Challenging Subject Matter Patentability in Patent Litigation

Tom Morrow

23rd Annual Advanced Intell. Prop. Law Course

Austin, Texas

February 14, 2013

YetterColeman LLP

TRIALS | APPEALS

Section 101’s Broad Reach

Section 101 has impacted:

- Rubber-tipped pencil makers
- Chicken egg incubator makers
- Samuel Morse
- Alexander Graham Bell
- The Funk Brothers

What Would Jefferson Do?

Thomas Jefferson:

- author of 1st Patent Act
- first Commissioner of Patents

Bilski v. Kappos (U.S. 2010):

- Section 101's broad scope reflects Jefferson's philosophy that ingenuity should receive a liberal encouragement (majority, citing 5 Writings of T.J. 75-76)
- Jefferson was "skeptic of patents," "saw clearly the difficulty of deciding what should receive . . . the embarrassment of a patent" (dissent, citing 13 Writings of T.J. 335)

Section 101: A topic of "Supreme" Interest

Two Supreme Court decisions re S. 101 in 3 yrs

Cert granted in a third (*Myriad Genetics*)

Judge Rader's remarks

Myriad Genetics *amici* include:

- James Watson ("*Double Helix*")
- AARP
- American Civil Liberties Union

Cat’s in the Cradle, Pt. 1?

Federal Circuit guidance (*MySpace v. GraphOn*):

Trial courts should:

- “avoid the swamp of verbiage that is S. 101”
- “avoid murky morass that is S. 101 jurisprudence”
- decide 102, 103, 112 issues first

Cat's in the Cradle, Pt. 2 !

Claims dismissed under S. 101 *at 12(b)(6) stage*:

- *Ultramercial* (2010 WL 3360098) (C.D. Cal.)
- *Glory Licensing* (2011 WL 1870591) (D. N.J.)
- *OIP Techs.* (2012 WL 3985118) (N.D. Cal.)

- No claim construction
- No answer by defendant

Provocative quote in current issue, CALIF. LAWYER:

"The cases that receive the most exposure are often cases dealing with ridiculous claims that judges will want to kill as many different ways as they can. They can easily do it with obviousness or anticipation, but instead, they not only want to put the stake through the vampire's heart, they want to cut off its head and stuff its mouth with garlic, and so they go after it on 101 grounds also."

(Practitioner, CALIFORNIA LAWYER, at 42 (Feb. 2013))

1.Section 101 Fundamentals

Judicial decisions re S. 101 balance policies:

- Promote innovation, encourage ingenuity
- Manifestations of nature, even if newly found, are society's
- Scientific principles, even if newly found, always existed
- One's thoughts are one's own

Can't patent:

- Electromagnetism, $E=mc^2$, law of gravity
- Minerals, animals, plants that are newly discovered

What we'll cover

1. Section 101 Fundamentals
2. Challenges to processes
3. Challenges to products
4. Life Sciences challenges
5. On deck: *Myriad Genetics*
6. Strategies for successful challenges

1.Section 101 Fundamentals

Section 101:

“Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”

Nearly word for word from Jefferson’s draft (1793)……. “process” substituted for “art”

1.Section 101 Fundamentals

The three widely-accepted exceptions to patentability:

•Laws of nature

•Mental processes

•Abstract ideas

Problems…or Opportunities:

•Contours of the exceptions have proven difficult to articulate

•"All inventions at some level embody, use . . . apply laws of nature, natural phenomena or abstract ideas" (*Mayo*, 2012)

•No bright-line test, though no shortage of candidates

•Know it when we see it?

2. S. 101 Challenges to Processes

O'Reilly v. Morse (U.S. 1853):

"historical painter"… conversations on trip, Le Havre to NYC

Claim 8:

- "I do not propose to limit myself to the specific machinery . . . described in . . . spec and claims"
- "The essence of my invention being the use of . . . electromagnetism, however developed . . . for marking or printing at a distance"
- "Being a new application of that power of which I claim to be the first inventor or discoverer."
- Court: "Impossible to misunderstand the extent of this claim"

2. S. 101 Challenges to Processes

O'Reilly v. Morse (U.S. 1853):

- Claim 8 held unpatentable.
- Morse had not shown that electromagnetism ***always*** caused remote printing, with ***any*** type/arrangement of equipment
- His invention required certain equipment set up in certain way
- Not entitled to patent broader than specific process he found

- "Landmark decision" (*Flook*, *Diehr*) (Stevens, J.)

2. S. 101 Challenges to Processes

Cochrane v. Deener (U.S. 1876):

•Upheld patent on process for flour-making

•Influential language:

"A process is . . . an act, or a series of acts, performed upon the subject matter to be transformed and reduced to a different state or thing. If new and useful, it is just as patentable as is a piece of machinery."

•Beginnings of the "machine or transformation" test articulated 100 years later by Justice Douglas in *Gottschalk v. Benson*:

"Transformation and reduction of an article to a different state or thing is the clue to patentability of process claim not including particular machines"

2. S. 101 Challenges to Processes

Tilghman v. Proctor (U.S. 1880):

- Upheld patent on process for purifying fats, oils for soapmaking
- Made clear that processes were patentable

The Telephone Cases (U.S. 1888)

- Claim 5 of Alexander Graham Bell's patent on telephone
- "The method of and apparatus for transmitting vocal or other sounds telegraphically, as herein described, by causing electrical undulations . . . substantially as set forth"
- Upheld as patentable under *Morse*

2. S. 101 Challenges to Processes

Waxham v. Smith (U.S. 1935):

- Inventor found that eggs, in different stages of incubation, have different temperatures
- Knew "the natural law that heat units flow from warm to cooler objects placed in proximity"
- Created more energy-efficient incubator
- Staged eggs in order of incubation, applied air current
- Unpatentable as claiming law of nature?
- Patentable application of law of nature for novel result

2. S. 101 Challenges to Processes

Gottschalk v. Benson (U.S. 1972)

Unpatentable: Process using algorithm to convert binary coded decimals to pure binary

Would "preempt" use of mathematical formula

Court made clear that machine or transformation was not the only test

Parker v. Flook (U.S. 1978)

Unpatentable: Process for updating alarm limits (for chemical process control) using algorithm

Closer than *Benson*; Court concerned about post-sol'n activity

2. S. 101 Challenges to Processes

Diamond v. Diehr (U.S. 1981)

Patentable: Process to mold raw, uncured rubber into synthetic rubber using well-known Arrhenius equation

Court prized the step of controlling internal kiln temperature

Four dissenters, including an amazed Justice Stevens, author of *Flook*

Bilski v. Kappos (U.S. 2010):

Upheld Fed. Cir. invalidation of process claims to risk hedging

Rejected exclusive use of machine or transformation test

3. Section 101 Challenges to Products

Rubber-Tip Pencil Co. (U.S. 1874):

Hollowed-out rubber eraser, to be affixed to end of pencil

Unpatentable: Can't simply patent piece of rubber with a hole

Court: inventor must be claiming the idea of affixing to pencil

Funk Bros. Seed Co. v. Kalo Inoc. Co. (U.S.1948)

Discovery that certain bacteria could be mixed, used together as inoculant, w/o canceling each other out

One-size-fits-all insecticide

Unpatentable: merely claiming natural properties

4. Life Sciences Challenges under S. 101

Diamond v. Chakrabarty (U.S. 1980):

Patentable: Genetically engineered microorg. for breaking down crude oil

Mayo Collab. Servs. v. Prometheus Labs. (U.S. 2012):

Discovery: Correlations between metabolite concentration in blood, and effectiveness of drug dosage

Unpatentable: Processes used by doctors to treat patients by deciding whether dosage was too high or low

Not enough transformation to elevate to patentable process applying a natural law

5. On Deck: *Myriad Genetics*

Cert granted in part Nov. 30, 2012

Oral argument set for April 15, 2013

Question presented: “Are human genes patentable?”

6. Strategies for Successful Challenges

- Appreciate court's past treatment of 101 challenges
- Process patent issued under "useful, concrete, tangible result" test?
- Thoroughly ground challenge in Sup. Court precedent
- Assert early, or defer until patentee has committed itself?

Wrap-Up

- Timely topic with rich history
- Significant impact on life sciences, software fields
- May be used to challenge patent early, pre-*Markman*
- No bright-line test (multiple candidates rejected)
- Machine-or-transformation test “useful, important clue”
- Ground challenges in high court jurisprudence
- *Myriad Genetics* to be argued April 15
- Increasing challenges = more Fed. Cir., high court decisions?

YetterColeman LLP
TRIALS | APPEALS

909 Fannin Street, Suite 3600
Houston, Texas 77010
phone 713.632.8026
fax 713.632.8002

221 West 6th Street, Suite 750
Austin, Texas 78701
phone 512.533.0150
fax 512.533.0120

info@yettercoleman.com
www.yettercoleman.com