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Assailing key patents

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In the long-awaited decision of *In re Bilski*, No. 2007-1130 (Fed. Cir. Oct. 30, 2008), the U.S. Court of Appeals for the Federal Circuit announced a significant shift regarding the types of business methods and software eligible for patent protection. The Federal Circuit had to thread a needle in reconciling a significant number of prior Federal Circuit and U.S. Supreme Court cases. The decision overrules the Federal Circuit's two most significant tests for patent eligibility and casts into question nearly all of its prior decisions in the area. Having razed its earlier jurisprudence to this unsteady foundation, the court has constructed an unduly rigid test that leaves much uncertainty and need for clarification in the years to come.

Specifically, the Federal Circuit adopted a narrower conception of a "process," as that term is used in Section 101 of the Patent Act. Under the new test, to be patent-eligible, a claimed process must either be tied to a particular machine or apparatus or transform an article into a different state or thing. The machine or transformation must impose meaningful limitations and cannot solely constitute "insignificant extra-solution activity" beyond what might constitute an abstract idea, and the Federal Circuit advised that transformation must be "central to the purpose of the claimed process."

The Federal Circuit characterizes the new test as a creature of the Supreme Court. Although Supreme Court precedent appears to support the new test, it is difficult to reconcile the Supreme Court's decisions with the conclusion that the test is the "exclusive" and "definitive" test of eligibility for process claims.

The Supreme Court has repeatedly advanced a broad view of eligible subject matter — essentially "anything under the sun made by man," except for three exclusions established to prevent exclusive ownership of the fundamental building blocks of invention: laws of nature, natural phenomena and abstract ideas. In two of its more recent decisions on patent eligibility, *Gottschalk v. Benson* (1972) and *Parker v. Flook* (1978), the high court rejected the very test adopted by the Federal Circuit as the exclusive test, opting for a broad, open standard to accommodate unforeseen developments in technology.

In practice, in recent years, patent eligibility has typically dealt with whether a claim was directed to an "abstract idea" — a difficult or impossible line to define, even after further refinements by the Federal Circuit. Yet in areas such as software-related technologies, determinations of eligibility by the U.S. Patent and Trademark Office (PTO) have been generally inconsistent and confused, often resolved by adding a few "magic words" of little to no genuine consequence to the claims.

Perhaps appreciating the difficulty of administration for the PTO in conjunction with public concern over business method claims, the Federal Circuit made clear early this year that it sought a vehicle for addressing the eligibility of process claims. However, if improving administrability, clarity and predictability were the court's goals, the decision fails in all respects. Also, many existing patents and patent applications may now be fatally flawed, not because their inventions are directed to ineligible subject matter, but simply because their claims and disclosures were not drafted to address the requirements imposed by the machine-or-transformation test.

The decision introduces several new questions, such as: When is a process "tied to" a machine? What is a "particular" machine? When does a machine or transformation impose "meaningful limits"? What is "insignificant extra-solution activity"? And what is the central purpose of a claimed process? With ample dicta in the decision, there will be plenty of grist for examiners, the Board of Patent Appeals and Interferences (BPAI), district courts, and intrapanel conflicts within the Federal Circuit. The resulting uncertainty, wrote Judge Pauline Newman in dissent, "is the enemy of innovation."

Unduly narrowing eligibility

Also, in seeking an exclusive and definitive test, the court has unduly narrowed patent eligibility to the notions of industrial-era, manufacturing-oriented technologies by focusing on the involvement of machines and physical

objects or substances. Many data-related inventions are likely to fail the new machine-or-transformation test, particularly if a court finds, as did the BPAI recently in *Ex parte Langemyr*, that a programmed computer is not a "particular machine." Newman raised serious concerns in her dissent about the wisdom of excluding this vibrant area of innovation from patenting.

The Federal Circuit appears to have made the same missteps criticized by the Supreme Court in *KSR v. Teleflex* (2007), when it rejected the Federal Circuit's "rigid approachThroughout this Court's engagement with the question of obviousness, our cases have set forth an expansive and flexible approach inconsistent with the way the Court of Appeals applied its TSM test here." *Bilski* appears to similarly conflict with the broad view of eligibility often espoused by the high court.

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