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PATENTABLE SUBJECT MATTER UPDATE

Michael C. Gilchrist

In last summer's *Bilski v. Kappos* decision, the Supreme Court looked at the limits of patent eligible subject matter under section 101 of the Patent Act, particularly as it applies to business method patents. In that case, the Supreme Court struck down the rigid "machine-or-transformation" test as the exclusive test for patent eligible subject matter. While recognizing that the machine-or-transformation test may be useful, the Supreme Court held that claimed methods should be eligible for patent protection as long as they are not directed to an abstract idea, natural phenomenon, or law of nature. The Supreme Court specifically noted that it was leaving to the Court of Appeals for the Federal Circuit the task of devising new tests for determining whether a claimed invention falls within one of the three forbidden categories.

Two recent decisions by the Court of Appeals for the Federal Circuit begin that task. In *Research Corporation Technologies, Inc. v. Microsoft Corporation* and in *Prometheus Laboratories, Inc. v. Mayo Collaborative Services*, the Federal Circuit applied patent-friendly interpretations of *Bilski* that bode well for inventors and patent owners.

Research Corporation Technologies, Inc. v. Microsoft Corporation

In *Research Corporation Technologies, Inc. v. Microsoft Corporation*, the Federal Circuit determined that RCT's claimed methods relating to half-toning digital images were not abstract and satisfied the requirements of § 101.

The technology at issue generally relates to methods for displaying digital images. An example claim is shown below:

1. A method for the halftoning of gray scale images by utilizing a pixel-by-pixel comparison of the image against a blue noise mask in which the blue noise mask is comprised of a random non-deterministic, non-white noise single valued function which is designed to produce visually pleasing dot profiles when thresholded at any level of said gray scale images.

The Federal Circuit did not utilize the machine-or-transformation test. Instead, its methodology was to look first at whether the claimed invention nominally fell within the scope of § 101. Since the claim recites a "method" and method is included within the definition of "process," the claim facially falls within the subject matter of § 101. The Federal Circuit then looked to see whether despite nominally satisfying § 101, the claims

were nonetheless excluded from § 101 by one of the three exceptions identified by the Supreme Court *Bilski* decision: laws of nature, natural phenomena, and abstract ideas.

The court noted that there was no doubt that the claimed invention was not directed to a law of nature or physical phenomenon. Therefore, the case turned on whether the purported method was merely an abstract idea. The court refused to create a detailed test for whether an invention was abstract, saying:

[T]he court 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.

The court went on to say that the subject matter of the claims at issue was not so manifestly abstract as to override the statutory category. In particular, the court stated that "[t]he invention presents functional and

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palpable applications in the field of computer technology.” Furthermore, “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.”

The court noted that simply because a claimed invention satisfies § 101 does not mean that the claim is valid. In addition to prior art concerns, § 112 provides a tool to “weed out claims that may present a vague or indefinite disclosure of the invention.”

Prometheus Laboratories, Inc. v. Mayo Collaborative Services

In *Prometheus Laboratories, Inc. v. Mayo Collaborative Services*, the Federal Circuit determined that a method for optimizing the dosage of a medication was appropriate subject matter within the meaning of § 101. The primary issue in *Prometheus* was whether the claimed method was directed to a natural phenomenon.

The broadest claim recites basically a single step: (1) determining the level of a specific factor (6-TG) in a patient that is receiving a particular medication, wherein if the determined level of 6-TG is less than a minimum level that indicates a need to increase the dosage of the medication and wherein if the level is greater than a maximum level that indicates a need to decrease the dosage of the medication.

Unlike in the *Microsoft* case, the Federal Circuit started its analysis in *Prometheus* by applying the machine-or-transformation test. The court found that the determining step necessarily involves a transformation. In order to determine the level of the 6-TG in a patient’s blood it is necessary to take a sample of a bodily fluid or tissue and perform a test on that sample that transforms the sample. The court relied on testimony from an expert that at the end of the test the “human blood sample is no longer human blood; human tissue is no longer human tissue.”

In light of *Prometheus*, the “transformation” prong of the machine-or-transformation test now appears to have importance. The court read the claims in a favorable way to find transformation. The “determining” step did not specify any particular physical test, or even that a physical test was necessary. Nevertheless, the court reasoned that a physically transforming test was necessary to make the determination; therefore, the transformation prong was satisfied.

What Do These Cases Mean?

There are a few important take-aways from these cases. One, the Federal Circuit appears to be applying a rather patent-friendly approach to the issue of patent eligible subject matter. Two, the machine-or-transformation test continues to play an important role in determining whether purported inventions are directed to patent-eligible subject matter—at least in the context of the natural phenomenon analysis. New applications should be drafted with this in mind. Existing patents that satisfy the test will almost certainly satisfy § 101.

The big issues still waiting for Federal Circuit guidance from a patent-eligible subject matter perspective are: (1) when does performing steps with a computer tie a method to a particular machine? and (2) when is transforming data with a computer a transformation within the meaning of the machine-or-transformation test?

GIRL SCOUT GROUP WINS FIRST LEGO LEAGUE GLOBAL INNOVATION AWARD

Congratulations to the Flying Monkeys, a Girl Scout group from Ames, Iowa consisting of six 11-to-13 year olds who recently won the FIRST LEGO League (FLL) Global Innovation Award (For Inspiration and Recognition of Science and Technology) from the X Prize Foundation. The award includes \$20,000 to patent their invention, the BOB-1, which is a prosthetic hand device that helps users with limb abnormalities hold, grip, stabilize or secure items. The award submissions were based on the 2010 FLL BODY FORWARD® Challenge, which tasked FLL teams in more than 56 countries to explore the cutting-edge world of bio-engineering and discover innovative ways to repair injuries, overcome genetic predispositions, and maximize the body’s potential with the intended purpose of leading happier and healthier lives. “The fact that the Flying Monkeys’ prosthetic device is already in use by a young patient reflects its feasibility, usability, and public benefit,” said Under Secretary of Commerce for Intellectual Property and Director of the USPTO David Kappos. “We are looking forward to hosting the winning

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teams and honoring them at the ceremony in June.” Attorneys Brad Powers and Luke Mohrhauser of McKee, Voorhees & Sease, P.L.C. have been working with the group to explain the patenting process and assist in obtaining patent protection. Brad and Luke helped the girls draft their very own provisional patent application for the BOB-1, which was filed earlier this year. The Flying Monkeys, along with Brad and Luke, will be attending an award ceremony in June at the United States Patent and Trademark Office (USPTO) in Alexandria, Virginia.



LEGAL CONSIDERATIONS IN ADVERTISING

Christine Lebrón-Dykeman

Advertising has become an increasingly important tool for companies to sell their products. With the explosion of new competitive products constantly available to respond to diverse consumer demands, advertising has become critical to both the success of new products and the survival of a company’s staples. The goal of advertising, of course, is to educate consumers about the existence of a product, understand how it meets their needs, and differentiate it from any competitive products in the marketplace.

Two conflicting principles are involved in advertising law. On the one hand, the First Amendment of the U.S. Constitution, which grants the right of free speech, protects all forms of communication including commercial speech, e.g., advertising. On the other hand, the U.S. Constitution also gives the federal government the power to regulate interstate commerce and the government has enacted two statutes that directly affect all forms of advertising, namely the Federal Trade Commission (“FTC”) Act and the Lanham Act §43(A). There are potentially other applicable federal and state laws, but none that will be specifically addressed in this article.

The FTC Act states that false advertising is a form of unfair and deceptive commerce. In fact, the FTC has issued regulations barring advertisements that have been found to be literally or technically correct, but where the overall message of the advertisement is deceptive or misleading. The penalties for a FTC violation include cease and desist orders requiring the company to immediately remove the advertising and to produce substantiation for future advertisements, monetary penalties and fines, and orders requiring the company to issue corrective advertising to notify consumers of the misinformation or deceptive claims in earlier advertisements.

While only the FTC has the authority to enforce the FTC Act, private parties, such as competitors or consumers, can bring a legal action regarding false advertising under the Lanham Act. To establish a violation under the Lanham Act, consumers and competitors must prove the following: (1) the advertiser made false statements of fact about its product; (2) the false advertisements actually deceived or had the capacity to deceive a substantial segment of the target population; (3) the deception was material; (4) the falsely advertised product was sold in interstate commerce; and (5) the party bringing the lawsuit was injured or is likely to be injured as a result of the deception. The penalties for a Lanham Act violation include the lost profits, profits made by the advertiser resulting from the deceptive ad, treble damages, and attorneys’ fees.

Keeping all of this in mind, companies need to ensure not only that their advertising program is effective, they must also be cautious to ensure it is legally permissible so as to avoid any legal objections from any regulatory agency, a competitor, or a consumer.

As an initial point, companies must understand that advertising is any direct or indirect communication of information put forth by the company about itself or its products. Such communications can be found in at least all of the following: television and radio commercials, print advertisements, webpages, “sell-sheets” used with distributors or retailers, floor displays, and product packaging.

Second, it is important to remember that advertising claims can come in a wide variety of forms, including express and implied claims, claims that products are “new” or “improved”, consumer testimonials or professional endorsements, guarantees and warranties, and omissions of pertinent information. In short, advertising claims relate to any communications relating to the nature, characteristics, qualities or geographic origin of goods, services or commercial activities. Certain claims, such as those related to health and safety or targeted to children, are subjected to even greater scrutiny.

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To ensure that your company does not end up having to defend its advertising claims against a false advertising challenge by the FTC, a competitor or consumers, consider the following tips:

- When making an express claim (e.g., “No. 1 product”), be sure to have a “reasonable basis” or objective evidence that supports the claim such as un-biased surveys or factual data.
- Review any proposed advertisement to see if there are any implied claims (e.g., “ABC mouthwash kills the germs that cause colds” implies that the mouthwash actually prevents colds). If so, be sure to have a “reasonable basis” for the claim.
- Do not omit material facts about the product or its performance, the inclusion of which is necessary to prevent an affirmative representation from being misleading.
- Only use phrases like “new and improved” if the product has in fact been altered and there is evidence to show the alteration made the product better in some material respect.
- Only use consumer testimonial when they reflect the typical experience of consumers who use the product, not the experience of just a few satisfied customers.
- Only use celebrity endorsements that reflect the celebrity’s honest experience or opinion.
- Be very explicit regarding any terms or conditions associated with a guarantee or warranty.
- Be extremely cautious about making any health/safety claims and always evaluate if there are any implicated laws/standards, or if there is “significant scientific agreement” among qualified experts to support the claim.

In sum, although it is essential to engage in advertising to effectively compete in today’s marketplace, companies are reminded that as with any specialized area, there are a number of detailed regulations, interpretations, and practices that may impact a particular area or inquiry. If your company engages a marketing or advertising agent to create your marketing campaigns, you might want to obtain a warranty that your ads are lawful. Of course, if you are a marketing agent, you might want to obtain a warranty that the information your client provides is true. In either case, when in doubt, you should consult with an attorney.

WE’LL BE THERE

April 27

Kirk Hartung was at Van Meter High School to speak about the patenting process.

April 30

Ed Sease spoke at a workshop for innovators and inventors in Spencer, IA sponsored by the Iowa Small Business Development Centers.

May 4-6

Jill Link attended the Licensing Executives Society (LES) Spring meeting in New York, NY.

May 14-18

Bruce McKee and Christine Lebrón-Dykeman attended the annual meeting of the International Trademark Association (INTA) in San Francisco, CA.

June 23-25

Kirk Hartung and Kyle Coleman will be attending the annual meeting of LEGUS, an International Network of Law Firms, in Seattle, WA.

July 25-27

Heidi Nebel will speak at the Association of University of Technology Managers (AUTM) central regional meeting in Louisville, KY.

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