

## Patent Appeals of Software-Based Inventions in a Post-*Bilski* World

By David Pankros

Last Halloween, the Court of Appeals for the Federal Circuit decided the landmark case, *In re Bilski*, in which it declared that patents for business methods are patentable only if the claimed method is tied to a particular machine or transforms a physical article into a different state or thing (the “machine-or-transformation test”). In addition, the particular machine or transformation must not be insignificant “extra-solution activity” and/or must meaningfully limit the claim scope. Interestingly, the Board of Patent Appeals and Interferences (BPAI) has already been using a *Bilski*-like rationale when reviewing method patents since at least January of 2008. A review of BPAI decisions involving electrical or software-based inventions decided since January 1, 2008, which involve the machine-or-transformation test or statutory subject matter (and ignoring those cases addressing issues relating to *In re Nuijten*), shows a trend relatively unchanged in the past 14 months, with a striking number of rejections for non-statutory subject matter being raised or affirmed on appeal.

Overall, the BPAI has decided 44 relevant cases since January 2008, and in just over 72% of those cases, the BPAI found that the invention at issue was not statutory subject matter. The most prevalent reason given for this conclusion, in the broadest interpretation, was that the claims at issue did not require a computer or machine. Other common reasons given by the BPAI include: 1) software is *per se* non-statutory without being tied to specific hardware or a computer-readable medium; 2) the specific hardware or computer-readable medium tied to the computer or machine in the claims at issue did not meaningfully limit the claim scope or related to insignificant post-solution activity.

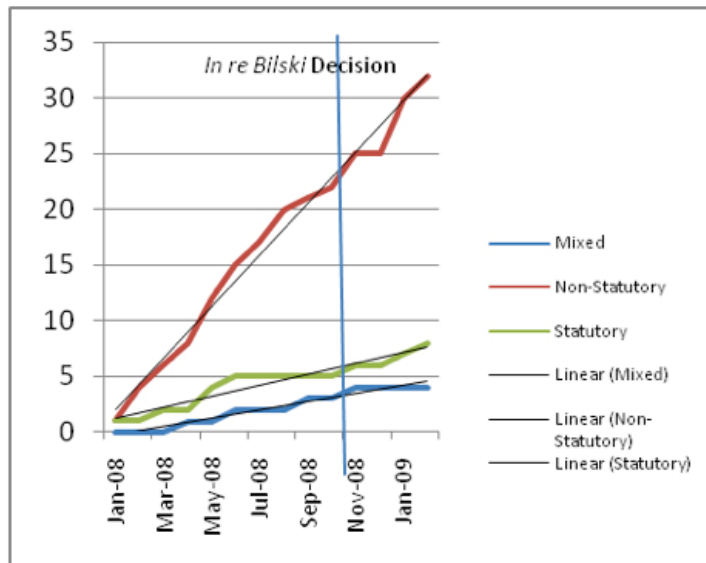
Interestingly, 60% of the rejections based on non-statutory subject matter were raised by the Board as a new ground of rejection on appeal. That is, the BPAI decided, on its own, to issue a new rejection based upon non-statutory subject matter even though the Examiner had not raised the issue. During the same period, the BPAI found only 18% percent of the cases to claim statutory subject matter. Almost 63% of those cases were found to recite statutory subject matter because the BPAI determined that functional descriptive material such as software or data structures on a tangible medium is statutory subject matter. The remaining percentage of those cases contained claims that recited clear physical steps or a particular tangible machine.

In 10% of the cases before the BPAI, the appeal resulted in a mixed outcome where some claims were found statutory while others were rejected for being non-statutory.

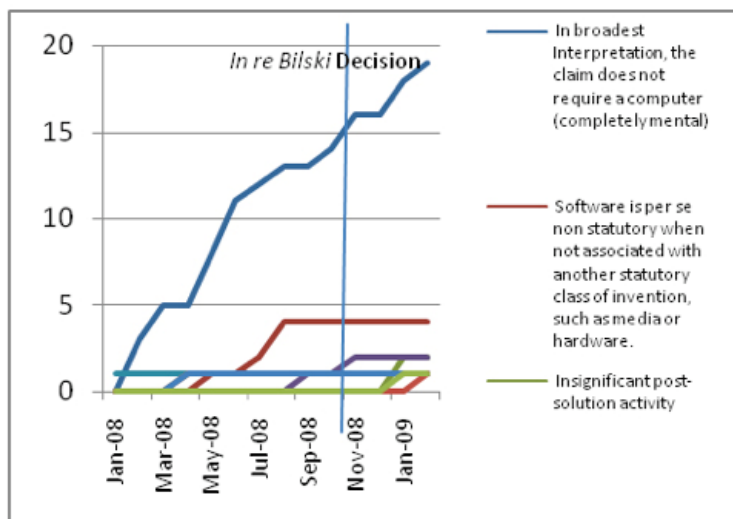
Thus, software-related inventions still face an uphill battle at the Patent and Trademark Office with non-statutory subject matter rejections on appeal before the BPAI being raised or affirmed at a rate of around four to one. The silver lining, if there is one, is that *Bilski*, while feared for what it would do to software-based inventions, really has had little discernable effect on patent appeals, since the BPAI has long been using a *Bilski*-like approach to analyzing software claims.

If you have questions or concerns about your electrical or software-based inventions, please contact Hovey Williams for a review.

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**Figure 1 Running Totals of Disposition of Cases Before the BPAI**



**Figure 2 Running Totals of Reasons for Rejection of Cases Before the BPAI**