing" the delivery which is not the same as performing the delivery of the physical object. Moreover, now movies can be streamed via the internet and are no longer "physical media" so claims not reciting the physical media. Displaying attributes of movies, is insignificant extra-solution activity in that it is not limited to displaying of the image of the physical DVD cover, for example.

Patent Practice in the Wake of *In re Bilski*

Priceline.com Patent, U.S. Patent No. 5,794,207

The '207 patent is directed to a method and apparatus for effectuating bilateral buyer-driven commerce. The present invention allows prospective buyers of goods and services to communicate a binding purchase offer globally to potential sellers, for sellers conveniently to search for relevant buyer purchase offers, and for sellers potentially to bind a buyer to a contract based on the buyer's purchase offer. In a preferred embodiment, the apparatus of the present invention includes a controller which receives binding purchase offers from prospective buyers. The controller makes purchase offers available globally to potential sellers. Potential sellers then have the option to accept a purchase offer and thus bind the corresponding buyer to a contract. The method and apparatus of the present invention have applications on the Internet as well as conventional communications systems such as voice telephony.

TIP: Recite outputting data or information onto a display or other device to tie it to a machine.

TIP: Recite data as a representation of a physical object (such as data showing an attribute of an offer, acceptance, or purchase), and explain how the data is transformed into a different state or thing representing the physical object (such as paper currency).

TIP: Draft claim elements to make actions such as storing data representing the physical items offered for sale, storing the historical data of the sales activity, or displaying transformations of that data central to the claim to avoid being characterized as postsolution or extra-solution activity.

Claims 1 and 23 are presented below along with an analysis of those claims under *Bilski*:

1. A method for using a computer to facilitate a transaction between a buyer and at least one of sellers, comprising: inputting into the computer a conditional purchase offer which includes an offer price; inputting into the computer a payment identifier specifying a credit card account, the payment identifier being associated with the conditional purchase offer; outputting the conditional purchase offer to the plurality of sellers after receiving the payment identifier; inputting into the computer an acceptance from a seller, the acceptance being responsive to the conditional purchase offer; and providing a payment to the seller by using the payment identifier.

Claim 1 *Bilski* Analysis:

Ties to a Specific Machine? Likely yes: "inputting into the computer" BUT, the ties may not be significant extra-solution activity – gathering of data may not be a significant activity, but is inputting data and outputting data?

Transformation of physical article? Unlikely: offers and payments are not physical articles.

23. A method for using a computer to facilitate a transaction between a buyer and at least one of a plurality of sellers, comprising:
inputting into the computer a conditional purchase offer which includes an offer price;
inputting into the computer a payment identifier specifying a financial account, the payment identifier being associated with the conditional purchase offer;
outputting to the buyer a request for authorization to use the payment identifier to provide a payment if an acceptance is received;
inputting into the computer authorization from the buyer in response to the request;
outputting the conditional purchase offer to the plurality of sellers after receiving the payment identifier;
inputting into the computer an acceptance from a seller, the acceptance being responsive to the conditional purchase offer; and
providing the payment to the seller by using the payment identifier.

Claim 23 *Bilski* Analysis:

Ties to a Specific Machine? Likely yes: "inputting into the computer" BUT, the ties may not be significant extra-solution activity – gathering of data is not a significant activity, but is inputting and outputting data?

Transformation of physical article? Unlikely: offers, acceptance and payments are not physical articles.