Patent Nation Seminar

Bilski – Same-Day Perspectives From the November 9, 2009 Supreme Court Hearing

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A Web conference hosted by Foley & Lardner LLP

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Welcome

- **Guest Speakers**
  - **Gerard M. Wissing**, Chief Operating Officer, Global IP Group at SAP AG
  - **Joseph T. FitzGerald**, Senior Vice President, Legal & Public Affairs, Symantec Corporation
- **Foley Speakers**
  - **Pavan K. Agarwal**, Partner and Vice-Chair of the IP Department
  - **David G. Luettgen**, Partner, Foley & Lardner
  - **C. Edward Polk, Jr.**, Partner, IP Litigation Practice

Discussion Agenda

- Briefs (parties, amici)
- Justice profiles
- Today's oral arguments
  - What is the appropriate test for patent-eligibility?
  - Should certain categories be excluded from patent-eligibility?
- Practical Implications

Briefs of the Parties

- Bilski and Warsaw
  - The "machine-or-transformation" (M-o-T) test has no basis in § 101 and conflicts with Supreme Court precedent
  - Also conflicts with Congressional intent – see, e.g., § 273
  - Practical application of fundamental principle should be patent-eligible
- Government
  - Term "process" in § 101 encompasses all technological and industrial processes, but not methods of organizing human activity untethered to any technology
  - M-o-T test may readily encompass most software inventions (responding to arguments from pro-software amici)
  - § 273 was response to State Street case, not evidence of Congressional intent that business methods be patent-eligible

Amicus Briefs

- Total of 68 amicus briefs filed
- 26 filed in support of neither party
- Substantial majority (52/64) argued M-o-T test is too narrow
  - 4 suggested different (but not clearly broader or narrower) tests or did not directly address appropriate test
- Some amici argued certain categories of subject matter should be ineligible for patent protection
  - 11 – argued for exclusion of business methods or at least different treatment than for "technological" inventions (such as medical processes)
    - Bloomberg, Bank of America, Google, Novartis, Adamas Pharms.,
  - 3 – argued for exclusion of software
    - Red Hat
  - 2 – argued for exclusion or restriction of medical diagnostic processes
    - American Medical Association

11 New Justices Since Diamond v. Diehr

	Roberts	Stevens	Scalia	Kennedy	Thomas	Ginsburg	Breyer	Alito	Sotomayor
Gottschalk v. Benson (1972)									
Parker v. Flook (1978)		X							
Diamond v. Chakrabarty (1980)		X							
Diamond v. Diehr (1981)		X							
J.E.M. Ag. Supply v. Pioneer Hi-Bred (2001)		X	X	X	X	X	X		
Lab. Corp. v. Metabolite Labs (2006)	_	X	_	_	_	_	X		
eBay v. MercExchange (2006)	X	X	X	X	X	X	X		
Microsoft v. AT&T (2007)	X	X	X	X	X	X	X	X	

Justice Profiles

- J. Scalia, Kennedy, Thomas, Ginsburg
  - Support broad reading of § 101; give substantial deference to intent of Congress; likely will not substantially narrow § 101 absent clear evidence of Congressional intent to do so (J.E.M. Ag. Supply)
  - Kennedy – suspicious about business method patents (eBay concurrence)
- Justices Stevens and Breyer
  - Expressed skepticism about software patents and diagnostic process patents (eBay, Lab Corp., Diehr opinions and oral arguments)
  - However, separately suggested favorable opinion of software patents (Microsoft dissent)

Justice Profiles

- C.J. Roberts, J. Alito, Sotomayor – largely unknown
  - Roberts – expressed skepticism regarding business method patents (eBay oral arguments)
  - Alito – seems to support patent-eligibility of software in some form (Microsoft concurrence)
  - Sotomayor – No relevant Supreme Court case history, but background as an IP litigator may suggest inclination toward broad view of IP rights

Appropriate Test – Broader Than M-o-T?

- Substantial majority of amici suggest M-o-T test is too narrow
- "Preemption" test: most frequently suggested as proper test
  - Claim is not patent-eligible if it would preempt use of a fundamental principle (law of nature, natural phenomena, abstract idea) (Chakrabarty)

Appropriate Test?

- ***Oral Arguments***

- Justices' questions suggest skepticism about business method patents
  - Questions suggest view that not all business processes should be patentable (e.g., tax strategies, insurance tables, teaching approaches, alphabets, fine arts, speaking, jury selection, corporate takeovers, etc.)
- Tests discussed
  - Machine or transformation test
  - "Useful arts" (invention must be technological)
  - Useful, concrete, tangible result
- Justices appeared concerned about a test that would leave a back door open to business method patents
  - Predicated on the notion that business method patents would be found ineligible?
- Novelty in the machine/transformation as a requirement?
  - Cf. Alapatt

Exclude Business Methods - § 273?

- Provides an affirmative defense to infringement of business method based on earlier reduction to practice and commercial use
- Several sitting Justices have expressed concern regarding Congress' intent (e.g., J.E.M. Ag. Supply)
  - How the adoption § 273 is interpreted may play a significant role in the Justices' determination as to whether business methods are patent-eligible
- Proponents of business method patents argue § 273 is evidence of Congress' intent that business methods be patent-eligible
- Opponents say § 273 is an enforcement provision adopted to limit the impact of the Federal Circuit's State Street Bank decision, not an indication that Congress intended business methods to be patent-eligible

Exclude Business Methods - § 273?

- ***Oral Arguments***

- § 273 not significantly discussed
- Congressional intent
  - Congressional intent also not significantly discussed
  - Main focus of questions was whether the "framers" contemplated that business methods would be patent-eligible
- Advocates suggestions that economy is information-based did not appear to get traction
  - Sotomayor: "useful knowledge" is not in the statute
    - But indicated support for State Street result
    - "How do we limit it to something that is reasonable?"
  - Concern about software patents as back door for business method patents

Audience Polling Question

- How do you interpret the congressional intent of 35 U.S.C. §273.
  - A. §273 reflects a clear congressional intent that business methods should be patent eligible.
  - B. §273 reflects does not reflect any congressional intent with regard to the patent eligibility of business methods.
  - C. §273 reflects congressional disapproval of business method patents.
  - D. §273 reflects a congressional compromise: business methods should be patent eligible but there should be limitations on enforcement.

Exclude Software?

- Mixed views on the Court regarding software patents, although Microsoft seems to suggest recent views by most Justices favor software patents
- No substantial call to exclude software in amici (primarily from open-source proponents)
- Oral Arguments
  - Sotomayor and other Justices appeared to be of the opinion that M-o-T test goes too far
  - Gov't made clear that it does not support sweeping changes in software patents

Audience Polling Question

- Which of the following statements is most accurate?

- After the Supreme Court decision in Bilski, software that is tangibly embodied in a general purpose computer will be patent eligible

  A. In the vast majority of cases, even if the innovation is not "technical" in nature (e.g., a new financial innovation embodied in software).
  B. In the vast majority of cases, but only if the innovation is "technical" in nature (e.g., a new speech compression algorithm).
  C. Never, because the Supreme Court will adopt a blanket exclusion against software patents.

Exclude Diagnostic Processes?

- Again, no substantial call to exclude diagnostic processes in amici
- However, at least two sitting Justices (Breyer, Stevens) have expressed that diagnostic process that consists of measuring a substance and determining the presence of a condition based on the measurement is not patent-eligible (Lab Corp. dissent)
- Federal Circuit – Prometheus – Diagnostic process found to meet M-o-T test because transformation occurs when drug is administered and when determining levels of drug in body (transformation in extracting sample)
- Potential clustering of cases (cf. Diehr, Chakrabarty)

Practical Implications – Litigation

- Invalidity challenges
  - Question of law
  - Reissue
    - Reexamination not available (MPEP § 2258)
- Impact at the Board of Patent Appeals and Interferences

Practical Implications - Other Considerations

- Preparation of new patent applications
  - Specification
  - Claim drafting
- Patent valuation
- Risk avoidance

Audience Polling Question

- How broad or narrow do you think the test the Court adopts will be as compared to the machine-or-transformation test?

A. The Court will adopt a broader test than the machine-or-transformation test.

B. The Court will affirm that the machine-or-transformation test is the appropriate test.

C. The Court will adopt a narrower test than the machine-or-transformation test.

Conclusions

- Justices expressed strong skepticism about patent eligibility of pure business methods (e.g., Bilski type claims)
  - Some Justices that previously supported broad reading of Section 101 seemed critical of pure business method patents
- Views on patent eligibility of software less clear
  - Appears to be little support for patent eligibility of business methods
  - Concern about software patents as back door for business method patents
  - To what extent is implementation in a general purpose computer sufficient to satisfy Section 101?

Follow-up Information

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