

# Intellectually indecisive

## Patent attorneys say 'Bilski' ruling didn't give necessary guidance

### Intellectual Property

By Douglas J. Levy

A highly anticipated U.S. Supreme Court decision had intellectual property attorneys nationwide hoping it would provide clarity — a concrete legal measure — as to what kinds of patent claims were valid.

In the end, their hopes were dashed when the panel in *Bilski v. Kappos* rejected the lower court's suggestion of a "machine-or-transformation" test to determine the eligibility of a process for patenting.

As a result, "We don't have any closure today," said patent lawyer Charles A. Bieneman of Rader, Fishman & Grauer PLLC in Bloomfield Hills.



BIENEMAN

But, he said, it doesn't mean his clients who have particular patent claims will suffer.

"With respect to people who want to continue to protect their IP in general,

*Bilski* was positive in what it did *not* do, in that it didn't categorically exclude any particular set of subject matter from patentability. ..." Bieneman explained. "The status quo that was created by *Bilski* is as positive as it could have been."

It's a relief of sorts for Robert K. Fergan, who specializes in patent law at Brinks Hofer Gilson & Liono in Ann Arbor.

"The big issue for us was, for all the patents out there and applications out there — and there are thousands of patents of issued and thousands in the queue right now — whether those, in and of themselves, would be invalid and we wouldn't be able to get a patent on them," he said. "So they were in limbo, and we didn't know whether they were worthless."

### Clearer direction sought

In *Bilski*, the U.S. Court of Appeals for the Federal Circuit, which handles patent-related appeals, ruled that two inventors' request to patent a business method for hedging risk in buying energy was too abstract to qualify for patent protection.

That's because it didn't involve machinery such as computers or means of physical "transformation," but rather a method of mental computing, which, under the U.S. Patent Act, can't be patentable.

In turn, the appellate court suggested a machine-or-transformation test, which would have determined whether a business method would have been tied to a machine or apparatus, or whether it transforms one thing into something else.

Although that test wasn't adopted by the high court, Justice Anthony Kennedy's concurring opinion said that if the Federal Circuit creates another test based on the Supreme Court opinion, to distinguish what methods are patentable, they're welcome to do so.

This is a sign of the high court not being through with this matter yet, said Denise M. Glassmeyer of Troy-based Young Basile Han-

lon & MacFarlane P.C.

"There's more to come," she said. "The Supreme Court is becoming more active on the subject of intellectual property, and I'm grateful for it. And I think they *will* do more; patents, trademarks and copyrights are becoming a greater and greater part of our economy as manufacturing is waning. This is the business that people are in now."

Fergan agreed, noting that such guidance is crucial in the information age, as patent law, which was formulated in the industrial era, needs to reflect inventions that aren't always tangible.

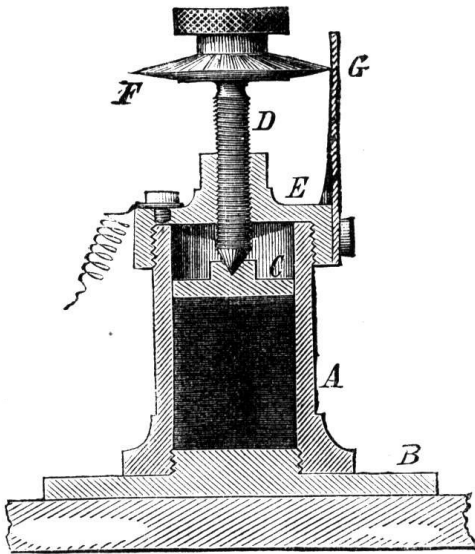
He pointed to online-based services as an example, which includes tracking customer activity and social network preferences, and figuring out proper advertising avenues based on them.

"We're very service-oriented, and there's a lot more of that driving the economy in the U.S.," he said. "If you look at business trends today, more than 60 percent of gross domestic product is the service industry, and 30 percent of that is in financial services. That's where you're seeing a lot of innovation, and that's where you see a lot of these business patents."

But Bieneman believes that the Federal Circuit is getting wary based on its previous decisions that the high court has struck down, and it's not likely a case like this will come through it again.



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“If any clarity is to come from this, it’ll have to be through patent reform legislation,” he said.

**How day-to-day’s affected**

However, because the machine-or-transformation test was discussed in the detail that it was, Fergan said it’s best for future patents to be tailored to reflect it.

“Many of these patents are computer-related in some aspect,” he said, “so going forward, you could probably find some way to get it within the realm of stuff that’s patentable.”

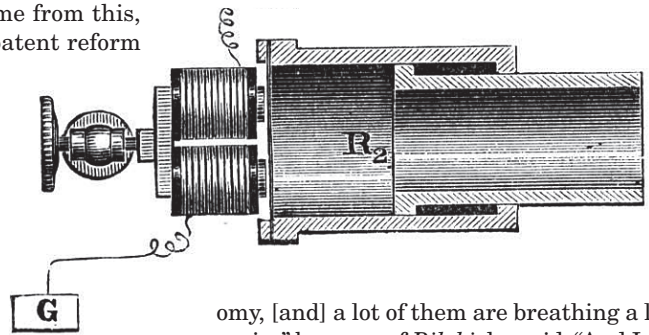
Fergan did note, though, that a small percentage of patent requests, including customer service and certain diagnostic procedures in the medical field, won’t meet that threshold, as they’d be deemed too abstract based on *Bilski*.

He predicted patent attorneys needing to draft claims for patents a bit narrower, but cautiously so, and advising clients about why it’s being done.

“The way I work with clients, I really try and help them understand the scope of patentability that they’ll get and help them apply that to their business case,” he said. “Because once your claim gets to a certain point where you narrow it far enough, so that it’s easier for other people to get around your patent, the value goes way down and it may not be worth them filing on it.”

Bieneman, however, predicted that the so-called “patent trolls” — non-practicing entities who own patents and assert them against people as a means of squeezing money out of the patents — will be more in force, as *Bilski* didn’t limit them by saying their methods weren’t valid.

“They’re a hindrance within the high-tech econ-



omy, [and] a lot of them are breathing a lot easier” because of *Bilski*, he said. “And I do feel bad when I hear, ‘This is great for all the lawyers,’ as it will be fodder for further litigation, which can be expensive and a drain. The court did not do anything to necessarily alleviate that.”

Glassmeyer said that such an assessment is a matter of perspective.

“I think that’s more endemic on where commerce is,” she said. “I don’t think the Supreme Court shut it down, but I don’t think that they’ve made it any bigger. And there are people who will say that there were opportunities missed.”

But whatever the ramifications of *Bilski*, she said, “The patent specialists will be unpackaging this for a very long time.”

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