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LEGAL ALERT

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Section 101 at the Federal Circuit After Bilski: These Process Claims Do Not Claim an Abstract Idea

On December 8, 2010, the United States Court of Appeals for the Federal Circuit issued its first opinion citing to the Supreme Court case of Bilski v. Kappos, 130 S. Ct. 3218 (2010) (hereinafter Bilski). In Research Corp. Technologies v. Microsoft Corp., No. 2010-1037 (Fed. Cir. Dec. 8, 2010) (hereinafter RCT v. Microsoft), the Federal Circuit held that the asserted process claims of two patents were not directed toward an abstract idea and, thus, satisfy the patent eligible subject matter requirements of 35 U.S.C. § 101, reversing the lower court.

Research Corporation Technologies (RCT) asserted six patents, U.S. Patent Nos. 5,111,310, 5,341,228, 5,477,305, 5,543,941, 5,708,518, and 5,726,772, against Microsoft Corporation, alleging infringement related to digital image half-toning technologies. At issue in this most recent appeal to the Federal Circuit is the ruling by the U.S. District Court of Arizona that the '310 and '228 patents are not directed to patent-eligible subject matter under Section 101, in addition to effective priority date disputes regarding the '772 and '305 patents.

Although briefed and argued prior to the Supreme Court's decision in Bilski, RCT v. Microsoft (authored by Chief Judge Randall Rader and joined by Judge Pauline Newman and Judge S. Jay Plager) presents the Federal Circuit's first published opinion citing to Bilski and interprets the "abstract idea" exception to patent-eligible subject matter since the Supreme Court's decision earlier this year. Citing to Bilski, the Federal Circuit stated "[t]he Supreme Court did not presume to provide a rigid formula or definition of abstractness. . . . Instead, the Supreme Court invited this court to develop 'other limiting criteria that further the purposes of the Patent Act and are not inconsistent with its text.' " RCT v. Microsoft, slip op. 14 (quoting Bilski, at 3231). In its opinion, the Federal Circuit took a seemingly lenient approach regarding abstract ideas, warning of too hastily reaching conclusions of abstractness under Section 101, and stating that "this court will not presume to define 'abstract' beyond the recognition that this disqualifying characteristic should exhibit itself so manifestly as to override the broad statutory categories of eligible subject matter . . . ." Id.

In support of its conclusion that the asserted claims are not abstract and, thus, eligible under Section 101, the Federal Circuit described the invention as presenting "functional and *palpable applications* in the field of computer technology." Id. at 15 (emphasis added). The court further reasoned that the requirement of certain hardware in the claims (e.g., film, printer, memory, display) also "confirm[s] this court's holding that the invention is not abstract." Id. According to the Federal Circuit, "inventions with *specific applications or improvements to technologies in the marketplace* are not likely to be so abstract that they override the statutory language and framework of the Patent Act." Id. (emphasis added). The court also clarifies that the inclusion of algorithms or mathematical formulas do not automatically render the subject matter ineligible under Section 101, citing to Diamond v. Diehr, 450 U.S. 175 (1981), as an example.

Of particular interest is that the Federal Circuit's "machine-or-transformation" test from Bilski was not mentioned or analyzed at all. However, the notions of "palpable applications" and "specific applications or improvements" appear to resonate with the earlier "useful, concrete, and tangible" test from State Street Bank Trust Co. v. Signature Financial Group, 149 F.3d 1368 (Fed. Cir. 1998), which was explicitly renounced by the concurring opinions and at least referenced with caution in the majority opinion of Bilski.

Accordingly, a reading of the Federal Circuit's position in RCT v. Microsoft suggests that conclusions of abstractness under Section 101 are to be reached sparingly, and likely not at all for inventions which are "palpable" and have specific application to existing technology. The Federal Circuit's approach appears to loosely follow the familiar "know it when you see it" approach of other courts – and here the Federal Circuit did not "see it." However, while the court was unwilling to readily stretch the bounds of the abstract idea exception, it did signal that other substantive hurdles under the Patent Act may nonetheless present problems for certain process-based patent claims, such as the written description and enablement requirements of Section 112.

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If you have any questions about this Legal Alert, please feel free to contact any of the attorneys listed below or the Sutherland attorney with whom you regularly work.

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