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Patentable Subject Matter, Litigation Post-Bilski

Law360, New York (March 27, 2009) -- On Oct. 30, 2008, the Federal Circuit clarified the test for processes under 35 U.S.C. § 101 for patentable subject matter, stating that the “machine-or-transformation” test is the proper analytical framework.[1]

Although Bilski’s claims were directed to a business method-type claim of hedging risk in commodities trading, the Bilski court explicitly declined to make sweeping statements as to the validity of either business method patents or computer software patents generally.

Nevertheless, the patent bar has anticipated that the Bilski logic would result in a flood of decisions from courts rendering patent claims in these areas invalid. This has not happened to date.

Instead, the action on patentable subject matter has shifted to a place most commentators were not expecting to aggressively use the Bilski decision — the Patent Office.

Given the moderate stance taken by the PTO in its briefs, especially compared to the positions taken by some of the amicus briefs, it was fairly reasonable to assume that the office would be uninterested in aggressively using the Bilski decision to weed out applications under § 101. However, the Board of Patent Appeals and Interferences (BPAI) in particular has taken just such a stance.

In the four months since Bilski was handed down, the BPAI has rejected claims in 11 different applications under § 101. In just under half those cases, the rejection was raised *sua sponte* by the board, and explicitly cited Bilski’s logic as support for the new grounds of rejection.

While some of these claims are classic “business method” claims that do not cite a particular apparatus, many of the claims were process claims that recited nonspecific computer software or hardware, neither of which were at issue in Bilski.

The board has also proved willing to extend Bilski into areas the Federal Circuit declined to discuss.

For example, while the Federal Circuit explicitly declined to discuss the level of structure necessary for computers and programs to be considered a “machine,” on two occasions,[2] the board rejected a claim’s recital of a general purpose computer as sufficient to satisfy the “machine” portion of the machine-or-transformation test, arguing that to permit such a claim would exalt form over function and let patentees patent algorithms by claiming the process as run by a general purpose computer or a nonspecific software program.

In another case, the board extended Bilski’s logic beyond process claims, to a manufacture claim containing a general purpose computer, another area the Federal Circuit declined to discuss.[3]

In that case, the board stated that the manufacture claim at issue was simply a roundabout way of attempting to patent a process algorithm, rather than the machine supposedly at issue.

In contrast to the BPAI, district courts have taken a much more cautious approach. In the few reported instances where litigants have raised Bilski as an invalidity argument, courts have rejected it in all but two cases, one of which affirmed a § 101 decision handed down before Bilski.[4]

Thus, at least for now, there appears to be a separation in how claims (at least in published decisions) are treated under Bilski — a claimant in district court is much more likely to survive an invalidity argument than one in the PTO.

It remains to be seen whether this conclusion is short-lived, or symptomatic of a more conservative approach by the district courts, based on the small sample size of cases presenting the issue to date.

In part, this may reflect the nature of the process — courts must presume claims valid, and are limited to invalidity arguments properly placed before them by defendants, while the board has neither constraint.

Nonetheless, the notable contrast between the willingness of the BPAI to throw out claims using Bilski and the reluctance of courts to do the same should give litigants who believe that Bilski will improve their chances of invalidating patents some pause.

So how can litigants facing claims potentially affected by Bilski use this information? Patentees should feel much less threatened by motions for invalidity, assuming that the claims at issue are either machine claims or process claims that recite some structure.

Conversely, defendants considering patentable subject matter arguments should not expect to get very far against claims that are not very similar to the ones in Bilski.

Nor can defendants attempt to use reexamination (either ex parte or inter partes) to have the issue of patentable subject matter decided by the Patent Office, since Section 101 issues cannot be raised in a reexamination proceeding.

For at least the time being, Bilski offers much less for the party accused of infringing a business method or software patent than would initially be thought.

Finally, Bilski's recent petition for certiorari opens the possibility that the Supreme Court will decide to take the case and offer their opinions on what constitutes patentable subject matter.

Given that the Federal Circuit appears to have gone out of its way to craft a very limited opinion with support in prior Supreme Court precedent, it seems a decent bet that a certiorari grant is signaling the court's intent to make a more sweeping statement than the Federal Circuit as opposed to reversing it, especially given that at least three justices appeared to be ready to make major changes to § 101 jurisprudence in the *Metabolite* case.

While the position of those who possess business method and software patents may be slightly weaker now than before Bilski, at this point they are likely better off with the Bilski decision than anything that might replace it.

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[1] *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008).

[2] *Ex parte Halligan*, 2008 WL 4998541 (Bd. Pat. App. & Interf. Nov. 24, 2008); *Ex parte Gutta*, 2009 WL 112393 (Bd. Pat. App. & Interf. Jan. 15, 2009).

[3] *Ex parte Cornea-Hasegan*, 2009 WL 86725 (Bd. Pat. App. & Interf. Jan. 13, 2009).

[4] *In re Comiskey*, 2009 WL 68845 (Fed. Cir. Jan. 13, 2009); see also *Fort Properties Inc. v. American Master Lease LLC*, 2009 WL 249205 (C.D. Cal. Jan. 22, 2009).