

# State of 101 MIPLA Stampede May 22, 2007

SCHWEGMAN ■ LUNDBERG ■ WOESSNER ■ KLUTH  
Intellectual Property Attorneys

PATENT PROTECTION FOR HIGH TECHNOLOGY

**Bradley A Forrest**  
Schwegman Lundberg Woessner & Kluth, P.A.

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Why do I say déjà vu? Because we went through this in the 80's and 90's already and thought we had it pretty well wrapped up. What happened? Attorneys did their job, and kept pushing the limits of what is patentable. The economy and technology moved on as well, doing more and more crazy stuff to make money. You can now order a pizza in make believe worlds, and a real pizza will be delivered to your door.

## Why 101?

- Examiners don't want to allow the next "one click" patent
- Can't find prior art
- Rolling rejections
- 101 rejections because claims are too broad/abstract
- Second pair of eyes pressure
- Attorneys trying to get broad/abstract claims

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Why is 101 rearing its head again? Criticism in the press? Retirement of friends that we wore down before? One more reason to reduce the chance the USPTO might look silly? Examiners want to avoid a second pair of eyes staring them down?

IBGC (Interest bearing gift card) example – argued that the everyone would like to have one of these, and it would not receive the adverse publicity of the one click patent.

PS: An executive of the defendant in the one-click case said that they wished that they had thought of it first.

It's just too broad a claim – I can't allow it.

Bad Press: FTC, NAS, media broadly interpreting claims, using a central claiming theory where the claims when interpreted in a peripheral claiming manner, were quite narrow. See the sideways swing patent – it had lots of patent profanity in it – absolutes, like parallel and perpendicular, that could have been used to limit the claims. It was reexamined by the PTO anyway. What a waste of time and effort. Some guy from MN...

## Overview

- Prior Supreme Court Cases
- Fed Circuit cases
- Interim guidelines – Oct. 26, 2005
  - [http://www.uspto.gov/web/offices/pac/dapp/opl/a/preognotice/guidelines101\\_20051026.pdf](http://www.uspto.gov/web/offices/pac/dapp/opl/a/preognotice/guidelines101_20051026.pdf)
- BAPI cases
  - Signal claims
  - Business methods
- Prosecution Hints

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With that backdrop, today I hope to help you handle some of the rejections that will be coming your way. It's not just for software anymore. I have now received 101 rejections for circuit method claims.

## §101 Supreme Court

- **Gottschalk v. Benson 1972**
  - Can't patent an idea – converting bcd to bc
  - Seeds of preemption
    - Only practical application is in a digital computer
- **Parker v. Flook 1978**
  - Applicant agreed that math was only novel feature
  - Post solution activity not enough – updating alarm limit

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We started off on the wrong foot. Both of these cases went against the applicant. Parker might be distinguished on the basis that the Applicant agreed that the only novel aspect was the algorithm. Perhaps the result would have been different if it was argued that the novel aspect was the application of the novel algorithm to obtain an alarm limit and use it in a process.

## Benson – claim 8

- 8. The method of converting signals from binary coded decimal form into binary which comprises the steps of
  - (1) storing the binary coded decimal signals in a reentrant shift register,
  - (2) shifting the signals to the right by at least three places, until there is a binary '1' in the second position of said register,

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Let's test the guidelines further. This claim was found invalid by the Supreme Court because it preempted the math.

## Benson claim 8 continued

- (3) masking out said binary '1' in said second position of said register,
- (4) adding a binary '1' to the first position of said register,
- (5) shifting the signals to the left by two positions,
- (6) adding a '1' to said first position, and

## Benson claim 8 continued

- (7) shifting the signals to the right by at least three positions in preparation for a succeeding binary '1' in the second position of said register.

## §101 Supreme Court

- Diamond v. Chakrabarty 1980
  - Anything under the sun that is made by man
- Diamond v. Diehr 1981
  - Math tied to practical result – opening the press when the algorithm said to do so.
  - Flook distinguished as only calculating a limit, and not applying it to a practical application.

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Now it looked like the supreme court got religion – first a life form was found patentable, then math tied to a practical result was found patentable.

## §101 Supreme Court

- In *Diamond v. Diehr*, math, standing alone is nothing more than an abstract idea until reduced to some type of practical application – (a useful, concrete and tangible result?)
- Will UCT follow TSM?

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*Diamond v Diehr* is the last great case on 101. The Supreme court seems ready to take it on. The Federal circuit has extrapolated this case to arrive at business methods being patentable.

# Diehr Claim 1 of 4,344,142

1. A method of operating a rubber-molding press for precision molded compounds with the aid of a digital computer, comprising:
  - providing said computer with a data base for said press including at least, natural logarithm conversion data ( $1n$ ),
  - the activation energy constant ( $C$ ) unique to each batch of said compound being molded, and
  - a constant ( $x$ ) dependent upon the geometry of the particular mold of the press,
  - initiating an interval timer in said computer upon the closure of the press for monitoring the elapsed time of said closure,
  - constantly determining the temperature ( $Z$ ) of the mold at a location closely adjacent to the mold cavity in the press during molding,
  - constantly providing the computer with the temperature ( $Z$ ),
  - repetitively performing in the computer, at frequent intervals during each cure, integrations to calculate from the series of temperature determinations the Arrhenius equation for reaction time during the cure, which is where  $v$  is the total required cure time,
  - repetitively comparing in the computer at frequent intervals during the cure each said calculation of the total required cure time calculated with the Arrhenius equation and said elapsed time, and
  - opening the press automatically when a said comparison indicates completion of curing.

## Diehr Claim 1 of 4,344,142

Short version of claim 1

provide data to the computer for the formula  
monitor temperature of press continuously  
and provide to computer

apply formula -  $\ln v = CZ + x$

open press based on formula

## Federal Circuit

- In re Alappat 1994
  - Is claim as a whole just a mathematical concept? Anti aliasing. Patentable machine.
- In re Lowry 1994
  - Data structures provide increased efficiency in computer operation - patentable
- In re Warmerdam 1994
  - Calculating bubbles – abstract
  - Memory with bubbles – patentable
- In re Beauregard 1995
  - Program embodied in tangible medium ok

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Then, the Federal Circuit got into the game in the '90s.

## State Street Holding

- **transformation of data** representing discreet dollar amounts, **by a machine** through a series of mathematical calculations into a **final share price**, constitutes a **practical application** of a mathematical algorithm, formula, or calculation, because it produces “**a useful, concrete and tangible result**” - a final share price momentarily fixed for recording...

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However, the claims in State Street included computer elements.

## State Street

- Anything under the sun made by man
- Useful, concrete, and tangible result
- No business method exception
- §§102, 103, or 112 to invalidate
- No business method classification

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Now we're in business.

## More Case Law

- *AT&T Corp. v. Excel Communications, Inc.*  
172 F.3d 1352 (Fed. Cir. 1999)
  - Key is useful, concrete, & tangible result
  - Do not need physical limitations in claims
  - Data does not need to be transformed

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Involved the keeping track of carriers so you can allocate the long distance charges correctly. As in *State Street*, this case involved money. Seems like things having to do with money are patentable regardless of how abstract. Wow, *State Street* extended – no hardware needs to be claimed! Data does not need to be transformed. This case really seems to indicate that lots of stuff is patentable.

## Summary Post State Street (with a grain of salt)

- Question is not what category a claimed invention falls into, but whether the essence of the claimed invention achieves a useful, concrete, & tangible result
- Data does not need to be transformed just applied to achieve a useful, concrete, & tangible result
- Programs are patentable subject matter
- Pure business method can be patentable subject matter
- Rejections should focus on novelty and obviousness and not whether the subject matter is appropriate

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If you believe this, I have a bridge I would like to sell you via the internet. It's a virtual bridge, but you can collect immortality points and be king or queen of a virtual kingdom. By the way, you can also sell your immortality points to other game players and get real money for them.

## Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility

- [http://www.uspto.gov/web/offices/pac/dapp/opla/preognotice/guidelines101\\_20051026.pdf](http://www.uspto.gov/web/offices/pac/dapp/opla/preognotice/guidelines101_20051026.pdf)
- Posted 10/26/2005

## 10/26 Guides

- Abstract idea, law of nature, or natural phenomenon (Judicial Exceptions)
- Eligible if a practical application is claimed
  - Physically transforms an article or physical object
- Or
- Otherwise produces a useful, concrete and tangible (UC&T) result

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Should be patentable unless it falls within the judicial exceptions. However, even if it does, it can still be eligible for protection if a practical application is claimed as evidenced by either:

## 10/26 Guides

- Judicial exception or practical application of a judicial exception?
  - Final result achieved UC&T
  - **Not whether steps are UC&T**

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Seems to boil down to this – if judicial exception, is it a practical application? Look at final result achieved to determine whether this final result is useful, concrete and tangible. Do not look at the individual steps.

## Useful Result

- Utility – MPEP 2107
  - Specific
  - Substantial
  - Credible
- May need to state the practical application in the claim to distinguish the judicial exceptions
- Claim can't be broader than spec that discloses a practical application

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Same as utility

## Tangible Result

- Recite more than judicial exception
- Produce a **real world result**
- Opposite of abstract
- Is this another way to say it has a practical application?

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Practical application

## Concrete Result

- Substantially **repeatable**
- Opposite is unpredictable
  - How do you define the result?
- Is this just enablement plus something?

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Enablement, or is it enablement plus something? The result is the result of the claim as a whole, not the individual elements. Is the “final share price” fixed for recording repeatable?

## Can't Preempt an Exception

- Cannot claim every substantial practical application
- Examiner must identify the abstraction, law of nature or natural phenomenon and explain why the claim covers every substantial practical application thereof
- Appears like a heavy burden, but how granular can the exception be identified?

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What is meant by a preemption? Are we lost yet?

## The Guidelines in Reality

- Cases can be decided arbitrarily under the guidelines
- Merely state that there is no practical application and argue it
- Argue preemption
- Argue it is not tangible – too abstract
- Board criticizes guidelines
- Examiners trained on guidelines
- It's a mess

## Annex III

- If all the steps of a claimed process can be carried out in the human mind, examiners must determine whether the claimed process produces a useful, tangible and concrete result, i.e., apply the practical application test set forth in State Street.

## Annex IV

- Functional descriptive material that imparts functionality when employed as a computer component.
  - Ok if on computer readable medium
- Nonfunctional descriptive material not ok whether on computer readable medium or carrier signal

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Fine line on this one with respect to what can be perceived by a computer as functional descriptive material. Bar codes on paper could be scanned and perceived by a computer. How about a natural language compiler that translates a sentence written on paper into operable code?

## Abstractions

### Functional vs Nonfunctional

- Hand coded machine language
- Assemblers and Macro processors
- Compilers and Interpreters
- High level languages – Fortran, Cobol
- Object oriented – Visual Basic
- Natural language compiler
- “Generate a program that opens the rubber press when the rubber is properly cured”

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Where do the varying levels of abstraction cross the line and become merely descriptive material that does not impart functionality to a machine. Clearly here, even the last bullet can provide such functionality to a computer, but should it really be patentable? It is also clearly just an abstract idea – as abstract as “I want to build a flying machine”. You can’t patent an abstract idea.

## Annex IV Signal Claims

- Not a process
  - Not a series of steps
- Not a machine
- Not a composition of matter
- Not a manufacture – not physical
- Thus, not within the 101 classes

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How is infringement determined when one or more elements are stored outside the US? Does it solve the problem of a method having to have all steps in the US to infringe a US patent? 271g?

## Annex IV Signal Claims

“On the other hand, from a technological standpoint, a signal encoded with functional description material is similar to a computer-readable medium encoded with functional descriptive material, in that they both create a functional relationship with a computer. In other words, the computer is able to execute the encoded functions, regardless of whether the format is a disk or a signal.”

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PTO had second thoughts – could not make up their minds. So, let's just reject and see what the court's say.

## Signal Claims

- In re Nuijten - 09/211,928 Watermarking
- Argued before CAFC in Early February – Appeal No. 2003-0853

## Nuitjen Claim 14

- A signal with embedded supplemental data, the signal being encoded in accordance with a given encoding process and selected samples of the signal representing the supplemental data, and at least one of the samples preceding the selected samples is different from the sample corresponding to the given encoding process.

## In re Nuijten

- Board - Barrett
  - Claimed signals lacked physical properties
    - Not within four categories of patentable subject matter
    - Just an unpatentable abstract idea
  - Also - electrical signals are per se intangible energy - not tangible article
    - Already found the claimed signal lacked physical properties

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Board went beyond just saying that signals lack physical properties, and said that electrical signals are per se intangible. Apparently none of them have experienced lightning, or have a defibrillator.

## In re Nuijten

- IPO Amicus Brief Submitted in support
  - No tangibility requirement for article of manufacture imposed by courts
  - Electrical signals are capable of being perceived and are tangible
  - Transitory nature does not render intangible

## Signal Claims

- Why do you want one?
- Direct Infringing act each time copy is transmitted – no 271g problem?
- Take your hand out of that microwave
  - Signals that cook are not an abstraction

## Ex parte CARL A. LUNDGREN

- Oct. 2005
- Appeal No. 2003-2088
- Precedential expanded panel decision
- Claim: Compensating a manager based on absolute and relative performance.
- No computer recited.

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This was a claim for compensating a manager based on absolute and relative performance. The examiner was rejecting the claims because it was not within the technical arts. One more case having to do with money. Need I tell you how the board came out?

## Ex parte CARL A. LUNDGREN

- 3 to 2 decision with long dissent.
- No “technical arts” requirement.
  - Did not address whether claim was to an abstract idea.
  - Not rejected for lack of useful concrete and tangible result.

## Ex parte CARL A. LUNDGREN

- The examiner finds the separate "technological arts" test in In re Musgrave, 431 F.2d 882, 167 USPQ 280 (CCPA 1970); In re Toma, 575 F.2d 872, 197 USPQ 852 (CCPA 1978); and Ex parte Bowman, 61 USPQ2d 1669 (Bd. Pat. App. & Int. 2001)(non-precedential).
- Board: No support in these cases for a "technological arts" test.

## Ex parte CARL A. LUNDGREN

- Dissent - Barrett
  - Not part of “useful arts” per constitution
  - Means the same as “technological arts”
  - Invention must in some manner be tied to a recognized science or technology
  - In addition to not being merely abstract idea, a law of nature or a natural phenomenon

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This is kind of similar to the approach being taken in Europe, and it would serve you well to include technical stuff in your application. In essence, the dissent says it can't be within the judicial exceptions, and in addition, it has to be technical.

## Cases Currently Appealed to CAFC

- In re Nuijten – signal claim (discussed above)
- In re Bilski – method of managing commodity risk
- In re Comiskey – method of mandatory arbitration for contracts

## In re Bilski

- A method for managing the consumption risk cost of a commodity sold by a commodity provider at a fixed price comprising the steps of:
- (a) initiating a series of transactions between said commodity provider and consumers of said commodity wherein said consumers purchase said commodity at a fixed rate based upon historical averages, said fixed rate corresponding to a risk position of said consumer;
- (b) identifying market participants for said commodity having a counter-risk position to said consumers; and
- (c) initiating a series of transactions between said commodity provider and said market participants at a second fixed rate such that said series of market participant transactions balances the risk position of said series of consumer transactions.

## In re Bilski

- Applicant admits
  - Claims not tied to physical structure
  - Do not recite a transformation of matter or data

## In re Bilski

- Board – Barrett
- Follows dissent in Lundgren
- Claims are broad enough to cover performing steps without any machine or apparatus.
- Transformation test:
  - No physical transformation of physical subject matter from one state to another
  - No transformation of data by algorithm

## In re Bilski

- Abstract Idea Exclusion
  - Claims are “so broad that they are directed to the “abstract idea” itself.”
    - No practical application of abstract idea
  - Not instantiated in some physical way
  - Preempts every way of performing abstract idea

## In re Bilski

- No useful, concrete and tangible result
  - Opposite of abstract idea – requires some physical instantiation
  - Barely discussed

## In re Bilski

- Not controlled by State Street or AT&T because they transformed data by use of a machine.
- Cites oral arguments in *Metabolite* and the *Pirates of the Caribbean* (Disney 2003)

## In re Bilski

“The technology requirement implied by ‘technological arts’ is contained within the definitions of the statutory classes.”

## In re Bilski – AIPLA Brief

- Reject requirement that a claim that includes an abstract idea requires a transformation of physical subject matter from one state to another
- Instead, does claim as a whole describe a practical application of a process with a useful result
- *Diamond v Diehr* – practical application of an abstract idea may be patentable

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## In re Bilski – AIPLA Brief

- Describes how the practical application test is consistent with other Federal Circuit and Supreme Court cases.
- 102, 103 and 112 counterbalance 101
- If claims too broad – 112
- O’Reilly v Morse
  - Claims allowed to uses of electromagnetism for telegraph, but rejected claim to use of “electromagnetism for marking or printing intelligible characters, signs or letters, at any distance.”
    - Claims beyond what he described – too abstract

## In re Bilski – AIPLA Brief

- Claims directed to practical application with useful result
  - Managing hedge commodity consumption risk costs

## US Patent No. 853,852

- I claim as an article of manufacture, a two part insurance policy consisting of a paper containing an insurance contract provided with suitably designed spaces for the signature of the insurer and that of the insured combined with a postal card, both bearing a number or mark of identification, and the postal card bearing also printed reference to the contract paper and the beneficiary thereof, substantially as described.

## In re Comiskey

- 101 raised for first time at CAFC
- Claims a method for mandatory arbitration resolution regarding one or more contractual documents
- Some claims contain “modules”
- No machine implementation required

## In re Comiskey

- 1. A method for mandatory arbitration...
  - enrolling a person...
  - incorporating arbitration language...
  - requiring a complainant to submit a request for arbitration...
  - conducting arbitration resolution...
  - determining an award or decision for the contested issue...

## In re Comiskey

- USPTO
  - No subject matter transformation, tangible or intangible
  - Only claims an abstract idea
  - UCT not applicable because no method is claimed that transforms data
    - Even if applied, no UCT result
    - Decision of arbitration is not reliable or repeatable
    - If computer decided based on math – might be ok!

## In re Comiskey

- USPTO
  - Utility may depend on law of the state, not law of nature – therefore, no real utility?

## Claims too Abstract

- In re Warmerdam 31 USPQ2d 1754 (CAFC 1994)

## In re Warmerdam

31 USPQ2d 1754 (CAFC 1994)

- 3 Judge Panel
- Avoiding objects with a robot by representing them as bubbles, and as a bubble is encountered, breaking it into a further set of smaller bubbles. Bubble hierarchy. (admitted old) new – placing the bubbles “along the medial axis of the object”. More efficient computations.
- Claim1 has two steps that “describe nothing more than the manipulation of basic mathematical constructs, the paradigmatic ‘abstract idea.’” Combining multiple abstract ideas and manipulating them together adds nothing.

## In re Warmerdam

- 1. A method for generating a data structure which represents the shape of physical object in a position and/or motion control machine as a hierarchy of bubbles, comprising the steps of:
  - first locating the media axis of the object and
  - then creating a hierarchy of bubbles on the medial axis.
- 5. A machine having a memory which contains data representing a bubble hierarchy generated by the method of any of claims 1 through 4.

## In re Warmerdam

- Claim 5 was argued to not be a product by process, because it is not clear how a memory is produced. The bubble hierarchy is not an exact and well defined data structure.
- There is no requirement that a claim for a machine which incorporates process steps conform to the conventional definition of a product by process claim. One of skill in the art would have no difficulty given the recitations, producing a machine with such a memory.
- Claim 5 passes 101 hurdles

## In re Warmerdam under Guidelines

- Claim 1 clearly states in the preamble that it is in a machine.
- Result is more accurate representation of objects for the machine to avoid
- May be judicial exception
- Not preempted
- Is useful, concrete and tangible
- AT&T – while you may not agree with conclusions on the facts of Wamerdam, it only stands for not patenting laws of nature

## Abstract Rejections

- Warmerdam is being used to reject claims for being too abstract.
- Very subjective rejection that is futile to argue against.
- Compare your claims to those already allowed in the Supreme Court and Federal Circuit cases.

## How Abstract?

- Benson – bcd to bc
- Flook – alarm limit
- Diehr – open rubber press
- State Street – computer involved - \$ amount
- AT&T – switches involved – generates a record for each call with value for selected carriers
- Lundgren – no computer – transfer \$ to manager
- Metabolite – a test and a thought

## Example of Abstractions

- I claim a flying machine.
- I claim a method of turning a flying machine
- I claim a method of warping the wings to turn the flying machine
- I claim cables coupled to the wings and a stick to allow the pilot to warp the wings to turn the flying machine

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I think there is a tension in the USPTO about allowing claims that look too broad, but they can't find prior art. This leads to the rolling rejections, and my favorite "broadest reasonable interpretation". The first and second are very broad, and thus inherently abstract. In other words, they are basically the idea without any implementation detail. It is similar to the inability to copyright an idea. The classic copyright cases refer to various levels of abstraction, which at some point result in copyrightable expression. General plots, such as boy meets girl; boy meets girl and their parents don't like it; boy meets girl and their parents don't like it, and they commit suicide. Once you start to add details to the characters, it becomes expression.

## A real world example

- Claim 1 – A printer comprising A, B and C.
- Claim 2 – The printer of claim 1 and further comprising a module to do x.
- Claim 1 was not rejected under 101.
- Claim 2 was rejected under 101.
  - No practical application
  - A module could be on paper or memorized
- If your claim is considered too abstract, it will get rejected.

## PTO Recommendations

- The manipulation of data that represents a physical object or activity transformed from outside the computer
- A physical transformation outside the computer, for example in the form of pre or post computer processing activity.
- A direct recitation of a practical application in the technological arts.
- MPEP 2106.IV.B2(b)(i)

## Dealing with Rejection

- Practical experience with examination:
  - Examiner wants to see a more verbose preamble where a data structure is in a tangible or physical medium and used for a specific purpose
  - These limitations do not necessarily have to be reflected anywhere in the body of the claim
  - Without a more verbose preamble, Examiner may require structural limitations in the body of the claim

## Signal Claim Hints

- Currently will be rejected
- Alternative for signal claim
  - The signal usually will cause something to happen – focus on what will happen
  - A method comprising
    - Causing a device to display or transform information contained in a signal
    - Causing a device to separate information in a received signal to do x,y,z

## Dealing with Rejection

- Results can vary, if you get a 101 rejection call the Examiner, you may be surprised how in most instances the Examiner will only want very minor and non substantial changes in the way the claim's preamble is worded, this reduces unnecessary prosecution history and chances that Festo may apply in any subsequent litigation

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In one application, a database was recited. The examiner said it could be paper database. I added "computer" in front of database, and the case was allowed. Good thing I didn't broaden the definition of computer to include a person with pencil and paper. Would a pen have made a difference? It was an invention that came after the pencil. Why is a computer enough of a technology to matter? In other words, a pencil was also an invention at one time.

## Summary

- Include safe claims that are clearly tied to a practical application
- Waiting for case law
- Design claims around need for signal claim
- Limit signals to physical media

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(This summary was written prior to the new 10/26/2005 guidelines – we may now see the flood gates opened, and business method patents being allowed. However, unless the PTO management changes quickly, my original summary may still apply) I don't see a whole lot of change in the way the PTO is dealing with business method related patents. The PTO has taken many public hits for allowing "inflammatory" patents. Much of the adverse press comes from portraying the title of the patent as the scope of the patent. Business method patents are blazing the same path that software patents blazed in the 80's. I believe that the process will be similar. One or two more CAFC decisions will pave the way to protection of intellectual assets that are a larger and larger percent of the value of businesses today. Thus, we should keep filing these types of patents, and continue to be creative in drafting claims to properly cover them. That is our professional responsibility.

# 101 Court Decisions

## Epilog

- New rules and past decisions
- Newer Rules in the Works
- USPTO interpretation of existing rules varies widely – leaning toward just saying the claims are too abstract.
- Issue rate for business methods = 19%
- Issue rate for All = 51%

## Benson

- Cites O'Reilly v. Morse, 15 How. 62
  - Allowed a patent for the use of electromagnetism to produce distinguishable signs for telegraphy
  - Denied “electromagnetism, however developed for marking or printing intelligible characters”
    - No real process identified in claim – too broad – too abstract – just an idea.

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This one actually makes a lot of sense – don't patent ideas. How abstract is the claim? This should be the only question. To that extent, the guidelines make some progress.