ARE Patent Litigation Alert: Recent Applications of the *Bilski* Test for Patentable Subject Matter by The Federal Circuit and District Courts

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Two recent decisions, one by the Federal Circuit and one by a district court, illustrate how court's are applying the flexible test for patentable subject matter set forth in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

First, in *CyberSource Corp. v. Retail Decisions, Inc*., --- F.3d --- (Fed. Cir. 2011), the Federal Circuit considered the patentability of two claims concerning fraud detection. Claim 3 is a method claim directed to detecting fraud associated with a particular IP address (i.e., transactions coming from a particular computer). Claim 2 is directed to a "computer readable medium," where the steps of the method were carried out using software on a computer system. The claims were "broad and essentially purport to encompass any method or system for detecting credit card fraud which utilizes information relating credit card transactions to particular 'Internet address[es].'" (Slip. Op. at 3).

The Federal Circuit found both claims invalid as being directed to mere data gathering that could be done with pen and paper. The Federal Circuit began by applying the machine-or-transformation test to method Claim 3 and found both that the "collection and organization of data regarding credit card numbers and Internet addresses is insufficient to meet the transformation prong of the test, and the plain language of claim 3 does not require the method to be performed by a particular machine, or even a machine at all." (Slip. Op. at 9). The court found that the Internet, per se, could not perform the method: "Regardless of whether 'the Internet' can be viewed as a machine, it is clear that the Internet cannot perform the fraud detection steps of the claimed method." *Id*.

Even though the Court found that the machine-or-transformation test was not satisfied, the Federal Circuit recognized that "Supreme Court has made clear that a patent claim's failure to satisfy the machine-or-transformation test is not dispositive of the § 101 inquiry." *Id*. Drawing from Supreme Court precedent, the Federal Circuit continued its analysis and found the claimed processes to be mere "mental steps" that are not patentable. *Id*. at 10 ("Thus, claim 3's steps can all be performed in the human mind. Such a method that can be performed by human thought alone is merely an abstract idea and is not patent-eligible under § 101.").

Claim 2 is a claim to "a computer readable medium" (e.g., a disk, hard drive, or other data storage device) containing program instructions for a computer to perform "certain steps of a method for detecting fraud in a credit card transaction . . . over the Internet." (Slip Op. at 14).

The Federal Circuit rejected the patentee's argument that the form of Claim 2 as a "manufacture" was insufficient to make it patentable: "Regardless of what statutory category ('process, machine, manufacture, or composition of matter,' 35 U.S.C. § 101) a claim's language is crafted to literally invoke, we look to the underlying invention for patent-eligibility purposes. Here, it is clear that the invention underlying both claims 2 and 3 is a method for detecting credit card fraud, not a manufacture for storing computer-readable information." *Id*. at 16. The patentee could not provide any reasons that Claim 2 was drawn to any specific article of manufacture, and thus it was treated a process claim by the Federal Circuit and found invalid. *Id*. at 17-21.

Separately, in *PerkinElmer, Inc., et. al. v. Intema Limited*, 1-09-cv-10176. Order (D. Mass. August 12, 2011), the Massachusetts district court granted defendant's motion for summary judgment that its patent for a method for detecting fetal Downs syndrome was not invalid for lack of patentable subject matter. The district court first determined that the patent did not relate to mere data gathering, but rather to data gathering tied to a treatment protocol, which is patentable. (*Id*. at 20-21) The court also found that under the machine-or-transformation test the "claimed step is sufficiently 'tied' to an ultrasound device to pass muster under the machine-or-transformation test, regardless of whether 'measuring' an ultrasound scan requires a machine. Because an ultrasound scan (presumably taken by an ultrasound device) is required to perform the method, this step 'is tailored narrowly enough to encompass only a particular application of a fundamental principle rather than to preempt the principle itself,' fulfilling the purpose of the test." (Slip Op. at 25).

For more information on these developments, please contact one of our attorneys.

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