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THE PATENTING OF INVENTIONS RELATED TO ONLINE TRANSACTIONS

By Luke C. Holst

The United States Supreme Court and Federal Circuit Court of Appeals have decided many landmark cases directly related to the patenting of online transactions. For instance, as recent as September 15, 2011, the Federal Circuit Court of Appeals in *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323, 1324 (Fed. Cir. 2011) held that a method allowing a consumer to freely obtain copyrighted products – such as music, movies and books – over the internet in exchange for viewing an advertisement was patent-eligible subject matter. The court noted that *Ultramercial's* claims satisfied 35 U.S.C. § 101's definition of a "process" because it constituted a method of monetizing and distributing copyrighted products over the internet. While the Court recognized that abstract ideas are patent ineligible, on the other hand, the court found that the practical application of an abstract idea – in this case using advertising as a form of currency – was patent eligible.

In another case before the Federal Circuit Court of Appeals, *Cybersource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1367 (Fed. Cir. 2011), the Court decided whether a method and system for detecting fraud in a credit card transaction over the internet was patent eligible subject matter under 35 U.S.C. § 101. The inventors argued that while prior credit card fraud detection systems worked well for face-to-face transactions, for transactions purchased online there was simply not enough

information to adequately verify that the customer purchasing the goods was the real owner of the credit card. The invention purported to solve this problem by comparing the internet address related to a particular transaction with other internet addresses used in prior transactions with the same credit card. In reaching a decision, the court noted that the United States Supreme Court had earlier rejected the use of the machine-or-transformation test as the exclusive test for the patentability of a claimed process. *Bilski v. Kappos*, 130 S. Ct. 3218, 1326 (2010). The machine-or-transformation test held that a claimed process would only be patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus; or (2) it transforms a particular article into a different state or thing." *Id.* The Federal Circuit Court of Appeals first determined that the proposed fraud detection invention failed the machine-or-transformation test because it did "not require the method to be performed by a particular machine, or even a machine at all." Recognizing that the machine-or-transformation test was not dispositive of the § 101 inquiry in light of *Bilski*, the Court continued its analysis determining that the proposed steps of the invention could "all be performed in the human mind." The court held that "such a method that can be performed by human thought alone is merely an abstract idea and not patent-eligible under §101."

**Don't play games
with your intellectual
property.**



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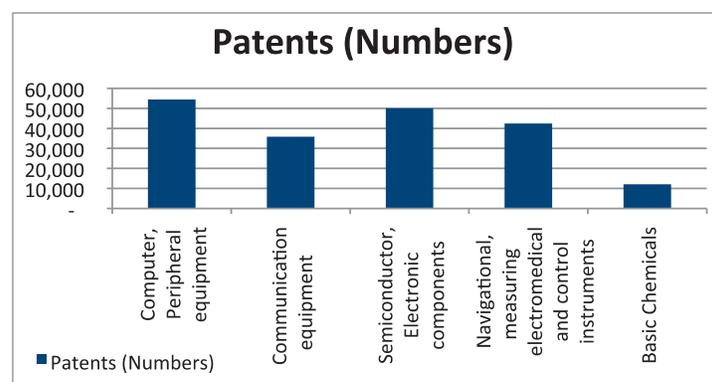
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In 2006, the Federal Circuit Court of Appeals was presented with the question of whether the combined actions of multiple defendants could together infringe a patent. In *On Demand Machine Corp. v. Ingram Ind., Inc. and Lightning Source, Inc.* 442, F.3d 1331 (Fed. Cir. 2006), the patent involved a computer console – installed at a book store – that allowed a customer to select a book for purchase and design its cover, text, and graphics. The console then facilitated the high speed manufacture of a single copy of the book selected and designed by the customer, while the customer waited for a very short period of time. The owners of the patent argued that the combined actions of multiple defendants infringed its book printing patent. For instance, one of the defendants was a book printing company that printed and sold books as ordered by publishers, wholesalers, and retailers such as Amazon.com (the second defendant). The owners of the patent argued that when a customer orders a book from Amazon.com on any computer, and Amazon.com in turn orders that the book be printed by the book printing company, the defendants together infringed the patent. In spite of the patent owners' arguments, the court found that no reasonable jury could find joint infringement. The Court explained that while each of the components of the invention was practiced by the defendants, it was the practice of the combination itself that was essential to infringement. The Court further recognized the alleged infringers' actions did not include the direct customer control that was central to the patent. Thus, as concluded in an analogous Federal Circuit Court of Appeals decision, when an accused defendant infringer performs some but not all of the steps of a patented method invention, and the remaining steps are performed by another defendant, the patent owner can establish infringement only if the other parties operated under the direction and control of the accused infringer. See *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1375-1382 (Fed. Cir. 2007).

INDUSTRIES ACTIVE WITH INTELLECTUAL PROPERTY (IP) CONTRIBUTE SUBSTANTIALLY TO THE ECONOMY.

In April, the U.S. Commerce Department issued a comprehensive report based upon 2010 data which identified 75 intellectual property intensive industries. The report concludes that these industries contributed more than \$5 trillion to the U.S. economy, which represents nearly 35% of the U.S. gross domestic product. These industries also support, directly or indirectly, over 40 million jobs in the U.S. (nearly 28% of all U.S. jobs). These industries include computer equipment, audio video equipment, publishing, pharmaceutical, electronic components, and medical equipment. These IP-intensive industries also exported merchandise valued at \$775 billion, or 61% of the 2010 total exports.



This report is a first of its kind, and shows the direct and significant impact which these industries have on the economy. This report was jointly authored by the Economics and Statistics Administration and the United States Patent and Trademark Office (U.S.P.T.O.), using comprehensive U.S.P.T.O. data to identify U.S. industries which utilize intellectual property, including patents, trademarks and copyrights. The report does not contain policy recommendations. The report confirms that intellectual property is relied upon by the entire U.S. economy, since IP is produced or used by virtually every industry.

The report also states that wages in these IP-intensive industries are generally 42% higher than in non IP-intensive industries. The report is entitled [Intellectual Property and the U.S. Economy: Industries in Focus](#), and can be found at www.uspto.gov/news/publications/IP_Report_March_2012.pdf.

CLAIM PREAMBLES: UNNECESSARY MATTERS OF CHANCE AND CONFUSION

by Kirk M. Hartung

The scope of patent protection is defined by the patent claims. Every claim begins with a preamble which broadly describes the invention, followed by one or more clauses setting forth specific structure, steps, or components of the invention. Construing the claim language is necessary in order to determine the scope of the patent and infringement of the patent.

The following is an excerpt of an article written by MVS member Kirk Hartung and published last Fall in the Journal of the Patent and Trademark Office Society.

Whether a preamble of a patent claim constitutes a limitation to the claim has been an issue for more than 75 years. In the past 50 years, there has been much debate regarding claim preambles, and whether terminology in the preambles limits the scope of the claims. Most recently, a 2010 decision from the Court of Appeals for the Federal Circuit recognizes that the Court has struggled to make sense of when a preamble should be construed as limiting, and that the Court has not succeeded in articulating a clear and simple rule. Justice Dyk lamented that this lack of clarity as to whether a preamble should be construed as limiting has led to inconsistent case law, which one leading treatise has said it is “difficult to reconcile.”

The vague and confusing rule on preamble terminology has never been addressed by the U.S. Supreme Court or the Federal Circuit sitting en banc. The solution seems simple and consistent with Supreme Court precedent from more than a century ago. As the U.S. Court of Claims declared more than 40 years ago, “The necessity for a sensible and systematic approach to claim interpretation is axiomatic.”

More than 150 years ago, the U.S. Supreme Court recognized the public notice function of patent claims. In 1854, the Court acknowledged the 1835 Patent Act required an inventor to particularly specify and point out that which he claims as his invention, so that the public may know what they are prohibited from doing

during the term of the patent, and what they will have at the end of the term.

More recently, the 1996 Supreme Court *Markman* decision again acknowledged the public notice function of patents, emphasizing that the public must know the limits of a patent. Certainly, the claim has a narrower scope if the preamble terms are a limitation, and the claim is broader if the preamble terms are not a limitation. As the Federal Circuit has acknowledged, the preamble “may or may not be limiting, depending on the circumstances.” However, the current confusion regarding the effect of preamble terms puts the public notice function of claims in doubt. Too often, the effect of the preamble terms, and thus the claim scope, is not known until the Court of Appeals for the Federal Circuit determines whether preamble terms constitute a limitation for the claim. It is often unknown whether the Patent Office considered the preamble to be limiting absent express statements in the prosecution history. Unfortunately, under existing preamble interpretation rules, the “plain import” of the preamble is, at best, a guess.

As recently suggested by Judge Dyk in his 2010 dissent in *American Medical Systems*, a simple rule recognizing that all preambles are limiting would make better sense and would better serve the interests of all. Support for this concept is clear from the 19th century Supreme Court precedent. In the 1877 *Merrill* decision, the Supreme Court acknowledged the well-settled rule of construing all instruments, in that some importance must be attached to all the words of the instrument. Otherwise, the words are useless.

This confusion has lasted long enough with respect to preamble terminology. It is time to use common sense and let the public notice function of claims be realized by giving meaning to every word of a claim, regardless of placement in the preamble or body of the claim. Otherwise, it’s just a matter of chance on whether or not terminology in a claim preamble is a limitation.

(For full copy of this article, see the MVS News on our website at www.ipmvs.com)

WHOLE GRAIN WHITE BREAD????

by Heidi S. Nebel

MVS clients' Colorado State University Research Foundation and Colorado Wheat Research Foundation (CWRF) have developed a novel wheat variety that is used to make white whole wheat flour, a very popular product with consumers. CWRF has marketed and commercialized Snowmass™, a new, high-yielding hard white winter wheat variety for addition to the CWRF Conagra Ultragrains Premium Program.

Snowmass™ wheat is licensed to ConAgra to make Ultragrains flour, a 100-percent whole wheat flour that combines the nutrition and benefits of whole grains with the finished recipe qualities of refined flour. No bleaching and minimal other processing is required to produce a white colored wheat whole grain product.

Ultragrains is the whole grain flour in many packaged foods like pasta, pizza and bread, including the popular Sara Lee Soft & Smooth® whole grain white bread products and Healthy Choice® all-natural entrees. Ultragrains can also be found in Eagle Mills® All-Purpose Flour and Eagle Mills® 100-Percent White Whole Flour.

Ultragrains is also included in many other grocery, school cafeteria and restaurant items, from buns, rolls, tortillas, muffins, and noodles to pizza, waffles, French toast sticks, cookies, pretzels, and snack and cereal bars.

Snowmass™ is grown and sold exclusively as a class of certified seed by Colorado Seed Growers Association members licensed by CWRF. Royalties paid to the

foundation by certified seed growers from the sale of these varieties are returned to CSU to support continued wheat research and variety development. MVS is proud to be involved in protecting continuing research in this area.

GLOBAL TRADEMARK ACTIVITIES

Global brand protection of trademarks continues to be important for products and services marketed beyond the borders of the United States. Historically famous marks, such as COKE, have been surpassed in value by relatively young "baby boomer" trademarks, with APPLE and GOOGLE being the world's most valuable brands.

Trademark registration applications have remained relatively constant in the United States over the past 5 years, with approximately 300,000 applications being filed each year. This is more than twice the number of filings in the next four most commonly filed countries, Japan, Brazil, South Korea and India. However, China leads all countries, averaging well over 600,000 applications per year for the past 7 years, with a high of over 1 million trademark registration applications filed in 2010.

This global filing activity illustrates the importance of trademark protection. Failure to properly protect and maintain your trademark rights may have serious consequences. MVS can help protect your trademark rights in the United States, as well as worldwide through our network of foreign associates.

WE'RE THERE

May 5-10

Bruce McKee attended the International Trademark Association (INTA) meeting in Washington, DC.

June 14-16

Kirk Hartung and Kyle Coleman will attend the LEGUS annual meeting in Ann Arbor, MI. MVS is a member of this international network of law firms, with over 2,500 attorneys worldwide.

July 23-25

Heidi Nebel will speak at the Association of University Technology Managers (AUTM) Central Regional Meeting in Oklahoma City on triaging inventions, use of provisionals, foreign filing strategies and the impact of the America Invents Act (AIA).

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