

PATENTQUARTERS™

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U.S. Supreme Court Decision in Bilski

The Supreme Court on June 28, 2010, decided the long-awaited Bilski case, affirming the Federal Circuit's judgment that Bilski's process claims (relating to hedging in energy markets) are not statutory subject matter, i.e. ineligible for patent protection. (*Bilski v. Kappos*, U.S., No. 08-964.) The Supreme Court, however, rejected the Federal Circuit's "machine or transformation" test as the sole test for this determination. The Court also rejected the contention that business methods are categorically excluded from patentability. *This ruling is a big win for inventors and companies developing novel business methods!*

Justice Kennedy delivered the opinion of the Court. The 5-4 Court ruling held that the Federal Circuit incorrectly concluded that the "machine or transformation" test is the sole test for judging whether a claimed process is patent eligible. The Court noted that the patent statute was written expansively to have a wide scope, and only limited by three specific exclusions: laws of nature, physical phenomena, and abstract ideas. These exceptions are consistent with the statutory requirement that inventions be "new and useful," Justice Kennedy observed, adding that the courts do not have *carte blanche* to impose other limitations inconsistent with the statute. "Concerns about attempts to call any form of human activity a 'process' can be met by making sure the claim meets the requirements of [35 U.S.C.] §101," he wrote.

Moreover, the Court found no support for necessarily construing the term "process" as tied to a machine or transformation of an article, noting that the statute expressly defines that term at Section 100(b) of the patent laws. Justice Kennedy acknowledged that the Court's precedents establish that the machine-or-transformation test is "a useful and important clue, an investigative tool," for deciding whether a process invention satisfies §101, but he said it is not the sole test.

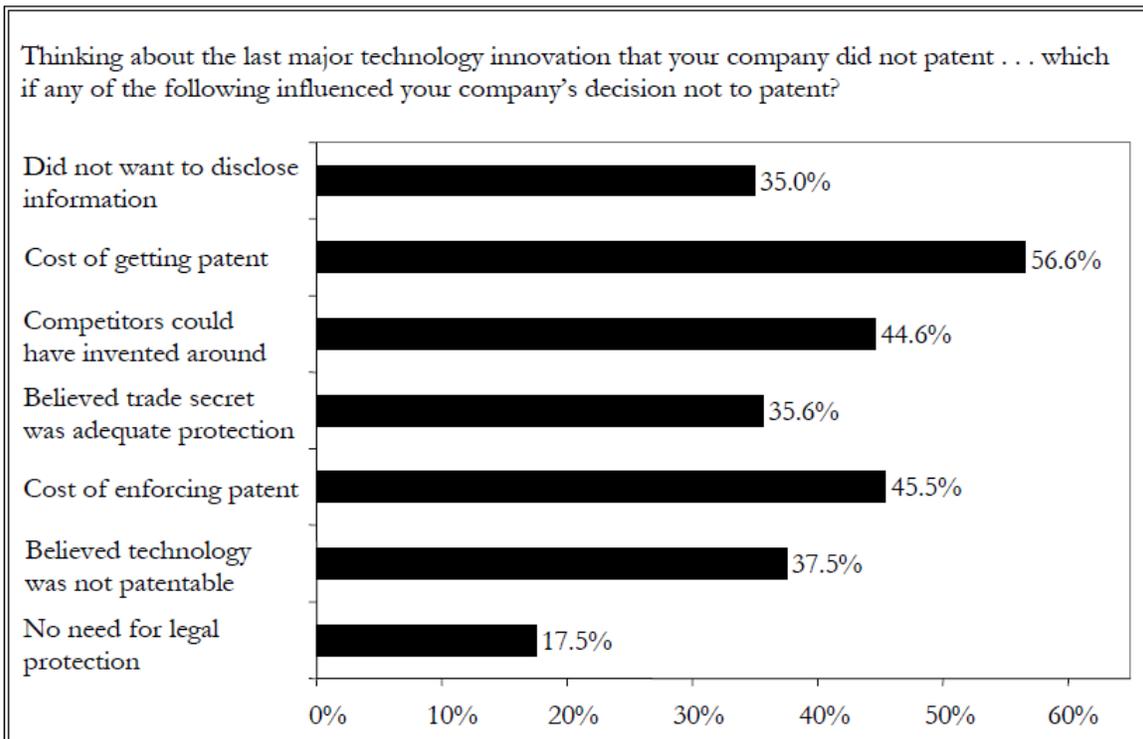
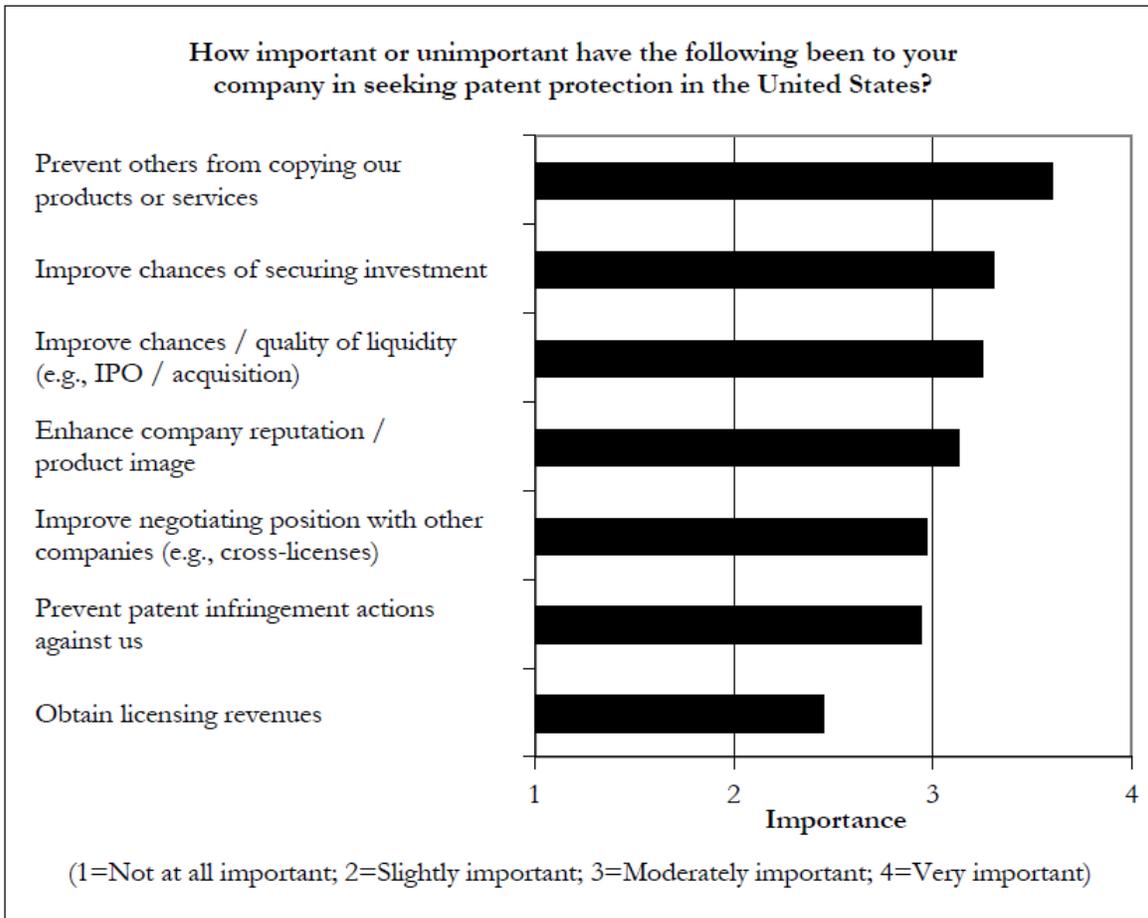
Despite the history of patenting, Justice Kennedy wrote that Section 101 is a dynamic provision and that "times change." He observed that the machine-or-transformation test may have been appropriate for the Industrial Age but found reason to doubt its appropriateness as a sole test for the Information Age. Today that test, used alone, would create uncertainty as to the patentability of software, advanced diagnostic-medicine techniques, and the manipulation of digital signals. Patent law must balance the protection of inventors without granting monopolies over procedures others would discover independently by applying general principles.

As with the machine-or-transformation test, Justice Kennedy's opinion includes a historical explanation of the patentability of business-method patents which lost the support of Justice Scalia. This part of the opinion noted that in the Information Age, statistical and mathematical calculations are possible that can improve a vast number of business tasks. Nonetheless, it was acknowledged that, without a limiting principle, Patent Examiners could be flooded with claims and creativity could be chilled. Justice Kennedy's search for a limiting principle found that the Court's precedents on the unpatentability of abstract ideas provide "useful tools."

However, finding a business method to be patent-eligible does not mean the patent claim should be granted, the Court emphasized. The requirements of novelty, non-obviousness, and written description play a critical role in adjusting the tension "between stimulating innovation by protecting inventors and impeding progress by granting patents when not justified." **PQ**



Why Patent? Why Not?



Graham et al., "HIGH TECHNOLOGY ENTREPRENEURS AND THE PATENT SYSTEM..." (2010). **PQ**

What Drives Creativity?

Imagine if you could turn on creativity like starting a car, rev the engine to get up to speed, cruise along in the fast lane, and then park it in the garage until you needed it again. Is there anything you couldn't accomplish? We've all had days when the engine stalls, the tire is flat or road construction brings traffic to a screeching halt. Nothing seems to get us going. You can't always sit around and wait for inspiration to strike. Amateurs wait for inspiration. The real pros get up and go to work. They understand that you are not born with creativity...and you have to cultivate creativity on an ongoing basis. Here are some ideas:

- Keep a journal. Record ideas as soon as they come to you by keeping a notebook close at hand all the time. A real notebook, not a digital one, is best, allowing you to make sketches and drawings, but anything that lets you capture your thoughts will work. When you need to charge up your creativity, search your notebook for ideas and examples.
- Search your environment for inspiration. Artists find inspiration in many unlikely places. If looking at the same four walls every day limits your perspective, add some elements that help you see things in a new way—pictures, plants, books, even toys.
- Question everything. Ask “why” and “how” to determine if there's a better way to solve a problem. Another favorite question of mine: “What's missing?”
- Turn problems around. Switch gears by looking for the opposite of what you want. Exploring how you could make a bad situation worse can sometimes tell you what not to do. Looking for a bad idea may lead you to a good one.
- Combine random elements. Try this exercise: Look at two items on your desk right now and figure out a way to put them together. A clock radio and a coffee mug, for instance, could be turned into a coffee mug with a clock on it, maybe at the bottom. This won't necessarily generate a useful idea, but it will train your mind to see different possibilities.
- Recruit a partner. Bounce ideas off another person—someone you're comfortable with, but someone who will challenge you when necessary. With another person involved, you're not limited to your own experience and perspective.
- Read something totally different than usual. Too often, we find ourselves looking at the same newspapers, trade publications, blogs and the like.
- Tolerate failure. Expect to make some mistakes when you try new and different approaches. Sometimes colossal failures lead to spectacular successes.
- Listen to your “inner child.” Ever notice how kids are unafraid to take gigantic risks or make outlandish statements when confronted with a problem? They haven't been trained yet to take the safe approach. Even if their ideas aren't fully developed, their dreams are big enough to take chances.
- Relax your mind. Give your subconscious a chance to work by turning your brain off from time to time. Don't focus on work or solving problems constantly. Take time to exercise and relax. A tired mind won't generate fresh ideas. **PQ**

Adapted from Harvey Mackay, July 2010



Good News for Patent Applicants

On August 10, 2010, President Obama signed into law P.L. 111-224 that gives the United States Patent and Trademark Office (USPTO) the authority to spend an additional \$129 million of the fees the agency will collect in Fiscal Year 2010. Due to an improving economy and increased patent examination productivity, the USPTO projects it will collect nearly \$200 million more than its FY 2010 appropriation of \$1.887 billion.

This bill was a response to President Obama's July 12th request to Congress to provide the USPTO with access to all the fees it will collect in FY 2010. In that request, the President said the money would "support efforts to reduce backlogs in processing patent applications—by spurring innovation and reforming the U.S. Patent and Trademark Office to make them more effective."

Director of the USPTO David Kappos said, "We are grateful to the President for his support and to Members of the House and Senate for their exceptional efforts to move this legislation through the process so quickly. This additional funding will allow us to continue the progress we've made...so that patents can be issued more quickly, investment in new technology and new products will be accelerated and much-needed jobs will be created."

Kappos said that the additional funding would be used to fund investments needed to shorten patent pendency and reduce patent backlogs. These investments include hiring new examiners, enabling additional examiner overtime and improvements to USPTO processes and IT systems. **PQ**

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