â€˜Abstract Ideaâ€™ Exception to Patent-Eligible Subject Matter Clarified

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Research Corporation Technologies, Inc. v Microsoft Corporation, 627 F.3d 859, US Court of Appeals for the Federal Circuit, 8 December 2010 '(RCT II)'

Abstract
The US Federal Circuit recognizes the broad reach of patent-eligible subject matter and narrow scope of the ‘abstract idea’ exception under 35 USC §101.

Legal context
Over the past few years, culminating in the US Supreme Court decision in *Bilski v Kappos* , the scope of what type of inventions are eligible for patent protection has been addressed and clarified. In the first significant decision since the Supreme Court decided *Bilski*, the Federal Circuit addressed patent-eligible subject matter, and the ‘abstract idea’ exception to patent-eligibility in particular. The Federal Circuit has now taken a big step towards providing more clarity to the scope of patent-eligible subject matter.

Facts
RCT is the owner of six related US patents directed to digital half-toning technology: 5,111,310, 5,341,228, 5,477,305, 5,543,941, 5,708,518 and 5,726,772. Almost a decade ago, RCT filed a patent infringement lawsuit against Microsoft in the Arizona federal court, alleging that Microsoft's operating systems, office suites, and other applications infringe these six RCT patents (*Research Corp. Techs., Inc. v Microsoft Corp.*, No. 01-CV-658 (D. Ariz. filed 21 Dec. 2001)).

In prior proceedings, a District Court assigned to the case granted a series of summary judgment motions without opinions relating to non-infringement and invalidity in favour of the defendant, Microsoft. The District Court also issued a finding of inequitable conduct. These decisions were the subject of a prior appeal, which resulted in reversal and an order that on remand the case be assigned to a new District Court judge (*Research Corp. Techs., Inc. v Microsoft Corp.*, 536 F.3d 1247, 1254 (Fed. Cir. 2008) '(*RCT I*))'.

On remand, the new judge assigned to the case held, *inter alia*, that the asserted claims of the '310 and '228 patents were invalid under 35 USC §101. This ruling (as well as others relating to the effective date of claims of four of the asserted patents) was appealed in the present appeal. This Current Intelligence addresses only the Section 101 issues raised in it.

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Analysis

On appeal, the Federal Circuit again reversed the District Court's summary judgment, finding that the '310 and '228 patents did not claim patent-eligible inventions under 35 USC §101. In reaching this decision, the court (per Chief Judge Rader) provided a helpful state of the law on patent-eligibility after the Supreme Court's decision in *Bilski*.

II begins its analysis with a restatement of Section 101 itself, and the statutory definition of 'process' found at 35 USC §100(b). Relying upon the Supreme Court's decision in *Bilski v Kappos*, 130 S. Ct. 3218, 3225 (2010), *II* confirmed the broad words of the statute, and the 'wide scope' of patent-eligible subject matter. Drawing from *Bilski's* discussion of previous Supreme Court cases, *II*, at 867–68 (citations omitted), explains:

the Supreme Court has "more than once cautioned that courts 'should not read into the patent laws limitations and conditions which the legislature has not expressed.'" The Supreme Court has articulated only three exceptions to the Patent Act's broad patent-eligibility principles: "laws of nature, physical phenomena, and abstract ideas." The Supreme Court reasoned that laws of nature and natural phenomena fall outside the statutory categories because those categories embrace "the basic tools of scientific and technological work." Abstractness, also a disclosure problem addressed in the Patent Act in section 112, also places subject matter outside the statutory categories.

RTC II concludes that 'section 101 does not permit a court to reject subject matter categorically because it finds that a claim is not worthy of a patent'. *Id*. at 868. Thus Section 101 is merely a 'threshold' test, and the other provisions of the US Patent statute (eg Sections 102, 103, and 112) serve better gate-keeping functions.

With respect to the case-at-hand, *RTC II* found that the claims at issue met the statutory aspects of Section 101 and the statutory definition of process found in Section 100(b). The court then considered whether the claims were subject to one of the three judicial exceptions. In this regard, the only issue raised was whether the 'abstract' exception applied. *RTC II* took this opportunity to follow the Supreme Court's mandate in *Bilski* to avoid applying a rigid formula or definition for abstractness but instead develop 'other limiting criteria that further the purposes of the Patent Act and are not inconsistent with its text'. *Bilski*, 130 S. Ct. at 3231. Thus RTC II, at 868, held: *Id*.

With that guidance, this court also 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 and the statutory context that directs primary attention on the patentability criteria of the rest of the Patent Act.

With this guiding principle, *RTC II* recognized that

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In that context, this *court perceives nothing abstract in the subject matter of the processes claimed* in the ’310 and ’228 patents. The ’310 and ’228 patents claim methods (statutory “processes”) for rendering a halftone image of a digital image by comparing, pixel by pixel, the digital image against a blue noise mask. *Id*. (emphasis added).

II found support for its conclusion in ‘[t]he fact that some claims in the ’310 and ’228 patents require a “high contrast film,” “a film printer,” “a memory,” and “printer and display devices” … .’ It also offered as a new touchstone ‘that 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*. at 869 (emphasis added).

Relying upon the Supreme Court's decision in *Diamond v Diehr*, 450 U.S. 175 (1981), *RTC II* flatly rejected the notion that the inclusion in the claims of ‘algorithms and formulas, even though admittedly a significant part of the claimed combination, do not bring this invention even close to abstractness that would override the statutory categories and context’. *Id*.

As a concluding note, returning to the court's original point that Section 101 does not replace the other requirements of the Patent Act, *II* distinguished its holding that the claims at issue were not so abstract as to override the statutory language of Section 101 from a holding that the claims were concrete enough to meet the specificity requirements of Section 112: "

In the context of the statute, this court notes that an invention which is not so manifestly abstract as to over-ride the statutory language of section 101 may nonetheless lack sufficient concrete disclosure to warrant a patent. In section 112, the Patent Act provides powerful tools to weed out claims that may present a vague or indefinite disclosure of the invention. Thus, a patent that presents a process sufficient to pass the coarse eligibility filter may nonetheless be invalid as indefinite because the invention would “not provide sufficient particularity and clarity to inform skilled artisans of the bounds of the claim.” *Star Scientific, Inc. v R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1371 (Fed. Cir. 2008). That same subject matter might also be so conceptual that the written description does not enable a person of ordinary skill in the art to replicate the process. *Id*.

Practical significance

II appears to offer a first taste of the new standard governing patent-eligible subject matter that we can expect to see coming out of the Federal Circuit with Chief Judge Rader in charge. In *II*, the court rejects myopic rules that would unduly narrow the scope of patent-eligible subject matter, and keeps the focus on the other protections of the US Patent Act as mechanisms to protect against patent claims that are vague and of suspect validity.

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