ANDRUS SCEALES
STARKE & SAWALL

Intellectual Property Newsletter

Spring 2009

New Partners Announced

Andrus, Sceales, Starke & Sawall is pleased to announce that Aaron T. Olejniczak, Peter T. Holsen and Christopher M. Scherer have become partners, effective January 1, 2009.

Aaron T. Olejniczak

Peter T. Holsen

Christopher M. Scherer

Validity of Method Patents

By Joseph D. Kuborn

METHOD PATENTS AFTER BILSKI

In 1998, the U.S. Court of Appeals for the Federal Circuit decided a landmark case (State Street Bank & Trust Co. v. Signature Financial Group, Inc.) verifying that methods of doing business are subject to the same legal requirements for patentability as any other process or method. This holding resulted in a flood of patent applications being filed at the USPTO for methods of doing business. Many of the applications filed and examined following the guidelines set forth in the State Street decision have been granted as U.S. Patents. A recent decision by the CAFC casts uncertainty on the validity of these business method patents.

On October 30, 2008, the CAFC rendered an opinion (In re Bilski) clarifying whether certain methods and processes are patentable under 35 USC §101. The decision specifically addressed whether so-called business method patents are properly protected under §101 of the Patent Act. Following the Bilski decision, computer software and business methods remain patentable per se, subject to restrictions and guidelines set forth by the CAFC.

35 USC §101 states that "Whoever invents or discovers any new and useful process, machine, manufacture or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title."

The patent application at issue in the Bilski decision was a hedging method for "managing the consumption risk cost of a commodity sold by a commodity provider at a fixed price." The application was rejected by the USPTO and included method claims requiring the steps of initiating a series of transactions between the commodity provider and consumer, identifying market participants for the commodity having a counter-risk position to the consumers, and initiating a series of transactions between the commodity provider and the market participants. The business-method patent claims required little more than a series of steps that were not tied to any type of machine and merely manipulated an abstract idea and solved a purely mathematical problem.

In the decision rendered by the CAFC, the CAFC held that the method claims of the Bilski application did not satisfy the patentability subject matter requirements of §101.

In the opinion, the CAFC set forth a rigid two step test to determine whether subject matter is patentable under §101. For subject matter to be patentable under §101, the method or

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Method Patents

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process must either 1) be tied to a particular machine or apparatus or 2) transform a particular article into a different state or thing. In rendering this two part test, the CAFC explicitly stated that the "useful, concrete and tangible result" test of State Street has been replaced by the machine-or-transformation test of Bilski for determining patent eligibility of processes under §101.

NOW WHAT?

The Court in Bilski clearly stated that business method claims, and indeed all process claims, are eligible patent subject matter if the claims in such patents meet the machine-or-transformation test.

In currently pending applications, claims written under the old standard may be rejected under §101 based upon the Bilski decision. When addressing these §101 rejections or, when originally drafting claims, it is advisable to utilize language in the claims that tie elements of the method to some type of machine or apparatus, such as a computer or processor that is specifically programmed to carry out the steps of the method. In many cases, these additional elements that are required to address the new §101 standard can be added without significantly affecting the strength or scope of the claims.

When preparing and filing applications directed to methods of doing business or to protect a process, the specification should be written to be as specific as possible as to how the process or business method is being carried out on hardware, such as a computer. Further, if information required for the process or method is obtained from some type of hardware device, such as a sensor or database, details and limitations regarding the hardware device or the machine used to obtain information or data should be included in both the specification and the claims.

A more troubling result of the Bilski decision is how the machine-or-tranformation standard will impact the large number of issued patents that were allowed under the old, overruled useful, concrete and tangible result test. Many of these patents, which cover business methods and processes, issued with claims that no longer meet the §101 requirement following the Bilski decision. Patent holders that own these types of patents may want to conduct a "Bilski test" on the claims of the patent to determine whether the claims meet the machine-or-transformation test set forth by the CAFC. If the claims in these patents raise concerns, corrective action can be taken, such as by filing reissue applications or through continuation practice.

Following the Bilski decision, software, business methods and pure method patents are still available for patent applicants. However, additional care must be taken when drafting

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Firm News

70th Anniversary

Andrus, Sceales, Starke & Sawall celebrates its 70th anniversary this year. Since its inception, our firm has been practicing exclusively in the field of patent, trademark, copyright, licensing and related intellectual property law and litigation.

Rising Stars

Congratulations to attorneys Peter Holsen, Aaron Olejniczak, and M. Scott McBride who have been selected for inclusion on the 2008 *Wisconsin Rising Stars* list featuring outstanding young attorneys in the state of Wisconsin.

Peter T. Holsen counsels clients regarding all areas of intellectual property law. He helps clients acquire, license and enforce domestic and international patents and trademarks, provides expert opinions regarding patent and trademark availability and infringement, and drafts and negotiates technology transfer and license agreements.

Aaron T. Olejniczak specializes in patent litigation and practicing in federal courts nationally, the Untied States Patent and Trademark Office, and is admitted to the Court of Appeals for the Federal Circuit. Mr. Olejniczak also counsels clients in obtaining, protecting and advancing their intellectual property rights.

M. Scott McBride focuses on the preparation and prosecution of U.S. and foreign patents in the biotechnological, chemical, and pharmaceutical arts. Dr. McBride also counsels clients on new product development and has significant experience in preparing non-infringement an invalidity opinions.