



# PATENT, TRADEMARK & COPYRIGHT



## JOURNAL

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### PATENTS

#### STATUTORY SUBJECT MATTER

Patent law experts consulted by BNA generally expressed approval and relief that the Supreme Court did not eliminate business method patents entirely. However, others noted that the court did not set clear standards regarding when a patent, like the ones at issue in the *Bilski* case, may be found to be unpatentable abstract ideas.

### Patent Community Applauds Court's Restraint But Rues Lack of Guidance

**M**embers of the U.S. patent community consulted by BNA expressed surprise and general pleasure that the U.S. Supreme Court chose not to exclude business method subject matter from patent eligibility in its much-anticipated June 28 *Bilski* decision. *Bilski v. Kappos*, 129 S. Ct. 2735, 95 USPQ2d 1001 (U.S. June 28, 2010) (see related article in this issue).

However, because the court provided no further guidance on determining Section 101 statutory subject matter, practitioners representing patent applicants, those seeking to enforce patents, and those defending allegations of infringement said they anticipated significant work ahead for both the courts and the Patent and Trademark Office.

Most patent stakeholders consulted by BNA June 28-29 expressed continuing concern for how to determine that a claim is an "abstract idea"—the judicially-recognized exception that defeated the patent claims of Bernard *Bilski* and Rand *Warsaw*—and thus does not meet the threshold requirement for patentability under 35 U.S.C. § 101.

Responding to the high court's opinion, the PTO delivered a message to the examiner corps to reject claims that do not pass the Federal Circuit's machine-or-transformation test, "unless there is a clear indication that the method is not directed to an abstract idea," and put the burden on the patent applicant to prove otherwise.

#### 'Pleasantly Surprised' Reactions.

Q. Todd Dickinson, executive director of the American Intellectual Property Law Association and former director of the PTO, said he was personally "pleasantly surprised" by the court's decision.

"The patent community will generally be pleased. There will be a sense of relief," he told BNA. "We were concerned about an expansive opinion with unintended consequences, and this is anything but that."

The relief Dickinson referred to was a result of two concerns in the patent community prior to the decision.

First, business method patent holders feared the categorical exclusion of that class of patents and, indeed, four of the nine justices expressed their desire to do just that. Second, the majority of the amicus briefs filed in the case feared that the high court would adopt, as the sole test for process claim patentability, the machine-or-transformation test espoused in *In re Bilski*, 545 F.3d 943, 88 USPQ2d 1385 (Fed. Cir. 2008) (en banc) (77 PTCJ 4, 11/7/08).

John F. Duffy, a law professor at the George Washington University and counsel with Fried Frank Harris Shriver & Jacobson, Washington, D.C., had submitted a brief on behalf of amicus Regulatory DataCorp Inc., which licenses patents on risk-management technology. In that brief, Duffy argued for a broad interpretation of Section 101 in oral arguments before the en banc Federal Circuit.

"The court saw through this case," Duffy told BNA. "They saw the bad facts that made this a bad vehicle [for Section 101 review] and decided on the right grounds." He said that the court's decision could be summarized by the phrase "Textualism carried the day."

"The statute is written broadly," he said, referring specifically to Section 100(b), which defines "process" as "process, art, or method." Congress specifically defined one broad word with two other broad words, Duffy said. "That was crucial to deciding the case."

He specifically praised Justice Anthony M. Kennedy, the author of the court's opinion, who had previously criticized business method patents as being subject to "potential vagueness and suspect validity," in a concurring opinion in *eBay Inc v. MercExchange LLC*, 547 U.S. 388, 78 USPQ2d 1577 (2006) (72 PTCJ 50, 5/19/06).

"It's still not clear Kennedy thinks business method patents are a good idea" in the current opinion, Duffy said. "So it shows the strength of the judge: It might not be the best policy, but he can engage in concrete statutory interpretation and reach the right result."

Ultimately, though, many of the comments by those interviewed by BNA retreated to the "relief" aspect of the decision. James Moore Bollinger of Troutman Sanders, New York, concluded that the court had simply applied a principle espoused in medical ethics: "First, do no harm."

Dickinson mentioned the same phrase, adding, "Look at the breadth of the amicus briefs, each with the generally theme that 'You should reject Bilski's claims but please don't adversely affect our industry.'"

The court seemed to understand that too many important industries could be undermined in a broad way had they ruled more broadly, Dickinson said.

## But Some Are Disappointed.

Donald S. Chisum, a former law professor at the University of Washington, Seattle, Wash., and Santa Clara University, Santa Clara, Calif., and the author of the treatise *Chisum on Patents*, called the opinion "a remarkably inconclusive contribution to the law on patent eligible subject matter" and added in a post on his website that "The Court's characterization of the claims as 'abstract ideas' is palpably unsatisfying."

The reaction of Joshua H. Rawson and Samuel B. Abrams of the Dechert law firm, New York, was in line with Chisum's.

"There was so much attention focused on something new to come out of the Supreme Court, and as I read it, there is no new guidance at all," Rawson said.

Abrams said it was a letdown.

"Everyone was looking for something more revolutionary," he told BNA. "It's a little deflating."

Expressing slightly less concern, Brian H. Pandya of Wiley Rein, Washington, D.C., said, "This opinion is a bit disappointing to those that hoped business method patents would be held categorically unpatentable. . . . However, the worst business method patents that issued immediately after *State Street* based on the 'useful, concrete, and tangible result' test should still be found invalid as not directed to patentable subject matter."

Robert Sterne of Sterne, Kessler, Goldstein & Fox, Washington, D.C., said that the court made the right decision, but he was very concerned as to the practical effects.

"The bigger questions are the actual work to be done by the Federal Circuit and the patent office as they try to come up with alternative tests as a measure of patentable subject matter," he told BNA. "I'm not sure there is any real consensus at either place of what to do."

The strongest statements of disapproval came from the software industry in public statements. The Software Freedom Law Center posted the following, attributed to its chairman Eben Moglen, a law professor at Columbia University, New York: "The confusion and uncertainty behind today's ruling guarantees that the issues involved in *Bilski v. Kappos* will have to return to the Supreme Court after much money has been wasted and much innovation obstructed."

"Today the Court missed an opportunity to send a strong signal that ideas are not patentable subject matter," the group's legal director, Daniel B. Ravicher, a law professor at Yeshiva University's Cardozo School of Law, New York, added.

"The Court's rejection of Bilski's patent application got rid of a symptom of the disease, but failed to treat the real cause by reconfirming that thought and thought processes are not patentable," Ravicher said.

The Computer and Communications Industry Association expressed disappointment that "the Supreme Court did not use this opportunity to bring more clarity to help correct the broken patent system."

The CCIA's president, Edward J. Black, said in a press release, "The majority's decision exacerbates the uncertainty that characterizes the IP system today. It will give no notice to the public about when ordinary business practices can lead to ruinous liability."

The CCIA's Brian Kahin said, "By concluding that the hedging technique was no more than an abstract idea, the Court breathes new life into the abstract idea exclusion, but does not offer new guidance on just what that is. The opinion is fairly clear about what it isn't doing. It is not clear about what it is doing."

## How Did Court Get to 5-4?

Several stakeholders speculated on how the court came to its decision, especially given the concurring opinion by Justice John Paul Stevens, which was much longer than Kennedy's majority opinion, and further considering the long delay between the Nov. 9 oral arguments and the June 28 decision.

Duffy surmised that—as many had predicted—Stevens was originally tabbed to write the opinion and held a majority at first. He pointed to the fact that only the Stevens concurrence offers a statement of facts that one would normally see in majority opinion. “But ultimately one or more of the justices broke off and joined Kennedy’s opinion,” he speculated.

Duffy, who once clerked for Justice Antonin G. Scalia, said it was not clear which judge or judges switched sides. Duffy said that Scalia’s decisions are, in fact, the most interesting in the case, as he chose not to join the majority’s “times change” section, in which the court asked whether there should be a different test for “information age” technologies, and he chose to join Justice Stephen G. Breyer’s concurrence only in part, and not so far as to exclude business methods from patentability as a category.

Duffy said he was reasonably sure that Scalia’s reaction to the “times change” text was effectively: “Them’s fighting words for me.” He said that Scalia would hold that principles of law are timeless “if applied correctly,” and he would reject the idea that the information age should be treated differently than the industrial age. But by the same reasoning, Duffy said, the judge would reject the idea that a whole branch of technology should be eliminated from patentability without statutory support.

But it was still a 5-4 decision only, as Frederick L. Whitmer of Kilpatrick Stockton, New York, put it into context.

“The skepticism about ‘business method’ patents, generally, is palpable at the Court, but not so compelling as to command a majority to say that no business method will satisfy 101,” Whitmer said.

## Court’s Praise for Federal Circuit Stands Out.

Questions about the machine-or-transformation test led many stakeholders to comment on the Supreme Court’s view of the Federal Circuit, inasmuch as the court has recently overturned a few of the appellate court’s tests, most notably in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398, 82 USPQ2d 1385 (2007) (74 PTCJ 5, 5/4/07).

As Whitmer put it, “Over and over the Supreme Court has been at pains to erase bright line or absolute tests when the Federal Circuit has fashioned one.”

“At first glance, *Bilski* appears to be yet another blow to the Federal Circuit by the Supreme Court,” Wiley Rein’s Pandya told BNA. “However, in the Supreme Court’s review of the opinions issued by the Federal Circuit in this case, both the majority opinion and Justice Stevens’s concurring opinion favorably cited the concurrence authored by new Chief Judge Randall R. Rader, suggesting the Federal Circuit will be more in tune with the Supreme Court in coming years.”

Indeed, most commentators sensed that the *Bilski* court was not taking the same critical view as in recent decisions.

William F. Lee of Wilmer Cutler Pickering Hale and Dorr, Boston, said, “While they reached a different result on whether the machine-or-transformation test is an exclusive test,” Justice Kennedy expressly praised the examination of the issue by the Federal Circuit. Kennedy, in fact, said, “Students of patent law would be well advised to study these scholarly opinions.”

Blake E. Reese of Milbank, Tweed, Hadley & McCloy, New York, expressed a similar sentiment and he also cited to the court’s apparent confidence in allowing the appellate court to build on the Section 101 jurisprudence.

“Breaking from recent intellectual property decisions from the high court, the majority opinion expresses some confidence in the Federal Circuit by expressly inviting the Federal Circuit’s development of additional tests,” Reese said.

“The Supreme Court seems to be saying that it thinks the Federal Circuit, being closer to the issues, will be in a better position to fashion appropriate tests,” Reese told BNA. “Undoubtedly, the half-dozen or so district court cases that are currently on appeal to the Federal Circuit and substantively interpreted the machine-or-transformation test now become the vehicles for the Federal Circuit’s clarification of when and how software, business method, and/or process patents are statutory subject matter.”

Duffy called the opinion a vindication for Rader, who dissented in *In re Bilski*. Indeed, the court cited to a list of unanswered questions for applying the test that Rader had set forth in his dissent and the court again referenced the judge’s views when assessing *Bilski*’s specific claims.

But Duffy said that the position the majority took was also “exactly what Chief Judge Rader said in his dissent in the en banc court.” Indeed, Duffy was in attendance when the court announced its ruling and he said that Kennedy had specifically mentioned Rader in his oral presentation of the case.

“The chief judge clearly called this,” Duffy said.

Bollinger noted that both the Kennedy and Stevens opinions referred to Judge Timothy B. Dyk’s concurrence in the Federal Circuit’s opinion. Dyk’s opinion included a very detailed historical perspective, as did Stevens’s, Bollinger noted. Although Dyk reached a different conclusion than Kennedy through a more narrow reading of process, the high court showed respect for the analysis, he concluded.

## Defining a Narrower Class.

Other stakeholders seized on the content of the section that Reese had noted as being complimentary towards the appellate court.

“Four justices of the Court seemingly invited the Federal Circuit to possibly define a narrower class of patent applications that claim to instruct how business should be conducted as being directed to abstract ideas and therefore not patent eligible in a manner consistent with the Supreme Court’s precedent,” according to Pavan K. Agarwal of Foley & Lardner, Washington, D.C., referring to the section of the majority opinion that Scalia did not join.

Michael A. Spiegel, patent attorney for the Software Freedom Law Center, cited that section as being inconsistent with the court’s aversion to defining business methods as a class.

“They don’t want to create categories,” he said. “They seem to want a test but not a hard test—perhaps a series of factors; something nice and soft that could be applied flexibly.”



## Machine-or-Transformation Test Lives On.

“While the Supreme Court rejected the machine-or-transformation test as the sole test for patent eligibility of a process patent, the Court did not reject the test outright and acknowledged that the test may nonetheless be ‘a useful and important clue, an investigative tool,’ for determining patent eligibility of process inventions,” noted David M. Tennant of White & Case, Washington, D.C.

Wilmer’s Lee went further, pointing specifically to the concurrence by Justice Stephen G. Breyer, which was joined by Scalia.

“At least five of the justices think the machine-or-transformation test is a critically important clue and will provide guidance in most cases,” Lee said.

Lee has argued before the en banc Federal Circuit on behalf of financial services industry amici that included Bank of America, against patentability of *Bilski*’s claims, but definitely favoring a stricter rule for process claims. He said the ambiguity left by the court was unfortunate, but that the community should not read more into the court’s opinion so as to think the machine-or-transformation test was rejected. He joined many stakeholders in arguing that there remains a large space “in between” the test and an abstract idea.

Bradley C. Wright of Banner & Witcoff, Washington, D.C., called the test a “safe harbor” for patent applicants.

“But there is still a problem in that no one has defined what is an abstract idea; there is still no clear definition of the term ‘process’ in the patent statute,” he said. “So long as the applicant claims a series of steps and the claim doesn’t fall within one of the three judicial exceptions, it’s a potentially patentable process.”

Jonathan M. Fritz of Michael, Best & Friedrich, Madison, Wis., agreed that there was now a significant “piece of real estate between the machine-or-transformation test and an abstract idea.”

But he noted the court’s explicit statement that Section 101 is a threshold inquiry, to be applied with less stringent standards, and that the patent office and courts should rely more on novelty, obviousness, and Section 112 grounds for patentability and validity. So, for example, he said that while whether a general purpose computer meets the machine prong of the test was previously an unresolved question, perhaps the opinion suggests that the computer would at least pass the threshold, and the tough questions would be directed to obviousness under Section 103.

But the SFLC’s Spiegel disagreed and in fact, went further in finding in the opinion continuing use for the machine-or-transformation test for Section 101 analysis.

“I can’t identify anything that would fail the test and still be patent-eligible,” he said. “The Supreme Court can’t say what’s outside the test’s reach, so it’s perfectly adequate going forward.”

## Is *State Street* Dead?

Both Kennedy and Stevens referenced the Federal Circuit’s decision that initiated a wave of business method applications, *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998) (56 PTCJ 346, 7/30/98). *State Street* is most known for solidifying the “useful,

concrete, and tangible” test that was rejected by the *In re Bilski* en banc decision. So the open question was whether the UCT test had been explicitly rejected by the high court as well.

Bollinger, citing to the majority opinion only, said, “They speak in negative terms about the UCT test, but they didn’t say explicitly that it was wrong.”

Still, he said it was more likely that they were unwilling to say *State Street* was wrong because the Federal Circuit in that case laid to rest the “ill-conceived exception” of business methods from patentability in some lower courts, rather than that they were reviving the UCT test.

Dechert’s Rawson seemed more certain.

“I don’t think *State Street* remains a vital tool for us to measure patentability,” he said.

## Impact on Litigation.

Litigators were generally displeased with the lack of guidance in the high court’s decision.

“The Supreme Court’s decision is somewhat disappointing in not providing the clarification long sought by the lower courts, industry and the bar,” according to Christopher E. Chalsen of Milbank, Tweed, Hadley & McCloy, New York.

Steven M. Bauer of Proskauer Rose, Boston, agreed and predicted a negative impact.

“It seems to me that this case creates so little guidance, that as a result of this decision, a ‘*Bilski* defense’ will now be raised in every case involving a process—not only in those relating to business methods, but also for patents relating to software and medical processes,” he said.

It will replace inequitable conduct as the “defense du jour,” he added. “There may even be a need for a gating hearing with experts, a ‘*Bilski* Hearing’ akin to a *Markman* Hearing, explaining why the invention is not abstract but is tied to a machine or is specific to an industry.”

“The main consequence of *Bilski* for practitioners is not so much that the law is any different today than it was before the Federal Circuit decided *Bilski*,” Stanley Panikowski of DLA Piper, San Diego, said. “Rather, it is more that the profile of patent subject matter eligibility as a litigation defense has been significantly raised.”

Panikowski pointed specifically to the court’s reliance on *Parker v. Flook*, 437 U.S. 584, 198 USPQ 193 (1978) (385 PTCJ A-1, D-1, 6/29/78).

“*Flook* established that limiting an abstract idea to one field of use or adding token post-solution components did not make the concept patentable,” he said. “We can expect a lot of litigation over whether a particular invention ‘limits an abstract idea to one field of use’ or merely ‘adds token post-solution components.’ Welcome to the new world of section 101 litigation.”

Panikowski also said, “The Court also took care to emphasize the role of other statutory grounds for patent invalidity. So we can expect continued emphasis on obviousness defenses in litigation over business method patents.

“After the Federal Circuit’s decision in *Bilski*, many obviousness defenses were dressed up as subject matter defenses. We will probably continue to see that, and probably will also see more subject matter defenses dressed up as obviousness defenses,” he said.

## Impact on *Prometheus*.

On June 29, the high court announced that a petition for writ of certiorari was denied in another case the Federal Circuit rejected on Section 101 grounds (*Ferguson v. Patent and Trademark Office*, U.S., No. 08-1501, review denied 6/29/10). In *re Ferguson*, 558 F.3d 1359, 90 USPQ2d 1035 (Fed. Cir. 2009) (77 PTCJ 489, 3/13/09).

But on the same day, the court issued a “GVR” in two other cases that somewhat depended on *Bilski*.

In a medical diagnostic case, *Mayo Collaborative Services v. Prometheus Laboratories*, No. 09-490 (U.S. June 29, 2010), the petition for a writ of certiorari was granted, the judgment vacated, and the case remanded to the Federal Circuit “for further consideration in light of *Bilski v. Kappos*.” (See related article in this issue.)

Reacting June 28 to the *Bilski* holding, Biotechnology Industry Organization President James C. Greenwood said in a press release, “This ruling specifically states that the ‘machine-or-transformation test is not the sole test for patent eligibility’ and recognized that the lower court’s ruling could have created uncertainty in fields such as advanced diagnostic medicine techniques.”

But Courtenay C. Brinckerhoff of Foley & Lardner, Washington, D.C., said, “Although the Supreme Court’s *Bilski* decision held that the test is not the ‘only’ way to evaluate compliance with 101, the Court validated the test as a useful ‘tool.’ Thus, the outcome in *Prometheus* appears to be wholly consistent with yesterday’s decision in *Bilski*.”

“The GVR could be a signal to the Federal Circuit that it should give more consideration to whether *Prometheus*’s methods might fall under one of the three exceptions to Section 101, such as by trying to claim a ‘natural phenomenon,’ ” she added.

Richard T. Mulloy of DLA Piper, San Diego, agreed. “There is nothing in *Bilski* that would narrow the scope of patentability in a way that would address the issues in *Prometheus*, so I expect the Federal Circuit will likely reach the same ultimate result as before,” he said. “The more interesting question in my mind is what ‘other limiting criteria’ the Federal Circuit will develop to analyze the claims under Section 101 in this context,” he added, citing the court’s final sentence before affirming: “In disapproving an exclusive machine-or-transformation test, we by no means foreclose the Federal Circuit’s development of other limiting criteria that further the purposes of the Patent Act and are not inconsistent with its text.”

The Supreme Court also issued a GVR in a pre-*Bilski* Section 101 rejection by the Federal Circuit of a method for determining an immunization schedule (*Classen Immunotherapies Inc. v. Biogen Idec*, U.S., No. 08-1509, judgment vacated 6/29/10).

“When the Federal Circuit revisits these cases, it likely will have to decide very important issues surrounding the patent-eligibility of certain diagnostic and personalized medicine methods,” Brinckerhoff said.

## More Cases for High Court in the Future?

“This may only be Round 1,” according to Mark C. Scarsi of Milbank, Tweed, Hadley & McCloy, Los Angeles. “With the Court evenly divided, there will be enough votes for cert on a future Federal Circuit opinion that moves towards one side or the other.”

Of course, with Stevens retiring and likely to be replaced by Elena Kagan, the ranks of those favoring categorical exceptions will at best remain level, he said.

Scarsi said, “One would expect Kagan to fit in with the liberal block that seems bent on eliminating business method patents. . . . One might expect, however, that Scalia may drift towards the conservative block in the future.”

Randy Lipsitz of Kramer Levin Naftalis & Frankel, New York, noted that the start of Kagan’s Senate confirmation and the release of the *Bilski* decision were simultaneous.

“The affirmance of the Federal Circuit decision which she argued in favor of as the solicitor general is a good omen for her,” Lipsitz said.

## The PTO’s First Reaction.

In a press release on the day of the opinion, the Patent and Trademark Office said, “The USPTO will be issuing guidance further interpreting the decision as soon as possible. The USPTO is distributing interim guidance for the examining corps today.”

The message to the examining corps reviews the court’s decision, then offers the following guidance:

Examiners should continue to examine patent applications for compliance with section 101 using the existing guidance concerning the machine-or-transformation test as a tool . . . . If a claimed method meets the machine-or-transformation test, the method is likely patent-eligible under section 101 unless there is a clear indication that the method is directed to an abstract idea. If a claimed method does not meet the machine-or-transformation test, the examiner should reject the claim under section 101 unless there is a clear indication that the method is not directed to an abstract idea. If a claim is rejected under section 101 on the basis that it is drawn to an abstract idea, the applicant then has the opportunity to explain why the claimed method is not drawn to an abstract idea.

The “existing guidance” the statement references is the agency’s “Interim Examination Instructions For Evaluating Subject Matter Eligibility Under 35 U.S.C. 101,” published Aug. 24 (78 PTCJ 530, 8/28/09).

## Impact on Patent Applicants; Worry For the Future.

The court was clear that a business method claim must be more than an abstract idea, mathematical formula, or law of nature, but “beyond that, there is an abyss of uncertainty,” according to James D. Hallenbeck of Schwegman, Lundberg & Woessner, Minneapolis.

Sterne said he was equally concerned. He asked, “What is an abstract idea? The fact that it can be represented mathematically? Practically anything can be modeled mathematically in the technological space.”

He questioned whether the “line of demarcation” is that “there is so much computation that in all practicality a person can’t do it.”

Sterne said that he was further concerned about the PTO’s memo to examiners.

“What they’re essentially doing is shifting the burden of proof,” he said. “How does the applicant prove a negative when there is no real definition of what an abstract idea is? This will create a whole new expense in

patent prosecution just to get into the gate of the examination process.”

He also wondered whether the demarcation will more often than not be determined without appellate review. The PTO’s Board of Patent Appeals and Interferences will be handling appeals from the examiners’ continuing rejections even after the applicant tries to show that something more than an abstract idea is claimed, Sterne said. But most of the BPAI’s decisions are not appealed.

“Applicants are going to be put to the test,” he said, “and examiners may be extremely arbitrary,” adding that the results could be “pretty ad hoc” for awhile.

Hallenbeck, a strong proponent of patentability of “information age” technologies, expressed less concern, getting some comfort from the facts of the instant case.

First, he noted to BNA the high court’s comment that “With ever more people trying to innovate and thus seeking patent protections for their innovations, the patent law faces a great challenge.”

And as to *Bilski*’s claims, he said, “It is important to note that the patent examiner of the *Bilski* patent application was up to the ‘great challenge.’ The patent examiner rejected *Bilski*’s application explaining that it merely manipulated an abstract idea—the same grounds upon which the Court unanimously decided the ineligible nature of *Bilski*’s claims. The patent examiner made the right decision.”

### ‘Bleed Over’ to Other Technologies.

In the “times change” part of the opinion, the court “affirmatively talks about the problems with the machine or transformation test bleeding over onto and creating uncertainty in technologies such as software, advanced diagnostic medicine techniques, inventions based on linear programming, data compression and the manipulation of digital signals,” Cynthia E. Kernick of Reed Smith, Pittsburgh, noted.

“So it is clear that the opinion is intended to be applied broadly,” she said, “and this makes sense because the PTO has been using the machine-or-transformation test across the board since *Bilski* issued in the Federal Circuit, and not merely to deny patentability to traditional business method claims.”

Sterne agreed that the opinion would “bleed over” to these and potentially other technologies, but that only meant to him that the problems he perceived for busi-

ness method application handling at the PTO would be extended across the board.

### Impact on Tax Strategy Patenting.

As one example of another patent area that would have preferred more clarity, commentary and concern from experts on patenting tax strategies was swift, with several same-day reactions.

“The policy issues behind the patenting of tax strategies are not addressed by this decision,” according to Michael J. Desmond of Bingham McCutchen, Washington, D.C., who was tax legislative counsel for the U.S. Department of the Treasury from 2005 to 2008. “I think that, as far as the tax community is concerned, the opinion is fairly narrow and there will continue to be a number of open questions as to the patentability to tax strategies.”

Ellen P. Aprill, a law professor at Loyola Marymount University, Los Angeles, also regretted the absence of guidance in the court’s opinion.

“The current state of affairs is thus muddled for all business method patents, including tax strategy patents, perhaps even more than before the decision,” Aprill said. “The decision heightens the need for legislation for those who believe that tax methods should not be patentable.”

Barry C. Melancon, president of the American Institute of Certified Public Accountants, issued a press release June 28 that renewed his organization’s call for Congress to ban tax strategy patents.

“Today’s Supreme Court decision in *Bilski v. Kappos*, while striking down a particular business method patent, does not stop the U.S. Patent and Trademark Office from continuing to issue tax strategy patents and the AICPA renews its call on Congress to act quickly to pass legislation to ban tax strategy patents,” Melancon said. “The AICPA believes that no one should have a monopoly on compliance with the tax code. Taxpayers should not have to face the threat of royalties or lawsuits from holders of tax strategy patents and no one should have to pay more tax than he or she lawfully owes because someone else purports to hold a patent on tax planning.”

By TONY DUTRA

*Dickinson is a member of this publication’s board of advisors.*

*Opinion at <http://pub.bna.com/ptcj/08964Jun28.pdf>*