Winning a Game of Inches:
Gaining Momentum Through IP

Pushing the Bounds of What is Patentable

FOLEY
FOLEY & LARDNER LLP

Winning a Game of Inches:
Gaining Momentum Through IP

Panelists:

- **Paul Hunter**, Vice Chair, Electronics Practice
- **Steve Rizzi**, Chair, China Practice
- **James Smith**, Associate GC & Chief IP Officer, Baxter Healthcare Corporation
- **Earle Thompson**, Chief IP Counsel, SanDisk Corporation
- **Michael Whitehead**, Chief Counsel, IP, The Lincoln Electric Company
- **Mialeeka Williams,** Counsel, The Coca-Cola Company
- *Panel Assistance by: Adam Gustafson*

Outline

- Overview of Supreme Court Opinion
- Post-*Bilski* Decisions and PTO Guidelines
- Panel Discussion:
  - General Comments on Decision and the Machine-or-Transformation Test
  - Litigation Considerations
  - Prosecution Considerations
  - Case Study: Claim Comparison From Two Recent District Court Decisions
  - Closing Observations/Remarks

©2010 Foley & Lardner LLP

Overview - *Bilski v. Kappos*

- Rejected per se rule against patentability of business methods
- Rejected the machine-or-transformation test as the exclusive test for patentable subject matter
  - But MOT test remains an important clue
- Court relied on a trilogy of Supreme Court cases to analyze patent at issue
- Refused to articulate alternate test for line between patentable subject matter and abstract idea

©2010 Foley & Lardner LLP

Post-*Bilski* Decisions

- 4 post-*Bilski* rulings (3 district and 1 ITC)
  - 3 of 4 found claims non-patentable
  - C.D. Cal. granted a Rule 12(b)(6) for lack of patentable subject matter
- 14 post-*Bilski* BPAI Decisions:
  - 7 of 14 issued a new ground of rejection under § 101 based on *Bilski*
  - Only 1 of 14 reversed an Examiner's § 101 rejection

Post-*Bilski* USPTO Guidelines

- Factors that weigh in favor of patent eligibility:
  - Claim meets the MOT test
  - Steps that are observable and verifiable
- Factors that weigh against patent eligibility:
  - Claim covers both known and unknown uses of the concept, performed through any existing or future-devised machinery, or even without any apparatus
  - Presence of a general concept
  - Claim directed to basic economic practices

General Discussion Topics

- Does *Bilski* provide sufficient guidance on what is the appropriate test for patent-eligibility for your business?
- Is the machine-or-transformation test appropriate for your business? If not, why?
- What concerns has *Bilski* alleviated?
- What new concerns do you have?

General Discussion Topics (cont)

- How will your licensing strategy change in view of *Bilski*?
- Will your approach to protecting products change?
- What types of clearance activities do you undertake for business methods?

Litigation Discussion Topics

- Do you expect the Federal Circuit to announce a new, alternative test more suitable for software and other modern technologies?
  - How long before there is more clarity?
- Does *Bilski* provide clear guidance to district courts deciding a Section 101 challenge?
- How will *Bilski* impact your litigation tactics?
  - Does *Bilski* affect the types of patents vulnerable to a Section 101 challenge?
  - Timing of challenge – motion to dismiss, summary judgment, trial?

Prosecution Discussion Topics

- Do you believe that more patent applications will now be filed on business methods?
- How are you making decisions about whether to file patent applications on business methods?
- What value is there in filing patent applications that challenge the boundaries of patentable subject matter?
- How will you draft claims to survive a Section 101 challenge?
- In practice, have you seen PTO Examiners change their practices as a result of *Bilski*? Are they following the PTO Guidelines?

Case Study-

■ 101. A method for making a financial analysis output having a system-determined purchase price for at least one component from property in consummating a sale, the financial analysis output being made by steps including:

– Converting input data, representing at least one component from property, wherein the property is a fixed income asset, into input digital electrical signals representing the input data

– Providing a digital electrical computer system controlled by a processor electronically connected to receive said input digital electrical signals and electronically connected to an output means

– Controlling a digital electrical computer processor to manipulate electrical signals to compute a system-determined purchase price for at least one component from property in consummating a sale and corresponding purchase of the component

– Generating the financial analysis output at said output means

Case Study (cont)

■ 67. A method of processing consumer payment from a checking account comprising:

– Receiving account information via a communication network, the account information relating to a checking account

– Storing the account information

– Verifying the account information

– Receiving transaction event information

– Storing the transaction event information

– Transmitting the account information and the transaction event information to a financial institution to initiate an electronic funds transfer