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The Federal Circuit Limits the Scope of Patentable Subject Matter for Mental Processes and Signals

On September 20, 2007, the Court of Appeals for the Federal Circuit issued its decision in *In re Stephen W. Comisky*, No. 2006-1286 (Fed. Cir. Sept. 20, 2007). This decision limits the arguable scope of the *State Street Bank* decision by requiring a pure mental process be connected to a machine (e.g., a computer) in order for a claim to recite subject matter that can be patentable, under the so-called section 101. As a result of this decision, patent drafters and inventors of mental processes will be required to combine a particular technology such as a computer with such mental processes for the subject matter to meet the statutory requirement of patentable subject matter. This could affect the patentable scope of business method processes to the extent they depend on mental processes.

After determining that it had the proper authority to review the case based upon patentable subject matter, the Court turned to Comisky's patent application, that claimed "a method and system for mandatory arbitration involving legal documents, such as wills or contracts." *Comisky*, slip op. at 2. Two independent claims related to a method for mandatory arbitration did not require "the use of a mechanical device such as a computer." *Comisky*, slip op. at 3. The Court concluded that the independent method claims "claim the mental process of resolving legal disputes between two parties by the decision of a human arbitrator[.]" and are therefore, "directed to an abstract idea itself rather than a statutory category" and are unpatentable. *Comisky*, slip op. at 22. Conversely, two independent system claims in Comisky's application did incorporate various modules and a database as part of the system and were found to contain patentable subject matter for purposes of section 101. *Comisky*, slip op. at 3-4, 24. The Court explained that "[w]hen an unpatentable mental process is combined with a machine, the combination may produce patentable subject matter[.]" *Comisky*, slip op. at 23.

The Court ultimately concluded that "the present statute does not allow patents to be issued on particular business systems — such as a particular type of arbitration — that depend entirely on the use of mental processes Thus, it is established that the application of human intelligence to the solution of practical problems is not in and of itself patentable." *Comisky*, slip op. at 21.

This holding potentially limits the arguable scope of the Federal Circuit's *State Street Bank* decision. *State Street Bank* has been widely cited as the case that laid to rest the "business method exception" to statutory subject matter. However, *State Street Bank* has been read by many to be broader than its specific holding, that a computer-implemented data processing system for processing financial transactions was patentable. *State Street Bank* has been cited as support for the patentability of various kinds of business processes not tied to any particular technology such as a computer. *Comisky* can be said to potentially limit this interpretation of *State Street Bank* by requiring at least mental processes to be tied to a particular technology for a claim to recite patentable subject matter.

As a practical matter, many mental and business processes will still be protectable subject matter by tying them to a machine such as a computer (though one must still consider the other statutory sections of patentability, as mentioned in *Comisky*). To the extent that the decision is said to affect business processes, the commercial value of many business processes can still be protected because most business processes are more valuable when they can be repeated on a large scale (i.e., in connection with many different customers) or implemented by some sort of computer, machine, or device. To avoid potential issues, patent drafters and inventors of business methods might serve well to incorporate a particular technology such as a computer into the business process.

In a related case, *In re Petrus A.C.M. Nuijten*, No. 2006-1371 (Fed. Cir. Sept. 20, 2007), the Federal Circuit examined the patentability of signal claims. *Nuijten*, like *Comisky*, represents a limiting of the scope of what will be considered patentable subject matter under section 101. The issue of patentable subject matter is especially relevant in business method patents because of the higher level of abstraction present in business methods compared to inventions claiming a system or apparatus. As a result of this decision, patent drafters and inventors of business methods will need to ensure that the invention being patented is sufficiently tied to one of the four enumerated categories in § 101 as interpreted by the Court in *Nuijten*, namely the Court's interpretation of a "process, machine, manufacture, or composition of matter." *Nuijten*, slip op. at 8.

Nuijten addresses the particular issue of whether a transitory propagating signal is encompassed by any of the four enumerated statutory categories of section 101 (Nuijten's claims related to the process of generating and storing the signals were allowed. At issue here is the claiming of the signal itself). *Nuijten*, slip op. at 11. This inquiry prompted in a more general discussion, by the Court, of the scope of the four enumerated categories. *Nuijten*, slip op. at 8. This discussion provides insight into how the Court may apply these patentable subject matter categories in the future.

With respect to the four statutory categories the Court stated that a claim that "covers material not found in any of the four statutory categories". . . "falls outside the plainly expressed scope of § 101 even if the subject matter is otherwise new and useful." *Nuijten*, slip op. at 12. This strict interpretation indicates that a claim, to some extent, must cover a process, machine, manufacture, or composition of matter. The Court provided definitions of each of these categories, compared Nuijten's signal to each and found that the signal did not fall within any of the four categories. *Nuijten*, slip op. at 11. A brief summary of the Court's discussion of each category is found below.

Process: The Court defined a process within the meaning of § 101 as an act or series of acts. *Nuijten*, slip op. at 13. The Court stated that Nuijten's signal was not a process because it did not cover an act or series of acts. *Nuijten*, slip op. at 14.

Machine: The Court relied on the Supreme Court's definition that defines a machine as "a concrete thing, consisting of parts, or of certain devices and combination of devices" and "includes every mechanical device or combination of mechanical powers and devices to perform some function and produce a certain effect or result." *Nuijten*, slip op. at 14. The Court simply stated that while the "signal is physical and real, it does not possess concrete structure in the sense implied" by the Supreme Court's definition. *Nuijten*, slip op. at 14.

Composition of matter: The Court again relied on the Supreme Court's definition that defines a composition of matter as "all compositions of two or more substances and all composite articles, whether they be the results of chemical union, or of mechanical

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mixture, or whether they be gases, fluids, powders or solids." *Nuijten*, slip op. at 17. The Court simply stated that "Nuijten's signals are not compositions of matter." *Nuijten*, slip op. at 18.

Manufacture: Compared to the other statutory categories, the Court had a more difficult time dismissing the category of manufacture. Once again the Court turned to the Supreme Court's definition that defined a manufacture as "the product of articles for use from raw or prepared materials by giving to these materials new form, qualities, properties, or combinations, whether by hand-labor or by machinery." *Nuijten*, slip op. at 15. From this definition the Court interpreted "'articles' of 'manufacture' as being tangible articles or commodities." *Nuijten*, slip op. at 16. The Court then stated that a "transient electric or electromagnetic transmission does not fit within that definition." *Nuijten*, slip op. at 16. Seeking to further justify the exclusion of the signal from the category of manufacture, the Court explained that "while such a transmission is man-made and physical, it is fleeting and devoid of any semblance of permanence during transmission" and "any tangibility arguably attributed to a signal is embodied in the principle that it is perceptible." *Nuijten*, slip op. at 16. As a result of its interpretation of manufacture, the Court held "that Nuijten's signals, standing alone, are not manufacture[s] under the meaning of that term in § 101." *Nuijten*, slip op. at 16.

The dissent criticized the majorities application of § 101 as stated that Nuijten's signal should be considered a manufacture. Furthermore, the dissent recommended that the inquiry of whether an invention contains patentable subject matter should focus, not only on the four statutory categories, but whether invention is new and useful. The dissent argued that the practical effect of this recommended inquiry would be to exclude the laws of nature, natural phenomena and abstract ideas.

Ultimately the Court held that Nuijten's signals, standing alone, were not patentable subject matter within the meaning of 35 U.S.C. § 101 because the signals did not fall within any of the four statutory categories.