

August 2, 2010

[Texas Lawyer](#):

by [Jamil N. Alibhai](#) and [Daniel E. Venglarik](#) Contributing writers

The U.S. Supreme Court's June 28 decision in *Bilski v. Kappos* signals that some technologies deserve more protection for innovation than others. *Bilski*'s impact on in-house counsel will vary depending on the nature of the inventions the lawyer's company seeks to patent.

Bilski effectively alters the standard for determining when a process for doing something — i.e., formulating a chemical, laying out a microprocessor or routing communications signals — merits a patent. The decision also curtails patent protection for some technologies, such as software and digital electronics, compared to others, such as medical devices.

In the 1980s, the U.S. Supreme Court took the expansive view that anything man-made was patentable. But two years ago in *Nuijten v. Dudas* the court began to pull back from that view.

In *Bilski* the justices essentially changed the central inquiry for patentability from any process that produces what the U.S. Court of Appeals for the Federal Circuit in *State Street Bank & Trust Co. v. Signature Financial Group Inc.* (1998) called "a useful, concrete and tangible result" to a narrower — but undefined — test.

According to the high court's opinion in *Bilski*, Bernard Bilski and his co-inventors claimed a patent on a so-called "business method" — a process for hedging investment risk associated with fluctuations in price and demand in energy markets. The U.S. Patent and Trademark Office rejected the patent. The Federal Circuit affirmed, holding that such a patent claim must be "tied to a particular machine or bring about a particular transformation of a particular article" to constitute patentable subject matter. The Federal Circuit cobbled together this machine-or-transformation test from several prior Supreme Court decisions.

The *Bilski* majority affirmed that Bilski was not entitled to a patent but held that the machine-or-transformation test was not the exclusive measure of what subject matter inventors could patent. But the court neither provided examples of other possible tests nor offered guidance on how lawyers can determine when subject matter that fails the machine-or-transformation test nonetheless would be patentable. As a result, the Patent Office and lower courts likely will continue applying the machine-or-transformation test as a de facto exclusive test.

In practice, the machine-or-transformation inquiry has a disparate impact on different technologies. Some technologies entail processes that are more intangible than physical, and those technologies effectively get less patent protection under *Bilski*.

For example, cryptography involves transforming information from unsecured text to an encrypted form. Lawyers cannot fully patent a cryptography innovation merely by listing the encoders/decoders used to perform the process in the claims making up the patent. Why? A competitor could change slightly the hardware or machine used to perform the process and thus fend off an infringement claim. So, lawyers for companies working with such technologies rely on process claims in their patent applications and direct them to the inventive concept, without specifying hardware restrictions, to preclude such simple design-arounds. However, cryptography processes involve mere transformation of data, already rejected by the Patent Office and courts as not the type of physical transformation patentability requires. After *Bilski*, in-house attorneys whose businesses rely on transforming data need to adapt their strategies for writing the claims that make up patents.

At a different end of the technology spectrum, medical diagnostic processes often rely on interpretation of test results to ascertain existing health conditions, predict the course of an illness or decide which treatment the patient needs. The day after issuing *Bilski*, the Supreme Court vacated and remanded in light of *Bilski* two cases in which medical diagnostic procedures' patentability was at issue.

In *Prometheus Laboratories Inc. v. Mayo Collaborative Services*, the Federal Circuit in 2009 held that administering a drug that produces detectable chemical and physical changes in the human body is always transformative, rendering the process patentable. In *Classen Immunotherapies Inc. v. Biogen Idec*, however, the Federal Circuit in 2008 affirmed judgment of nonpatentability based on the machine-or-transformation test. Regarding *Classen*, it is instructive to remember Justice Stephen Breyer's previously expressed view that comparing results (e.g., the effect of immunizing experimental and control groups of animals) is mere "data gathering" and not truly transformative; he had written that in his dissent when the high court dismissed certiorari as improvidently granted in 2006 in *Laboratory Corp. of America Holdings v. Metabolite Laboratories Inc., et al.* In *Laboratory Corp.*, the claim expressly recited "assaying a body fluid for an elevated level" of a particular amino acid — that is, detecting (but not causing) chemical/physical changes. In that light, in-house attorneys should focus patent-protection efforts on processes that effect a chemical or physical transformation of physical objects or substances and invest fewer resources trying to patent methods of analysis.

Get Protected

In-house lawyers can adapt to *Bilski* in at least three ways. First, they can draft process claims with some minimal ties to a machine, so the patent will survive the machine-or-transformation test (it's not the exclusive test, but it's still the best-defined test). *Bilski* does not require linking every step of the process to specific hardware or a particular machine; rather, linking a single recited step to generically defined hardware makes the patent's claims less abstract. For example, instead of linking each step for transmitting a text message from a cell phone to particular components of the phone, the lawyer can tie the overall transmission process to the phone.

Second, attorneys should consider drafting patent applications using means-plus-function claims. These claims recite functional limitations (i.e., steps in the process) as a means for performing a specified function, without reciting a specific structure of the hardware. For example, the patent might claim the hardware performing a step in a communication process as a "means for" interpreting key strokes during composition of a text message. This form of apparatus claim is not limited to specific hardware, but courts will construe such claims under the Patent Act of 1952, 35 U.S.C. §112(6) "to cover the corresponding structure . . . described in the specification and equivalents thereof." A means-plus-function apparatus claim thus generically covers all equivalent hardware performing the underlying steps, so it effectively covers the process. Many attorneys disfavor such claims because they impose an extra burden of proof when the lawyer is trying to prove infringement; however, post- *Bilski*, such claims may be necessary to fully protect a given process.

Third, software and digital processes often involve perceptible transformations; lawyers can key process claims off these, particularly while questions remain as to where the boundaries of patentable subject matter end.

While *Bilski* was a much-anticipated decision, its effect on what is patent-eligible may be minimal depending on the type of technology and how the lawyer drafts the patent's claims.

Jamil N. Alibhai and Daniel E. Venglarik are partners in Munck Carter in Dallas. Alibhai is chairman of the litigation section. He has participated in all facets of intellectual property disputes and complex commercial litigation cases and appeals in state and federal courts nationwide. Venglarik is in the IP section. He concentrates his practice on enforcement of IP rights and defense of IP claims.