

## Supreme Court Agrees to Hear *Bilski* To Determine Which Methods Patentable

On June 1, 2009, the Supreme Court granted petition for *certiorari* to the Court of Appeals for the Federal Circuit, filed by Bernard L. Bilski, *et al.*, seeking review of the Federal Circuit's *en banc* decision holding that Bilski's claims were directed to subject matter that was not protectable under the patent statute.

Bilski's invention, entitled "Energy Risk Management Method", claimed a method for managing consumption risk costs associated with a commodity sold at a fixed price for a given period, for example energy commodities such as natural gas, electricity or coal. The United States Patent and Trademark Office ("U.S.P.T.O.") rejected Bilski's claim as falling outside the statutory classes of patentable inventions (35 U.S.C. § 101), because it was directed to an abstract idea, lacking practical application. On appeal to the Federal Circuit, the

*en banc* court upheld the rejection, fashioning a test whereby a patentable method claim must be tied to a particular machine or apparatus, or else must transform a particular article into a different state or thing.

OSTROLENK FABER LLP reported on the Federal Circuit's *en banc* decision in the *Bilski* case in our Year End 2008 edition. More detail is available on our website at <http://www.ostrolenk.com>, under the Newsletter tab of the Publications pull-down menu.

In granting review, the Supreme Court agreed to consider the following two questions presented by Bilski's petition:

1. "[w]hether the Federal Circuit erred by holding that a 'process' must be tied to a particular machine or apparatus, or transform a particular article into a different state or thing ('machine-or-transformation' test), to be eligible for patenting ...," since the "machine-or-transformation" test is not supported by Supreme Court precedent; and

2. "[w]hether the Federal Circuit's 'machine-or-transformation' test ... contradicts the ... Congressional intent that patents protect 'method[s] of doing or conducting business' ..."

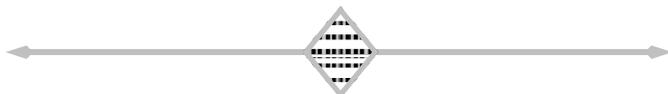
In arguing for the grant of the petition, the petitioners set forth four reasons for the grant of the petition:

1. the Federal Circuit's rigid "machine-or-transformation" test conflicts with the Supreme Court's precedent and with Congressional intent;

2. the petition should be granted to prevent the Federal Circuit and the U.S.P.T.O. from limiting



In This Issue	
Supreme Court Agrees to Hear <i>Bilski</i> To Determine Which Methods Patentable	1
Appeal Backlog Up Sharply at Board of Patent Appalls and Interferences	3
False Marking Case "Teed Up" for Fed Cir Review	4





# Supreme Court Agrees to Hear *Bilski* To Determine Which Methods Patentable

(Continued from page 1)

process patents to manufacturing methods;

3. the interpretation of the United States patent statutes to determine what is eligible for patenting is a question of high importance to both the patent system and the United States economy; and

4. this case presents a good opportunity to resolve the questions presented.

The U.S.P.T.O. filed a brief opposing the grant of the petition. In that brief, the U.S.P.T.O. argued five main points:

- (1) that the petitioners' method claimed in its patent application in the present case is not a "process" eligible for patent protection under the patent statutes;
- (2) that the "machine-or-transformation" test is not a rigid test which is inconsistent with Supreme Court precedent;
- (3) that the "machine-or-transformation" test does not threaten to stifle innovations in emerging technologies;
- (4) that the Federal Circuit's decision does not disrupt any well-founded expectations; and
- (5) that the Federal Circuit's decision is not inconsistent with Congressional intent regarding methods of doing business.

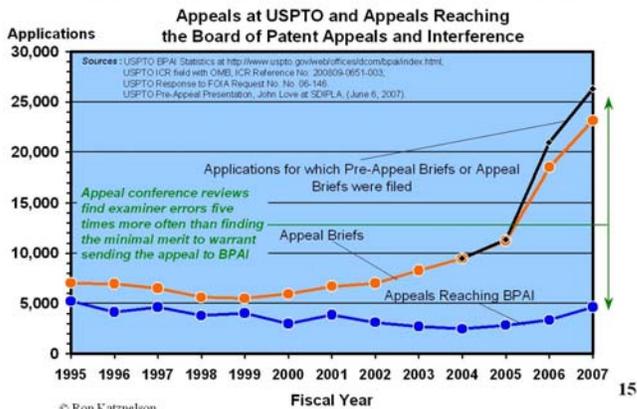
In the petitioners reply brief, they argued that this case presents a good opportunity for the Supreme Court to review the Federal Circuit's adoption of the "machine-or-transformation" test for all process patents. The petitioners further argued that the "machine-or-transformation" test adopted by the Federal Circuit prevents patent protection for a broad class of business methods included by Congress in the patent statutes for patent protection. Finally, the petitioners argued that when the Federal Circuit adopted the "machine-or-

transformation" test as the only test for whether a process is eligible for patentability under the patent statutes, the Federal Circuit refused to follow the Supreme Court's precedent.

Briefing on the merits is currently underway. The case drew nine *amicus curiae* briefs at the *certiorari* stage; no less than forty-five (45) parties have filed amicus briefs on the merits. Needless to say, this case and the issues it raises are being closely watched by industry and the Bar. It is considered determinative of whether business method patents, sanctioned by the Federal Circuit in its seminal *State Street* decision, will continue to be granted or enforceable.

Oral argument has been scheduled for November 9, 2009, with a decision expected some time in the Supreme Court's 2009-2010 term. Count on OSTROLENK FABER LLP to keep you apprised of the latest developments in IP law.

**The growth of improper/premature final rejections also results in unprecedented growth in appeals**



Appeals, Fig. 1



# Appeal Backlog Up Sharply at Board of Patent Appeals and Interferences

Patent Appeals are up sharply at the U.S.P.T.O. Board of Patent Appeals and Interferences (“BPAI”), both in number and pendency, according to a recent study undertaken by Associate Professor Dennis Crouch of the University of Missouri School of Law, author of “Patently-O” patent law blog.

In a graph prepared by Ron Katznelson from a presentation he gave at the “The Perfect Storm of Patent Reform?” Symposium, held at U.C. Davis in November of 2008 (Fig. 1, opposite), several trends are evident. First, the number of appeal briefs are up sharply since 2005, departing from what was already an upward trend c. 2001-2002 after remaining consistent since 1995. This trend directly opposes a falling allowance rate (Fig. 2).

It is predictable that dissatisfied applicants would take appeal, and a higher number of rejections corresponds with an increasing appeal rate. However, the timing of the increase is unexplained. The rejection trend beginning in 2002 precedes by nearly five years the Supreme Court’s decision in *KSR v. Teleflex*, 550 U.S. 398 (2007), widely viewed as raising the obviousness bar to patentability.

More concerning is whether the BPAI is equipped to address the increasing backlog of pending appeals (Fig. 3). Professor Crouch also cites 2007 data showing an average of 328 days between filing of an Appeal Brief and submission of the appeal to the BPAI, and another 214 days from submission to decision, for an average total of 542 days, or nearly 18 months, from submission of an appeal brief to decision.

More recent data issued by the BPAI shows that it has received over 14,500 appeals in the 11 months of fiscal 2009, yet disposed of only 6000. The number of pending appeals increased from just under 4,000, to nearly 12,500. This means that

roughly as fast as the Board can decide two appeals, another three wait for action, accumulating 1.5x faster than the BPAI can act on them.

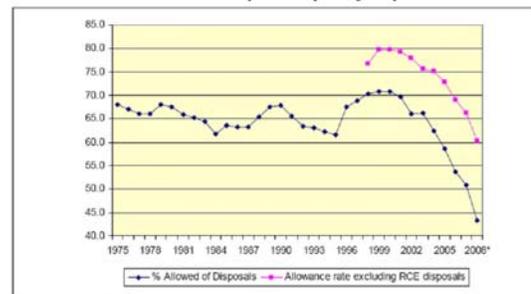
What does this mean to current applicants? It means that the BPAI offers little relief to a current applicant frustrated with an improper or poorly made rejection. The life-cycle of the product to be protected must be considered — will the product still be marketable when a patent eventually issues? What other avenues of protection are available in a shorter time frame?

Patent protection is a means, not an end. Your full-service Intellectual Property counselors can suggest how to achieve your ends using all available means.



## Allowance Rate over Time

PTO touts its lowering Allowance Rate as indicative of patent quality improvements



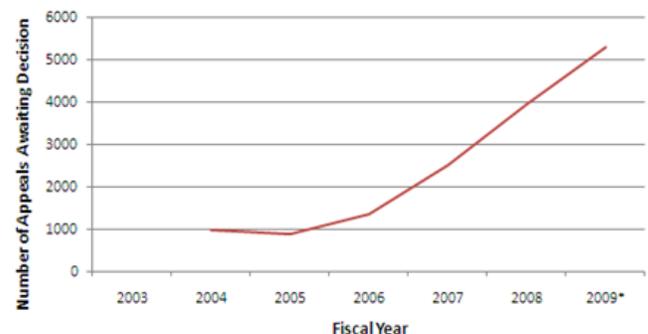
Data is through the 3<sup>rd</sup> Quarter of 2008.

From: James A. Toupin, IPO Annual meeting, September 21-23, 2008.

© Ron Katznelson

Appeals, Fig. 2

## BPAI Backlog



Appeals, Fig. 3



# Ostrolenk Faber LLP

1180 AVENUE OF THE AMERICAS  
7TH FLOOR  
NEW YORK, NEW YORK 10036-8443

---

September/October 2009 Edition

OSTROLENK FABER LLP

## False Marking Case “Teed Up” for Fed Cir Review

In a prior issue of this newsletter, we brought you an article looking at similar cases pending before the District Courts of Virginia and New York, both of which centered around allegations of false marking under 35 U.S.C. § 292. Read more from the June/July 2009 edition on our website at [www.ostrolenk.com](http://www.ostrolenk.com), at the “Newsletter” link under the “Publications” drop-down menu item.

The latest development in the Eastern District of Virginia *Pequingnot* case is that, for defendant Solo Cup Co., the third time is apparently a charm. After suffering adverse rulings on two prior motions to dismiss, in a July 2, 2009 order, District Judge Leonie M. Brinkema ruled in favor of Solo on its motion for summary judgment.

Solo’s summary judgment motion centered around the statute’s requirement that the false marking be “for the purpose of deceiving the public”. According to Professor Dennis Crouch’s Patent law blog “Patently-O”, the Court’s oral ruling held that *Pequingnot* had no direct evidence that Solo had the requisite intention to deceive. “False Marking Case Dismissed”, Patently-O, <http://www.patentlyo.com/patent/2009/07/false-marking-case-dismissed.html> (Jul 10, 2009).

Judge Brinkema also indicated that the ruling is intended to “get [the] case teed up for the Federal Circuit.” Raymond Stauffer, plaintiff in the Southern District of New York case, has also filed a Notice of Appeal to the Federal Circuit in his case.