NJIPLA Presentation
Electronics, Telecom and Software Patent Practice Update

Patent Eligible Subject Matter
(Post-Bilski Update)

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1. ***Bilski v. Kappos***, 130 S.Ct. 3218 (U.S. June 28, 2010)
2. ***Research Corp. Technologies, Inc. v. Microsoft Corp.***, 627 F.3d 859 (Fed.Cir. Dec 08, 2010)
3. ***CyberSource Corp. v. Retail Decisions, Inc.***, 654 F.3d 1366 (Fed.Cir Aug 16, 2011)
4. ***Ultramercial, LLC v. Hulu, LLC*****,** 657 F.3d 1323 (Fed. Cir. Sep 15, 2011)
5. ***Dealertracker, Inc. v. Huber***, 674 F.3d 1315 (Fed.Cir. Jan 20, 2012)
6. ***Fort Properties, Inc. v. American Master Lease LLC***, 671 F.3d 1317 (Fed.Cir. Feb 27, 2012)
7. ***Mayo Collaborative Services v. Prometheus Laboratories***, 132 S.Ct. 1289 (U.S. Mar 20, 2012)
8. ***CLS Bank Intern. v. Alice Corp. Pty. Ltd.***, 685 F.3d 1341 (Fed. Cir. Jul 09, 2012)
9. ***Bancorp Services, L.L.C. v. Sun Life Assur. Co. of Canada (U.S.)***, 687 F.3d 1266 (Fed.Cir. Jul 26, 2012)
10. ***Association for Molecular Pathology v. USPTO and Myriad Genetics***, 689 F.3d 1303 (Fed.Cir. Aug 16, 2012)

Bilski v. Kappos, 130 S.Ct. 3218 (U.S. June 28, 2010)

- Federal Circuit en banc
- Claim at issue:

(a) initiating a series of transactions between said commodity provider and consumers of said commodity wherein said consumers purchase said commodity at a fixed rate based upon historical averages, said fixed rate corresponding to a risk position of said consumers;

(b) identifying market participants for said commodity having a counter-risk position to said consumers; and

(c) initiating a series of transactions between said commodity provider and said market participants at a second fixed rate such that said series of market participant transactions balances the risk position of said series of consumer transactions.

Bilski Federal Circuit

- Rejected its prior “useful, concrete, and tangible result” test
- Established the Machine or Transformation Test
  - a claimed process is patent eligible if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.
- Applied test and held the claims were not patent eligible

Bilski Supreme Court

- Machine or Transformation Test is not the sole test for patentability
  - It can be a useful and important clue, an investigative tool
- Any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, is patentable subject matter
- Three Exceptions:
  - Laws of nature
  - Physical phenomena
  - Abstract Ideas

Bilski Supreme Court

- Holding
  - Claims not patentable
  - Basic concept of hedging, or protecting against risk, is an abstract idea.

Research Corp. Technologies, Inc. v. Microsoft Corp., 627 F.3d 859 (Fed.Cir Dec 08, 2010)

- Representative Claim:
  - A method for the halftoning of gray scale images by utilizing a pixel-by-pixel comparison of the image against a blue noise mask in which the blue noise mask is comprised of a random nondeterministic, non-white noise single valued function which is designed to produce visually pleasing dot profiles when thresholded at any level of said gray scale images.

RCT

- Test Applied:
  - Three specific exceptions to §101's broad patent-eligibility principles: laws of nature, physical phenomena, and abstract ideas.
  - Question in this case was whether claims were abstract ideas.
- Holding
  - Court found the subject matter patentable because the process for rendering a halftone image as claimed is not abstract.

RCT

- Reasoning:
  - Refused to define “abstract” beyond the recognition that this disqualifying characteristic should exhibit itself so manifestly as to override the broad statutory categories of eligible subject matter.
  - The invention presents functional and palpable applications in the field of computer technology.
  - The claim elements of “high contrast film,” “ film printer,” “memory” and “printer and display devices” also confirmed the holding that the invention is not abstract.
  - Inventions with specific applications or improvements to technologies in the marketplace are not likely to be so abstract that they override the statutory language and framework of the Patent Act.

CyberSource Corp. v. Retail Decisions, Inc., 654 F.3d 1366 (Fed.Cir Aug 16, 2011)

- Representative Claim:

  A method for verifying the validity of a credit card transaction over the Internet comprising the steps of:

  a) obtaining information about other transactions that have utilized an Internet address that is identified with the credit card transaction;

  b) constructing a map of credit card numbers based upon the other transactions; and

  c) utilizing the map of credit card numbers to determine if the credit card transaction is valid.

CyberSource

- Test Applied:
  - Three specific exceptions to §101's broad patent-eligibility principles: laws of nature, physical phenomena, and abstract ideas.
- *Holding*
  - Court found claims to be not patentable because they were directed to a mental process – a subcategory of unpatentable abstract ideas.

CyberSource

- Reasoning
  - Regardless of what statutory category (process, machine, manufacture, or composition of matter) a claim's language is crafted to literally invoke, we look to the underlying invention for patent-eligibility purposes.
  - Mental Process – a method that can be performed entirely by human thought alone is merely an abstract idea and is not patent-eligible

CyberSource

- Reasoning (cont.)
  - The basic character of a process claim drawn to an abstract idea is not changed by claiming a computer implementation.
  - To impart patent-eligibility to an otherwise unpatentable process under the theory that the process is linked to a machine, the use of the machine must impose meaningful limits on the claim's scope
    - the machine must play a significant part in permitting the claimed method to be performed

Ultramercial, LLC v. Hulu, LLC, 657 F.3d 1323 (Fed. Cir. Sept. 15, 2011)

- Representative Claim

  1. A method for distribution of products over the Internet via a facilitator, said method comprising the steps of:

  a first step of receiving, from a content provider, media products that are covered by intellectual-property rights protection and are available for purchase, wherein each said media product being comprised of at least one of text data, music data, and video data;

  a second step of selecting a sponsor message to be associated with the media product, said sponsor message being selected from a plurality of sponsor messages, said second step including accessing an activity log to verify that the total number of times which the sponsor message has been previously presented is less than the number of transaction cycles contracted by the sponsor of the sponsor message;

  a third step of providing the media product for sale at an Internet website;

  a fourth step of restricting general public access to said media product;

  a fifth step of offering to a consumer access to the media product without charge to the consumer on the precondition that the consumer views the sponsor message;

  a sixth step of receiving from the consumer a request to view the sponsor message, wherein the consumer submits said request in response to being offered access to the media product;

  a seventh step of, in response to receiving the request from the consumer, facilitating the display of a sponsor message to the consumer;

  an eighth step of, if the sponsor message is not an interactive message, allowing said consumer access to said media product after said step of facilitating the display of said sponsor message;

  a ninth step of, if the sponsor message is an interactive message, presenting at least one query to the consumer and allowing said consumer access to said media product after receiving a response to said at least one query;

  a tenth step of recording the transaction event to the activity log, said tenth step including updating the total number of times the sponsor message has been presented;

and

  an eleventh step of receiving payment from the sponsor of the sponsor message displayed.

Ultramercial

- Test Applied – Abstract Idea Test – Although abstract principles are not eligible for patent protection, an application of an abstract idea may be patentable.
- Holding
  - Court found claims to be patent eligible because claims directed to a practical application of the idea. Certain steps require intricate and complex computer programming and specific application to the Internet and a cyber-market environment.

Ultramercial

- Court distinguished CyberSource
  - Current claims are not directed to purely mental steps or mathematical algorithm
  - Current claims directed to a particular method for collecting revenue from the distribution of media products over the Internet
  - Claims require controlled interaction with a consumer via an Internet website

Ultramercial further proceedings

- Wildtangent v. Ultramercial
  - Wildtangent (one of the accused infringers) appealed to the Supreme Court
  - Supreme Court granted writ of certiorari, vacated the judgment, and remanded to CAFC for further consideration in light of *Mayo Collaborative Services v. Prometheus Laboratories*

Dealertracker, Inc. v. Huber, 674 F.3d 1315 (Fed.Cir. Jan 20, 2012)

- Representative Claim:

  1. A computer aided method of managing a credit application, the method comprising the steps of:

  [A] receiving credit application data from a remote application entry and display device;

  [B] selectively forwarding the credit application data to remote funding source terminal devices;

  [C] forwarding funding decision data from at least one of the remote funding source terminal devices to the remote application entry and display device;

  [D] wherein the selectively forwarding the credit application data step further comprises:

  [D1] sending at least a portion of a credit application to more than one of said remote funding sources substantially at the same time;

  [D2] sending at least a portion of a credit application to more than one of said remote funding sources sequentially until a finding [*sic,* funding] source returns a positive funding decision;

  [D3] sending at least a portion of a credit application to a first one of said remote funding sources, and then, after a predetermined time, sending to at least one other remote funding source, until one of the finding [*sic,* funding] sources returns a positive funding decision or until all funding sources have been exhausted; or,

  [D4] sending the credit application from a first remote funding source to a second remote finding [*sic,* funding] source if the first funding source declines to approve the credit application.

Dealertracker

- Test Applied
  - Any invention within the broad statutory categories of §101 that is made by man, not directed to a law of nature or physical phenomenon, and not so manifestly abstract as to preempt a fundamental concept or idea is patent eligible.
- *Holding*
  - Court found claim to be invalid as being directed to an abstract idea preemptive of a fundamental concept or idea that would foreclose innovation in this area.

Dealertracker

- Reasoning
  - "computer aided" limitation in preamble of claim covering abstract idea is insufficient to render the claim patent eligible.
  - In order for the addition of a machine to impose a meaningful limit on the scope of a claim, it must play a significant part in permitting the claimed method to be performed, rather than function solely as an obvious mechanism for permitting a solution to be achieved more quickly.

- Distinguished Ultramercial because that patent claimed a practical application with concrete steps requiring extensive computer interface.

Fort Properties, Inc. v. American Master Lease LLC, 671 F.3d 1317 (Fed.Cir. Feb 27, 2012)

- Representative Claim
  - A method of creating a real estate investment instrument adapted for performing tax-deferred exchanges comprising:
    - aggregating real property to form a real estate portfolio;
    - encumbering the property in the real estate portfolio with a master agreement; and
    - creating a plurality of deedshares by dividing title in the real estate portfolio into a plurality of tenant-in-common deeds of at least one predetermined denomination, each of the plurality of deedshares subject to a provision in the master agreement for reaggregating the plurality of tenant-in-common deeds after a specified interval.

Fort Properties

- Test Applied: Followed Supreme Court precedent: three specific exceptions to §101's broad patent-eligibility principles: laws of nature, physical phenomena, and abstract ideas.
  - Question in this case was whether claims were abstract ideas.

Fort Properties

- Holding:
  - Court found the claims to be non-patent eligible. Claims directed to a real estate investment tool was an abstract concept.
- Reasoning:
  - Claims here were similar to Bilski. Although claims tied to real world via real property, deeds and contracts, such steps do not render claim patentable. Still an abstract idea.
  - Recitation of computer in certain claims insufficient to render them patentable because they did not play a significant part in permitting the claimed method to be performed.

Mayo Collaborative Services v. Prometheus Laboratories, 132 S.Ct. 1289 (U.S. Mar 20, 2012)

- Representative claim:

A method of optimizing therapeutic efficacy for treatment of an immune-mediated gastrointestinal disorder, comprising:

(a) administering a drug providing 6–thioguanine to a subject having said immunemediated gastrointestinal disorder; and

(b) determining the level of 6–thioguanine in said subject having said immune-mediated gastrointestinal disorder,

wherein the level of 6–thioguanine less than about 230 pmol per 8x10 8 red blood cells indicates a need to increase the amount of said drug subsequently administered to said subject and

wherein the level of 6–thioguanine greater than about 400 pmol per 8x10 8 red blood cells indicates a need to decrease the amount of said drug subsequently administered to said subject.

Prometheus

- Test Applied: three specific exceptions to §101's broad patent-eligibility principles: laws of nature, natural phenomena, and abstract ideas.
- Holding: claims not patentable. Claim nothing more than the laws of nature.

Prometheus

- Reasoning:
  - The claims inform a relevant audience about certain laws of nature – any additional steps consist of well understood, routine, conventional activity. Insufficient to transform unpatentable natural correlations into patentable applications.
  - Claiming a natural law itself, not an application of the natural law.
  - Addition of purely conventional pre-solution or post solution activity is not sufficient.
  - Claims tie up too much future use of laws of nature.

Prometheus

- §102/§103
- Court recognized that §102/§103 novelty inquiry overlapped the §101 inquiry
  - But refused to shift the patent eligibility inquiry entirely to those sections.

CLS Bank Intern. v. Alice Corp. Pty. Ltd., 685 F.3d 1341 (Fed. Cir. Jul 09, 2012)

- Representative claim:

  A method of exchanging obligations as between parties, each party holding a credit record and a debit record with an exchange institution, the credit records and debit records for exchange of predetermined obligations, the method comprising the steps of:

  (a) creating a shadow credit record and a shadow debit record for each stakeholder party to be held independently by a supervisory institution from the exchange institutions;

  (b) obtaining from each exchange institution a start-of-day balance for each shadow credit record and shadow debit record;

  (c) for every transaction resulting in an exchange obligation, the supervisory institution adjusting each respective party's shadow credit record or shadow debit record, allowing only these transactions that do not result in the value of the shadow debit record being less than the value of the shadow credit record at any time, each said adjustment taking place in chronological order; and

  (d) at the end-of-day, the supervisory institution instructing ones of the exchange institutions to exchange credits or debits to the credit record and debit record of the respective parties in accordance with the adjustments of the said permitted transactions, the credits and debits being irrevocable, time invariant obligations placed on the exchange institutions.

CLS

- Test Applied: Three exceptions to broad categories of patent eligibility: laws of nature, physical phenomena, and abstract ideas.
- Holding:
  - Court held that the claims were patent eligible.

CLS

- Reasoning:
  - The claims cover the practical application of a business concept in a specific way, which requires various computer implemented steps.
  - Although use of machine is less substantial than in other cases, the presence of these limitations prevents court from finding it manifestly evident that the claims are patent ineligible.
  - In this case, leave question of validity to other provisions of Title 35.

CLS

- Additional interesting reasoning:
  - Format of claims does not change patent eligibility analysis under §101
  - Disqualifying characteristic of abstractness must exhibit itself manifestly to override the broad statutory categories of patent eligibility.
  - A claim that is drawn to a *specific way* of doing something with a computer is likely to be patent eligible whereas a claim to *nothing more than the idea* of doing that thing on a computer may not.

CLS

- Additional Interesting Reasoning (cont.)
  - It is improper to paraphrase a claim in overly simplistic generalities in assessing whether the claim falls under the limited “abstract ideas” exception. Patent eligibility must be evaluated based on what the claims recite, not merely on the ideas upon which they are premised.
  - Unless the single most reasonable understanding is that a claim is directed to nothing more than a fundamental truth or disembodied concept, with no limitations in the claim attaching that idea to a specific application, it is inappropriate to hold that the claim is directed to a patent ineligible ‘abstract idea’ under 35 U.S.C. §101.

CLS

- Dissent – Prost
  - Claim directed to nothing more than the idea of a financial intermediary. An abstract idea.
- Further proceedings
  - Opinion has been vacated and there will be a rehearing en banc.
  - The Parties are requested to file new briefs addressing the following questions:

    a. What test should the court adopt to determine whether a computer-implemented invention is a patent ineligible "abstract idea;" and when, if ever, does the presence of a computer in a claim lend patent eligibility to an otherwise patent-ineligible idea?

    b. In assessing patent eligibility under 35 U.S.C. §101 of a computer-implemented invention, should it matter whether the invention is claimed as a method, system, or storage medium; and should such claims at times be considered equivalent for §101 purposes?

Bancorp Services, L.L.C. v. Sun Life Assur. Co. of Canada (U.S.), 687 F.3d 1266 (Fed.Cir. Jul 26, 2012)

- Representative Claim:

  A method for managing a life insurance policy comprising:

  generating a life insurance policy including a stable value protected investment with an initial value based on a value of underlying securities of the stable value protected investment;

  calculating fees for members of a management group which manage the life insurance policy; calculating credits for the stable value protected investment of the life insurance policy;

  determining an investment value and a value of the underlying securities of the stable value protected investment for the current day;

  calculating a policy value and a policy unit value for the current day;

  storing the policy unit value for the current day; and

  removing a value of the fees for members of the management group which manage the life insurance policy.

Bancorp

- Test Applied: Three exceptions to patent eligibility: laws of nature, physical phenomena, and abstract ideas.
- Holding
  - Court held that claims were non patentable abstract ideas
    - Claims did not meet either prong of the machine or transformation test.

Bancorp

- Reasoning:
  - Looked to the underlying invention, not just the type or format of the claims. Treated the system and CRM claims the same as the method claims.
  - Claims were directed to management of life insurance policy - abstract idea.
  - To salvage an otherwise patent ineligible process, a computer must be integral to the claimed invention, facilitating the process in a way that a person making calculations or computations could not. In the present case, the computer merely allowed one to practice the invention more efficiently than one could mentally.

Association for Molecular Pathology v. USPTO and Myriad Genetics, 689 F.3d 1303 (Fed.Cir. Aug 16, 2012)

☐ Representative Claims:

Composition Claim

An isolated DNA coding for a BRCA1 polypeptide, said polypeptide having the amino acid sequence set forth in SEQ ID NO:2.

"Analyzing" Method Claim

A method for detecting a germline alteration in a BRCA1 gene, said alteration selected from the group consisting of the alterations set forth in Tables 12A, 14, 18 or 19 in a human which comprises *analyzing* a sequence of a BRCA1 gene or BRCA1 RNA from a human sample or analyzing a sequence of BRCA1 cDNA made from mRNA from said human sample with the proviso that said germline alteration is not a deletion of 4 nucleotides corresponding to base numbers 4184-4187 of SEQ ID NO:1.

Myriad

Representative Claims (cont.)

“Comparing” Method Claim

A method for screening a tumor sample from a human subject for a somatic alteration in a BRCA1 gene in said tumor which comprises gene *comparing* a first sequence selected form the group consisting of a BRCA1 gene from said tumor sample, BRCA1 RNA from said tumor sample and BRCA1 cDNA made from mRNA from said tumor sample with a second sequence selected from the group consisting of BRCA1 gene from a nontumor sample of said subject, BRCA1 RNA from said nontumor sample and BRCA1 cDNA made from mRNA from said nontumor sample, wherein a difference in the sequence of the BRCA1 gene, BRCA1 RNA or BRCA1 cDNA from said tumor sample from the sequence of the BRCA1 gene, BRCA1 RNA or BRCA1 cDNA from said nontumor sample indicates a somatic alteration in the BRCA1 gene in said tumor sample.

“Screening” Method Claim

A method for ***screening*** potential cancer therapeutics which comprises: growing a transformed eukaryotic host cell containing an altered BRCA1 gene causing cancer in the presence of a compound suspected of being a cancer therapeutic, growing said transformed eukaryotic host cell in the absence of said compound, determining the rate of growth of said host cell in the presence of said compound and the rate of growth of said host cell in the absence of said compound and comparing the growth rate of said host cells, wherein a slower rate of growth of said host cell in the presence of said compound is indicative of a cancer therapeutic.

Myriad

- Test Applied: Three judicially created exceptions to §101's broad patent-eligibility principles: Laws of nature, natural phenomena, and abstract ideas.
- Holdings:
  - **Composition** claims covering isolated DNA sequences associated with predisposition to breast and ovarian cancers, and claimed complementary cDNAs, which lacked non-coding introns in naturally occurring chromosomal DNA, were directed to patent-eligible subject matter.
  - Method claims for **comparing** or **analyzing** isolated DNA sequences associated with predisposition to breast and ovarian cancers were **not** patent-eligible subject matter.
  - Method claim for **screening** potential cancer therapeutics via changes in cell growth rates were directed to patent-eligible subject matter.

Myriad

- Reasoning:
  - Isolated DNAs are drawn to patent-eligible subject matter because the claims cover molecules that are markedly different from those found in nature.
  - *Mayo v. Prometheus* does not control the question of patent-eligibility of composition claims directed to isolated DNA molecules. These are claims to compositions of matter, expressly authorized as suitable patent-eligible subject matter in §101.
  - Method claims to “comparing” or “analyzing” two gene sequences fall outside the scope of §101 because they claim only abstract mental processes.
  - Although *Mayo v. Prometheus* held that certain transformative steps are not necessarily sufficient under §101 if the recited steps only rely on natural laws, the screening method claim is patent-eligible because at the heart of the claim is a transformed cell, which is made by man, in contrast to a natural material.

Overall Themes

- Practical Application – claims more likely to be patentable if directed to a practical application of an idea.
- Functional and palpable application in computer technology
  - Research Corp.
  - Ultramercial
  - CLS

Overall Themes

- Look to underlying invention – not particular statutory category to which the claim is drawn
  - Cybersource
  - CLS
  - Bancorp

Overall Themes

- Link to machine or computer helpful if the machine plays significant part in performance of claimed invention.
  - Cybersource
  - Dealertracker
  - Fort Properties
  - CLS
  - Bancorp

Thank you

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