

## Patentable Subject Matter: The Controversy Continues

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The patentability of business methods continues to be a hotly debated topic. Unfortunately, the release of each new court opinion only seems to further cloud the issue and add layers of confusion. In fact, many courts, including the Court of Appeals for the Federal Circuit, seem reluctant to discuss 35 U.S.C. § 101, which governs patentable subject matter. This certainly seems to be the case with the Federal Circuit's recent decision in *MySpace, Inc. v. GraphOn Corp.*, No. 2011-1149, 2012 WL 716435 (Fed. Cir. Mar. 2, 2012), which gives a good indication of how that court prefers to handle the issue, especially in light of the Supreme Court ruling in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010). And, since the Supreme Court has gone on to mirror the *MySpace* decision in its own recent *Prometheus* decision, this case becomes even more significant in terms of divining which way the judicial winds are blowing on this issue. *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012). Only by first understanding the current state of the judiciary can in-house counsel then develop practical plans and strategies.

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### **BILSKI: THE ONE TEST TO RULE THEM ALL? NOT SO MUCH**

In an attempt to create a bright-line rule for determining the patentability of a business method, which is considered by many to be nothing more than an abstract idea, the Federal Circuit in *In re Bilski* articulated the "Machine or Transformation Test." 545 F.3d 943 (Fed. Cir. 2008). Widely familiar among patent practitioners, the Machine or Transformation Test provides that a claimed process, while otherwise an abstract idea, may still be patentable if tied to a particular machine or if an article is transformed from one state to another.

Had the Supreme Court adopted this test as a concrete rule, the debate over whether business methods are patent-eligible may have concluded with this case. Unfortunately, the *Bilski v. Kappos* Court disagreed with the Federal Circuit reasoning, stating that the Machine or Transformation Test should not be the sole test for determining patent eligibility of otherwise abstract ideas. Instead, the Court called the Machine or Transformation Test "an important and useful clue" in the abstract idea inquiry, in order to avoid unnecessary judicial limitations on the patent statutes. Moreover, the Court noted that if the Machine or Transformation Test was made exclusive, it might rule out emerging technologies that do not neatly fit into its required analysis.

In *Bilski*, the Court rejected the idea that business methods should be categorically excluded from patent eligibility; nevertheless, the Court provided little clarification for the practical determination of whether a business method was more than an abstract idea. As a result, the *Bilski* decision left in its wake a plethora of discrepancies and inconsistencies.

### **MYSPACE: THE CURRENT VIEWPOINT OF THE FEDERAL CIRCUIT**

The controversy surrounding business method patents appears to be at the heart of the Federal Circuit's inclination to avoid § 101 discussions. The Federal Circuit's recent opinion in *MySpace* illustrates this concept and debates the business method topic by addressing whether § 101 is a prerequisite in the question of patent validity. Ultimately, however, the majority circumvented this issue. Specifically, the majority used 35 U.S.C. § 102 (novelty) and 35 U.S.C. § 103 (non-obviousness) to invalidate patents rather than take the opportunity to discuss § 101 and the corresponding patentability of business methods debate.

At issue in the *MySpace* case were four database patents owned by GraphOn Corp., which was attempting to enforce its patent rights in several infringement suits. The district court in *MySpace* found all four of the GraphOn patents to be invalid as anticipated, or rendered obvious by prior art.

As noted, the majority focused on the anticipation and obviousness issues, while reviewing the claim construction to determine whether the patents in question covered hierarchical as well as relational databases. However, the dissent strongly argued that the invalidity should have been based on § 101 grounds, asserting the premise that § 101 is in fact a "threshold" test that should precede novelty and non-obviousness analyses.

The *MySpace* majority noted that the § 101 issue was not raised in the lower courts, and thus did not think it should be discussed on the appellate level in this particular case. Admitting that the courts have been less than successful in explaining the abstract idea exception to patentability when referring to business methods, the majority simply thought it best to rely on § 102, § 103,

and § 112 when possible, because these criteria are “well developed and generally well understood.” Referring to § 101 as a “swamp of verbiage,” the majority suggested that litigants should assert grounds of novelty, non-obviousness, and written description as an initial matter.

The dissent pointed to previous case law, notably *Bilski*, that explicitly called § 101 an antecedent inquiry. In applying the abstract idea exception, the dissent found the GraphOn patents to be even broader in scope than the *Bilski* patents, thus rendering them unpatentable.

It is interesting to note that the Supreme Court itself recently mirrored the *MySpace* dissent opinion by implying that § 101 determinations should continue as precursors. In *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, the Court specifically declined to adopt one party's suggestion that § 102, § 103, and § 112 issues can be used to perform initial analyses, rather than § 101. Although the patentable subject matter exception evaluated in *Prometheus* was the law of nature exclusion — not the abstract idea principle — it is significant that the Supreme Court acknowledged the idea that the patentable subject matter question should remain a prerequisite to other inquiries.

#### **PRACTICAL TAKEAWAYS FOR IN-HOUSE COUNSEL**

It should be clear to all that the controversy over what is acceptable subject matter for a patent is not going to subside anytime soon. However, there are definite and concrete practices that patent owners can implement now to help adapt for future changes in the law. These include:

#### ***Understand the Content of Your Patent Portfolio***

Most owners of a larger number of patents have some type of administrative monitoring system in place to track their patents. Such systems typically tell the owner which patents are issued, when the patents expire, when maintenance fees are due, and the relationship among the patents (continuation, continuation-in-part, etc.). This type of information is important, but it is inadequate to truly understand what is owned. Even knowing the title and perhaps abstract of the patent is not very helpful.

Instead, it is critical to have a grasp of what the actual claims of a patent cover. This information should include: an understanding of the important limitations

of the claim language; the type of claims (method, apparatus, Markush, “means/step plus function,” etc.); and any prosecution file history issues affecting the patent. Once the information is collected, it is most convenient to maintain it in a database that includes the text of the claims along with notes and comments about their status.

This information is not easy to gather, evaluate and monitor, especially for a large portfolio. However, a patent owner can easily identify which patents are affected by changes in the law if this information is readily available and understood. Then, an owner may be able to take remedial action to “repair” the patent when an issue arises, but the first step is to understand which patents are affected.

#### ***Seed the Specification with as Many Embodiments as Possible***

When an application is drafted, it is important to include descriptions of as many different examples and variations of the invention as possible within the specification. These examples do not have to be embodiments that are intended to be used or sold in a product. Instead, they can be speculative and not necessarily fully developed at the time of drafting.

An application that is properly seeded gives the applicant the maximum amount of flexibility to respond to changes in the law during prosecution. With the proper supporting language, the claims of an application may be amended to comply with new standards of patentable subject matter.

For example, it is rare that a business method is not implemented in some manner by a computer. It should be standard practice that an application for such a business method will include a detailed description of how the method operates within a computer system. With adequate support in the specification, the business method claims can be amended to recite a computer software implemented method that would hopefully overcome any changes to the law affecting business method claims.

#### ***Keep the Specification of an Issued Patent Alive***

Once an application receives a Notice of Allowance and is about to issue as a patent, an applicant should always file a continuation or continuation-in-part (CIP) application that claims priority from the issued patent in order to keep the speci-

fication alive. A continuation application is a new application that contains the entire specification of the parent, but contains new claims. In comparison, a CIP may include new disclosure material that covers improvements and refinements of the invention. If the law changes to adversely affect the claims of the issued patent, the continuation or CIP application can be amended to include “repaired” claims from the issued patent that overcome the changes in the law.

It is an important practice procedure that any CIP filing must include the complete and total text of the parent specification in its application. Any new matter in the CIP should be added to the parent specification and not used to replace it. Otherwise, key parts of the parent disclosure that are needed to remediate the parent's claims may have been deleted.

Also in a CIP filing, a parent specification that has been seeded with speculative embodiments as mentioned previously, may now include more detail about such embodiments. An applicant can attempt to use these expanded disclosures to draft new claims to adapt to the changes in the law.

#### **CONCLUSION**

Clearly, the limits of patentable subject matter will continue to be a contentious issue as a satisfactory resolution continues to elude the courts. Consequently, the boundaries of patentable subject matter in terms of business methods, computer software and many areas of biotechnology will remain blurred and indistinct.

As a practical matter, the courts will not be able to avoid the issue indefinitely. The USPTO, patent prosecutors, and the inventors and owners of these types of patents all need and demand guidance from the judiciary regarding the standards of patentability for business methods, computer software and the like. Corporate counsel should monitor this debate and understand the issues involved while actively adapting their patent strategy for the changes in the law.