Patent Nation Seminar

What Now for Patent Eligibility?

In *Bilski v. Kappos*, the Supreme Court Rejects Machine-or-Transformation as the *Sole* Test

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A Web conference hosted by Foley & Lardner LLP

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Welcome

- **Moderator**
  - **Pavan K. Agarwal**, Partner and Vice-Chair, Foley & Lardner IP Department
- **Guest Speakers**
  - **Robert J. Glance**, Patent Counsel, Wells Fargo Bank, N.A.
  - **Dennis Gallagher**, Intellectual Property Counsel, Conexant Systems, Inc.
- **Foley Speakers**
  - **David G. Luettgen**, Partner, Electronics Practice
  - **Andrea M. Augustine,** Partner, IP Litigation Practice

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Program Introduction

- Brief overview of Supreme Court opinions
- What now for patent eligibility?
  - Practical implications
    - What to anticipate at the PTO
    - What types of innovations remain patent eligible?
  - Strategic considerations for moving forward
    - Portfolio development, patent prosecution, litigation, and licensing

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Opinion Highlights

- Majority Decision (Kennedy, Roberts, Thomas, Alito, plus Scalia in part)
  - Affirmed a broad view of the scope of patent-eligible subject matter
  - No categorical rule against business method patents
  - Bilski's invention not patentable as an abstract idea
  - Scalia: Did not join in other parts: II-B-2 and II-C-2
- Stevens Concurrence (Stevens, Ginsburg, Breyer, Sotomayor)
  - Court should have broadly held business methods unpatentable
- Breyer Concurrence (Breyer plus Scalia in part)
  - All Justices agree: 1) § 101 is broad but not without limits, 2) MOT is a useful tool, 3) MOT is not the sole test, 4) not everything which produces "useful, concrete, and tangible" is patentable

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Post Opinion Decisions

GVR – Granted, Vacated, Remanded

- *Prometheus v. Mayo* (Fed. Cir. 2009):
  - Method of optimizing therapeutic efficacy of treatment of a gastrointestinal disorder
  - Fed Cir upheld patent eligibility under the MOT test
- *Classen v. Biogen* (Fed. Cir. 2008):
  - Method of evaluating/improving safety of immunization schedules
  - Fed Cir upheld patent ineligibility because neither prong of MOT was satisfied (unpublished decision)

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Highlights - Implications

What are the key implications of the *Bilski* opinion that you communicate internally?

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Practical Implications-

Are computer-related inventions patentable?

Majority:

- "It is true that patents for inventions that did not satisfy the machine-or-transformation test were rarely granted in earlier eras, especially in the Industrial Age.... But times change." (Slip op. at 8)
- "Section 101 is a 'dynamic provision designed to encompass new and unforeseen inventions.'" (Slip op. at 8)
- "The machine-or-transformation test may well provide a sufficient basis for evaluating processes similar to those in the Industrial Age.... But there are reasons to doubt whether the test should be the sole criterion for determining the patentability of inventions in the Information Age. As numerous *amicus* briefs argue, the machine-or-transformation test would create uncertainty as to the patentability of software, advanced diagnostic medicine techniques, and inventions based on linear programming, data compression, and the manipulation of digital signals." (Slip op. at 9)

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Practical Implications - Cont'd

Are computer-related inventions patentable?

Majority:

--- IN TENSION WITH? ---

- "It is important to emphasize that the Court today is not commenting on the patentability of any particular invention, let alone holding that any of the above-mentioned technologies from the Information Age should or should not receive patent protection…. Nothing in this opinion should be read to take a position on where that balance ought to be struck." (Slip op. at 9-10)

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Practical Implications-Cont'd

Are computer-related inventions patentable?

- Are software related inventions still patentable?
- What do you make of the "nothing in this opinion should be read to take a position on where that balance ought to be struck" language at the end of Section II-B-2?
- What do you make of the fact that Justice Scalia did not sign on to sections II-B-2 and II-C-2?

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Practical Implications

The PTO's View on § 101 compliance

"Business as Usual" at the PTO

- PTO Memo to Examiners (June 28, 2010):
  - "Examiners should continue to examine patent applications for compliance with § 101 using the existing guidance concerning the machine-or-transformation test as a tool for determining whether the claimed invention is a process under § 101."
  - All Justices agree that the MOT is a useful tool
- 1351 OG 212 (Feb. 23, 2010):
  - PTO suggests adding "non-transitory" to claims to assist overcoming § 101 rejections

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Practical Implications - Cont'd

The PTO's View on § 101 compliance

- What is required to make computer-related inventions patentable?
- What types of claim strategies should be used?
- Is it business as usual for you now? How will you pursue patents moving forward?
- How do you see the Supreme Court's decision impacting the way your company protects its innovations? Are there certain classes of innovations that you will treat differently now than you would have a few months or a few years ago?
- Suppose you have a method that's not necessarily software, but it's not truly abstract either – how do you patent that now? [e.g., a financial product/credit card innovation]
- What now is the "yard stick" guiding your strategies?

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Strategic Considerations-

What does the immediate future hold for business method patents in litigation?

- Anticipate challenges to summary judgment decisions relying on MOT test – on both sides
- Anticipate continued focus on MOT test – both by litigants and judges
- Anticipate additional appellate practice focused on patent eligibility – not a dead issue by any means

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Strategic Considerations- *Litigation*

- Notwithstanding the Court's holding that the machine or transformation test is *not* the sole test for determining when a process is patentable, do you expect district courts to continue to rely on this test and allow the Federal Circuit to resolve any discrepancies on appeal? Or will district courts show more flexibility?
- Do you anticipate an increase or decrease in Complaint filings during this upcoming period of uncertainty before the courts and Federal Circulate provide guidance?
- If the pundits are correct, business method patents received a reprieve with yesterday's decision and live to fight another day. What kind of case or claim -- subject matter-wise -- would make a good case for the Court to provide guidance on process/method patents in the future?

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Strategic Considerations- *Licensing*

- *Medimmune*
  - Licensee can challenge validity and remain licensed
- Licensee
  - Medimmune strategy can be used in context of
  - § 101 challenges in addition to § § 102, 103
- Licensor
  - Apportionment of license fees: Patent vs. other IP
  - Clauses re enhanced royalty after unsuccessful validity challenge

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Conclusions

- Pure business methods remain patentable
  - However, Federal Circuit may develop further limitations consistent with *Bilski* decision
  - Software patents may be on a stronger § 101 footing
- Companies should continue to pursue business method and software patents
  - A variety of claim strategies should be used
- Anticipate continued focus on MOT in litigation
- Licensees should consider challenging questionable patents under *Medimmune* to reduce license fees
  - Licensors should take defensive measures against such strategies in their license agreements

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