

Patents: Business Methods and Software-Implemented Inventions

“*The Focus Today in the U.S.*”

E.R. Kazenske
Microsoft Corporation
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Two cases are in the forefront:

In re Bilski – Claims directed to a method for managing risk costs of a commodity trade – no recitation of being linked to a machine

In re Comiskey – One set of claims directed to process reciting a series of steps for conducting an arbitration dispute involving contracts. Another set of claims directed to a system of dispute resolution through arbitration with the system including “a registration module” (held by the Court of Appeals for the Federal Circuit (CAFC) as requiring a machine).

The scope of patentable subject matter is “one of the broadest, most sweeping issues in patent law” as stated by Judge Moore in her dissent from the en banc rehearing in *Comiskey*

-There have been nine *amicus curiae* briefs in this case in support of the petition for cert.– the famous *KSR* obviousness test case only had three briefs filed in support of the petition for cert.

The *Bilski* opinion is being looked to as the seminal case regarding patenting of business methods

-The Court expressly affirmed the principle that business method claims are eligible for patent protection

-In so doing, the Court reverted to a standard enunciated by the Supreme Court that a process is eligible for patent protection if it either (1) is tied to a particular machine or apparatus; or (2) transforms a particular article into a different state of thing (“machine-or-transformation test”)

-Many expected the Court to exclude business method patents which was decided in the *State Street Bank* case in which the Court held business method claims to be eligible for patent protection; the Court did not overrule *State Street Bank* but rejected the test put forth in the case

-The *Bilski* decision, however, may be more far-reaching when noting the “machine-or-transformation test” in governing patent eligibility of a process

Thirty-eight *amicus curiae* briefs were filed with the CAFC in the *Bilski* case representing divergent points of view on the proper interpretation of Section 101 of the Patent Act dealing with patentable subject matter.

Business method patent claims that are computer-implemented or perform some transformation of data in a computer will likely to be patent-eligible under the “machine-or-transformation test”.

-The Court explicitly indicated in *Bilski* that the decision in the *In re Alappat* case correctly found that the claimed process was within the scope of Section 101 of the Patent Act and met the “machine-or-transformation test”

-The *In re Alappat* invention is directed to data transformed by a machine through a series of mathematical calculations to display a smooth waveform on a digital oscilloscope

While the CAFC is the single Appellate Court to address patent issues in the United States, the *Bilski* decision is about as close as one might get to a Circuit-type split on this issue. There were three dissents accompanying the 9-judge majority opinion.

The process as claimed in *Bilski* was found not to satisfy the “machine-or-transformation” test. However, this standard has opened a new set of questions:

-Is the recitation of a general-purpose computer with a programmed processor sufficient to tie to a particular machine or apparatus?

-The *Bilski* opinion did not elaborate on the “machine or apparatus” test – this issue has been remanded to the PTO in the *Comiskey* case.

-What type of transformation is sufficient to be considered to have transformed a particular article into a different state or thing?

-What does transformation mean to a medical process relating to a diagnostic discovery and innovation?

-Will this single test withstand Supreme Court precedent prone to overrule a rigid “bright line” test in interpreting the Patent Act?

The Supreme Court precedent relied on by the CAFC in the *Bilski* case is nearly 30 years old – before the Internet and the way computers have changed the way we live and innovate.

-The Supreme Court denied cert. in two cases (*State Street Bank* and *AT&T v. Excel*) in 1999 which would have allowed the Supreme Court to update its jurisprudence on this issue.

-Notwithstanding the two petitions for cert., there seems to be interest by some of the Justices in the patentability issue.

-In the *LabCorp v. Metabolite* case (cert. dismissed), Justice Breyer questioned the “useful, concrete, and tangible result” test of *State Street Bank*

-In the *eBay v. MercExchange* case, Justice Kennedy criticized in a concurring opinion the issue of vagueness and validity of some business method patents.

Post *Bilski* at the U.S. Patent and Trademark Office (USPTO):

- USPTO guideline memorandum to all patent examiners:

“As clarified in *Bilski*, the test for a method claim is whether the claimed method is (1) tied to a particular machine or apparatus, or (2) transforms a particular

article to a different state or thing. This is called the “machine-or-transformation test”

“There are two corollaries to the machine-or-transformation test. First, a mere field-of-use limitation is generally insufficient to render an otherwise ineligible method claim patent eligible. This means the machine or transformation must impose meaningful limits on the method claim’s scope to pass the test. Second, insignificant extra-solution activity will not transform an unpatentable principle into a patentable process. This means reciting a specific machine or a particular transformation as a specific article in an insignificant step, such as data gathering or outputting, is not sufficient to pass the test.”

-USPTO Board of Appeals cases:

-*In re Cornea-Hasegan*; affirmed a rejection under 101 of a method claim claiming a processor in combination with a series of functional method steps. The decision states there is no transformation of physical matter in the method claims. Unique here is the rejection of CRM claims using the same analysis as the method claims under 101 and noting the additional structure as a field of use.

-*Ex parte Gutta*: rejected the method claims based on *Bilski* – “The recitation in the preamble of a computerized method performed by a data processor adds nothing more than a general purpose computer that is associated with the steps of the process in an unspecified manner. Such a field-of-use limitation is insufficient to render an otherwise ineligible process claim patent eligible.”

-*Ex parte Atkin*: rejection of method and system claims – “The term system in the preamble is broad enough to read on a method and thus does not imply the presence of any apparatus. Although the body of the claim recites a ‘label definer’, an ‘inferencer’, and a ‘character reorderer’ those recitations fail to serve as structural limitations ...”.

As one looks at all the issues still in play, the issues are still evolving! With the direction of the USPTO Board decisions, the rules around patentable subject matter are anything but certain and these actions will open new litigation over the scope of a protection. A system that was designed to encourage the non-typical, what has not been seen before, the innovative, seems to be trying to suppress that growth.