

## Patent Law 101 for Prophets: *Comisky*, *Bilski* and the Wild Blue Yonder

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*Grown-up people really ought to be more careful.  
Among themselves it may seem a small thing  
to give their word  
and take back their word.  
Kenneth Grahame [1859-1932]*

### (I) Horns of the Dilemma

As we patent lawyers know, Section 101 of the Patent Act of 1952 (herein “the ‘52 Act”) is not the “end all and be all” in determining what is, and what is not, a patentable claim. Rather, it is a threshold consideration. If the claim passes muster under Section 101, then other considerations come into play, not the least of which is whether the claimed invention is, or is not, obvious under Section 103 of the ‘52 Act.

Query: should the barrier that is imposed by Section 101 be a high one, or a low one? The Supreme Court’s Opinion in *Chakrabarty*, as well as the legislative history of ‘52 Act itself, dictate that the barrier should be low. Put succinctly, “Congress intended statutory subject matter to include anything under the sun that is made by man.” *Chakrabarty*, 447 U.S. at 309 (quoting S. Rep. No. 1979, 82<sup>nd</sup> Cong., 2d Sess., 5 (1952)).

Nonetheless, the Supreme Court, going back at least as far as *Gottschalk v. Benson*, has made it crystal clear that not every “process”-type invention passes muster<sup>1</sup> under Section 101. Rather, inquiry need be made to resolve the question as to “whether the method described and claimed is a ‘process’ within the meaning of the Patent Act.” *Gottschalk v. Benson*, 409 U.S. 63, 64 (1972).

There is a practical reason as to why Section 101 should act as a gatekeeper to preclude the patentability of process claims directed to so-called “mental steps”, i.e., processes that can be carried out in one’s head. It is virtually impossible to search for, much less uncover, prior art relating to mental processes that may have been floating through peoples’ minds a year ago, or a century ago for that matter.

Accordingly, “tethering”<sup>2</sup> of the mental process to the real world is necessary in order to permit comparison of the process invention against relevant prior art in an effort to determine if the invention provides *inter alia* the requisite level of unobviousness over the art, as mandated by Section 103 of the ‘52 Act. In this regard, the Supreme Court has reasoned that if the mental process is tied to a particular apparatus, such as a computer, this can provide the needed tethering to the real world. See *Flook* 437 U.S. at 588 n. 9.

<sup>1</sup> See generally Carlson, D.L., “International Protection of Computer Programs”, 3 Syr. J. Int’l Law & Com. 205, 219 (1975).

<sup>2</sup> “Tethering” is a term coined for use in this context by David F. Ryan, a scholar of patent law and member of the Board of Directors of the NYIPLA.

The issue of tethering arose in the Federal Circuit's consideration of *Comiskey* last year, and arises again in its upcoming *En banc* Rehearing in *Bilski* slated for next month. Regarding *Bilski*, we may wonder whether the Federal Circuit should try to preclude the Supreme Court's re-visiting its Section 101 guidance provided in *Chakrabarty* by preemptively setting out a standard that they may believe some current Justices on the Supreme Court would like to see set out. This author thinks not, for at least the reasons offered below.

## **(II) Backdrop To the Dilemma - Recent Supreme Court Activity in Patent Matters**

If recent Supreme Court Opinions in other patent matters afford any semblance of insight as to future rulings, there is reason to believe that the currently-constituted Supreme Court may not properly understand the distinction to be had between what is patentable subject matter under Section 101, and what is patentable subject matter under Section 103, and the fact that an invention can pass muster under both criteria and still not be a patentable invention. The High Court also may not appreciate the fact that Section 101 and 103 need to be considered in sequence, not at the same time or in combination. A worst-case scenario is that the High Court might, wittingly or not, blur the distinction between these two sections altogether, a result that would work to the detriment of patent law and the public alike.

In overturning a century-and-a-half of patent law construction, and in an apparent misunderstanding of the Constitutional imperative that is uniquely bestowed upon patent and copyright holders, the Supreme Court clearly got it wrong in its recent *Ebay* decision. The High Court concluded that, absent passing muster under the so-called four-factor test, including a showing of irreparable harm by the patentee, there is no entitlement by the patent holder to a permanent injunction against an infringer of the patent's claims. That construction would doubtless cause Judge Giles S. Rich, a drafter of the '52 Act<sup>3</sup>, to roll over in his grave. During his decade-an-a-half of teaching patent law at Columbia University Law School, he lectured his class each year about the "right to exclude" that is necessitated by virtue of the words "exclusive right" recited in Article I, Section 8, Clause 8, of the Constitution.

The Supreme Court seemingly selectively construed the words "in accordance with the principles of equity" of Section 283 of the '52 Act in an apparent effort to fit patent law into a convenient "cubby hole" of the general law, to the detriment of patent holders, and the public at large. In doing so, it violated a clear Constitutional mandate and the unambiguous wording of Section 154(a)(1) of the '52 Act stating that "Every patent shall contain a short title and a grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States..." [emphasis inserted].

The Supreme Court also exhibited flawed reasoning in its recent Opinion in *KSR* when it added a "common sense" test to the Teaching, Suggestion and Motivation tests propounded by the Federal Circuit during Judge Rich's tenure on that Court and beyond. In doing so, the Supreme Court has gone a long way to cause patent law to regress back to a time before the creation of the Federal Circuit - a time when uncertainty and lack of uniformity in patent decisions by the various circuit courts of appeals were the order of the day<sup>4</sup>.

<sup>3</sup> Judge Rich was also President of the NYIPLA for the 1950-51 term preceding the '52 Act's coming into force.

<sup>4</sup> See Carlson, D. L., "New Patent Court: It's a Good Idea", N.L.J., Dec. 10, 1979 p. 15.

We may wonder what possessed the High Court to do what it did in *Ebay* and *KSR*, among other recent patent cases it has entertained during the last few years. Perhaps it paid undue heed to the derogatory and pejorative comments made in today's popular press regarding the likes of: (a) "patent trolls" waiting to take their toll on hapless patent infringers, (b) "worthless patents" that some say should not be gettable in the first instance, and c) "gold-plated" patents that some propose should be obtainable for those well-heeled enough to front a half-million dollar dowry.

Fortunately, the Supreme Court's recent deleterious effects on a strong patent system, and the positive effects that such a strong system tend to have on the U.S. economy as a whole, can be obviated legislatively - not under the frame-work of the proposed patent reform initiatives currently pending in Congress that largely tend to weaken the patent system, but rather by legislatively redressing *Ebay* and *KSR*, among others.

In view of their recent track record in the patent arena, neither we patent lawyers, nor the public-at-large, might wish the current constituency of the Supreme Court to meddle with its predecessor Justices' construction of Section 101 as delineated in *Chakrabarty*. Nonetheless, the threat that they might should not deter the Federal Circuit from relying on the good guidance provided by *Chakrabarty*, *Flook*, *Benson*, and its own recent rulings, for insight as to how it should opine in its upcoming Rehearing in *Bilski*. If the current constituency of the Supreme Court expresses its displeasure with yet another Federal Circuit decision, the High Court faces further legislative redress to set things right.

### **(III) Common Sense of *Comiskey***

This author believes that Judge Dyk got it right in the Opinion he wrote in *Comiskey* on behalf of himself, Chief Judge Michel, and Judge Prost. In that Opinion, Judge Dyk set out a reasonable line of demarcation between nonstatutory abstract ideas and real-world tethering of those ideas as a basis for providing statutory subject matter under Section 101. Claims<sup>5</sup> relating to a method of mandatory arbitration that were not tethered were held to not pass muster under Section 101. On the other hand, claims<sup>6</sup> combining arbitration "mental process" methodology

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<sup>5</sup> Illustratively, claim 1 reads as follows: 1. A method for mandatory arbitration resolution regarding one or more unilateral documents comprising the steps of:

enabling a person to enroll or register himself or herself and his or her one or more unilateral documents in a mandatory arbitration system;

providing language for insertion in the unilateral document wherein the arbitration language provides that any challenge to the unilateral document is to be presented to the mandatory arbitration system for binding arbitration;

enabling a complainant to submit a request for arbitration resolution;

conducting arbitration resolution;

providing support to the arbitration; and

determining an award or a decision that is final and binding.

<sup>6</sup> Illustratively, claim 17 reads as follows: 17. A system for mandatory arbitration resolution regarding one or more unilateral documents comprising:

a registration module for enrolling or registering the person who is executing and the one or more unilateral documents in a mandatory arbitration system;

an arbitration database for storing arbitration language for insertion in the unilateral document wherein the arbitration language provides that any challenge to the unilateral document must be presented to the mandatory arbitration system for binding arbitration and for providing this arbitration language to the enrolling person;

with the utilization of a machine, such as a general purpose computer, were held to pass muster under Section 101. These claims were remanded to the PTO for consideration as to obviousness under Section 103. By way of cautionary comment for the remand, the Court observed that the “routine addition of modern electronics to an otherwise unpatentable invention typically creates a *prima facie* case of obviousness.”

Of course, the King Solomon-esque split regarding which process claims pass muster under Section 101, and which do not, may appear unsatisfactory to some, such as the Appellants in *Bilski*, who may be concerned that their claim 1 might not survive under this standard. Others, such as the U.S. Patent & Trademark Office (“PTO”), may hope that the line of demarcation between Sections 101 and 103 becomes blurred or amalgamated, resulting in the exclusion of various fields of endeavor from the patenting possibility in the first instance.

Apropos of the PTO’s position, Footnote 5 at page 16 of the PTO’s Supplemental Brief for the Hearing *En Banc* in *Bilski* is particularly problematic. It suggests that an “advance over the prior art” [read “invention”] that “involves only an advance in a field of endeavor such as law (as in *Comiskey*), marketing, or other liberal (as opposed to ‘useful’) arts” might not pass muster under Section 101. That footnote appears to improperly blend aspects of Section 101 with those of Section 103. Further, the footnote slyly labels inventions in fields like marketing and law as belonging to the “liberal arts”, and thus outside of the realm of the “useful arts” that are amenable to patent protection. Stamping the “liberal arts” moniker on these fields might have the practical effect of causing the fields to be perceived by the unwary largely as fanciful creations, idle curiosities, or merely inventions of passing academic interest, rather than as real-world advances having value to patent-holders and would-be patent infringers alike. Evidence that such advances are indeed having a real-world impact presumably underlies current lobbying efforts in Congress to legislatively exclude inventions pertaining to tax planning strategies from the realm of patentable subject matter.

The PTO’s Supplemental Brief for the Hearing *En Banc* in *Bilski* also suggests, at page 14 thereof, that the PTO may wish the Federal Circuit to preclude a nonstatutory process that is tethered to an apparatus/structure from becoming statutory if it contains only “nominal recitations of structure”. The stated reason is to “prevent clever claim drafting from circumventing the principles underlying the Supreme Court’s interpretation for [sic - “of”] ‘process’.”

Query: should the Federal Circuit be concerned about “token tethering” whereby a process embodying an abstract idea that may involve “mental steps” is tethered to a structure, such as a general purpose computer, in order to cause the process to be “tied to a particular apparatus” in accordance with the guidance afforded by *Flook* 437 U.S. at 588 n. 9?

This author believes that the answer should be a resounding “NO”. Tethering, no matter what the reason or how “token” it is, even if it is the result of clever claim drafting, has the laudable and useful effect of “grounding” the claim to a real world field of endeavor. Once the

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an arbitration resolution module for enabling a complainant to submit a request for arbitration resolution;  
and

a means for selecting an arbitrator from an arbitrator database to conduct an arbitration resolution, for providing support to the arbitrator, and where the arbitrator determines an award or a decision that is final and binding.

patent applicant declares the field into which his or her process is directed to, by announcing it via the tether, the patent examiner is in a position to conduct prior art searching in that field in an effort to determine whether the invention is obvious under Section 103.

For this reason, any tethering, no matter how token, of the otherwise nonstatutory process claim, should suffice to enable the claim to pass muster under Section 101. Then the analysis properly proceeds *inter alia* to a Section 103 inquiry in order to determine whether the invention is obvious over the relevant prior art, keeping in mind Judge Dyk's observation in *Comiskey* regarding the likelihood of a *prima facie* case of obviousness being established under these circumstances.

#### **(IV) Building Upon *Bilski***

In its upcoming Hearing *En Banc* in *Bilski*, the Federal Circuit has at least three options to consider. One option is to conform its analysis to the line of demarcation established by its ruling to that in *Comiskey*. Under that option, it is likely that claim 1<sup>7</sup> at issue in *Bilski* relating to a method of hedging risk in commodities transactions will be found to be unpatentable subject matter under Section 101, for the simple reason that, unlike claim 17 of *Comiskey*, the *Bilski* claim under its broadest reasonable interpretation, would not require the use of a device such as a general purpose computer in order to render the claimed method "tied to a particular apparatus". Hence, the Court might reasonably conclude that no tethering of any kind exists in that claim, not even token tethering.

As a second option, the Federal Circuit may reconsider its ruling in *Comiskey*, and drop the requirement that a process claim directed to abstract idea be tied to a device in order to pass muster under Section 101. Although this scenario might allow *Bilski*'s claim 1 to pass muster under Section 101, it is not an inviting scenario since it would open the door to a ruling by the Supreme Court that, at best, concludes that the patent claim doesn't comport with the requirements set forth in *Flook*, and, at worst, invites a narrowing reconsideration of *Chakrabarty*'s broad perspective on the limits of patentable subject matter.

As a third option, the Federal Circuit may reconsider its ruling in *State Street* in an effort to re-draw its own line in the sand regarding patentable subject matter under Section 101, presumably to reduce the number of inventions that will pass muster under that section. This author believes that there is not a need for the Court to choose that option, since it well-knows, as reflected in *Comiskey*, that Section 103 stands as a sturdy gate-keeper against unworthy inventions, albeit one that after *KSR* is more sturdy than most patent prosecutors, and their clients, might wish.

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<sup>7</sup> Claim 1 reads as follows: 1. A method for managing the consumption risk costs 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 a second fixed rate such that said series of market participant transactions balances the risk position of said series of consumer transactions.

### (V) The Wild Blue Yonder

So, where do we go from here? Ultimately, the wisdom of *State Street* will be measured by empirical evidence that evaluates the public gain afforded by the proliferation of business methods patents reflecting new innovations in such diverse fields as internet technology, banking transactions, and even creative tax-planning methodologies. That public gain needs to be measured against the competitive inconvenience suffered by would-be, and actual, infringers of the patents that materialize in this field.

To this author's knowledge, the needed empirical studies have not surfaced yet. When they do, the studies may conclude that the public benefit derived from access to the innovations by means of the patent publications, innovations that would otherwise presumably be locked away as trade secrets, outweighs the inconvenience suffered by infringers of the patents. Even the infringers may be found to have greatly benefited by being afforded access to their competitors' innovations.

Until the empirical studies are in, this author hopes that the barrier set by Section 101 doesn't not become unduly high. The barrier height established *inter alia* by *State Street* and *Comiskey* seems to help our patent system to continue to foster innovation and creativity, while incentivizing access to the fruits of that innovation and creativity via patent publications. That result comports with the vision of the incentive force associated with our patent system that must have been in the minds' eyes of our Founding Fathers. If only they could see us now!