

WHEN DISTRICT JUDGES LOOK BEYOND *BILSKI*, WE STILL SEE *MARKMAN*

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INTRODUCTION

I appreciate being invited to contribute to your discussion of “The Future of Patents: *Bilski* and Beyond.” Although I am pleased to discuss the impact of the relatively recent developments in the *Bilski* case, quite frankly, as a federal district judge, I am still struggling with *Markman*, *KSR*, and *Festo*. Thus, I am not sure that I am ready to even *approach Bilski*, let alone look *beyond* it. But here we are. So together, academics, students, bench and bar, let’s grasp hands and plunge into the cold water of “*Bilski* and Beyond” together.

As a trial judge, I am pleased to participate in this scholarly seminar. The desire to have one’s name connected to an important symposium that clarifies a complex legal principle is praiseworthy and noble in the highest degree. However, there is a danger that the gratification of that ambition will motivate one to produce provocative and popular criticism and will become a motive greatly superior to the wish to affect a solid advance in legal understanding. In keeping with this self-admonition, I offer practical observations rather than revolutionary ones. I apologize in advance because much of what I will offer will be obvious to this audience, but it helps to place *Bilski* into context. Given the constraints of time, some of my suggestions will be oversimplifications of extremely complex problems. Please treat these comments as invitations for further dialogue.

I. ORDINARILY, AN APPLICATION REJECTED BY THE PTO UNDER *BILSKI* WOULD NOT COME BEFORE THE DISTRICT COURT

In *Bilski*, the issue of patent-eligible subject matter did not come before the district court. The issue came before the Federal Circuit and the U.S. Supreme Court on appeal from PTO proceedings. In the ordinary course of patent prosecution, the issue of patent-eligible subject matter will receive its first considera-

* Chief Judge, United States District Court for the Northern District of California. Speech given January 29, 2011. Opening historical anecdote omitted.

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tion at the PTO when the examiner considers each patent application. The examiner will decide if the invention, as described in each claim, is potentially of a kind that falls into one of the categories of statutory subject matter as set forth in § 101. The examiner will also decide if each claimed invention is new, useful, and non-obvious. In the prosecution process, the examiner will decide if the applicant has provided an adequate written description that would both apprise an artisan of ordinary skill that the applicant possessed the invention as of the filing date and enable such an artisan to practice the invention.

Focusing for now only on patent-eligible subject matter, if the examiner finds that the subject matter of a claim is non-statutory subject matter, the examiner would be required to reject the claim. Although the rejection might be reviewed by the PTO, the Board, the Federal Circuit, or the Supreme Court, ordinarily district judges would never see an application rejected on that ground. I say “ordinarily,” because it is conceivable that the content of a rejected application could be offered in a case pending before the district court as relevant to prove some issue relevant to an *issued* patent claim.

II. THE ISSUE OF PATENT-ELIGIBLE SUBJECT MATTER BEFORE THE DISTRICT COURT

After *Bilski*, I expect that like other attacks on the validity of a patent claim, the issue of patent-eligible subject matter will now surface as an issue more often than before the *Bilski* decision. However, the issue will be raised in ways that are different in substantive law and procedure from what was before the PTO and the appellate courts in *Bilski*.

If a patent claim is later subject to an infringement action or an action for declaratory judgment of non-infringement, like all “invalidity” defenses, pursuant to Federal Rule of Civil Procedure 12(b), any contention that a method claim is invalid due to lack of patent-eligible subject matter must, and likely will, be raised as an affirmative defense in pleadings.

The fact that patent eligibility is an affirmative defense highlights an important procedural difference between how the issue will be treated in the district court as opposed to how it is treated by the PTO. If invalidity due to non-statutory subject matter is not pled, unless there is a timely amendment under Rule 15, it, like all unasserted affirmative defenses, can be deemed waived under Rule 16(b). If invalidity on the ground of non-patentable subject matter is regarded by the district court as a waivable affirmative defense, this would represent a conflict between substantive patent law and the procedural rules governing patent litigation. If the district court were to uphold a procedural waiver of an invalidity defense for non-statutory subject matter under Rule 16(b), the district court would be foreclosing inquiry into whether the patent, as a government-granted monopoly authorized solely to “promote progress” by the Constitution, should continue to stand despite an arguably fundamental de-

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fect. Patents, as publicly recorded and published documents, by their very design serve to provide notice to the public of a protectable invention and contribute to the public domain in exchange for short-term monopoly rights. One might argue that a patent, arguably defective because it was issued on non-statutory subject matter, contravenes the Progress Clause in that its mere existence and the specter of litigation it embodies could serve to chill innovation in the fields related to that subject matter, be it an algorithm, a particular species, a force of nature, or a gene sequence. Rather than promote progress, a patent that builds a walled garden of increased innovation costs, with license fees and the like, around non-patentable subject matter impedes progress and thus should be of utmost importance to any litigation surrounding enforcement of that patent by a trial court. I foresee a non-frivolous argument being made that with respect to this particular affirmative defense, the procedural principle enunciated in Rules 12, 15, and 16(b) of protecting the interest of judicial economy should yield to the substantive principles of our patent system. Like subject matter jurisdiction, it might become proper to regard invalidity due to non-statutory subject matter as a non-waivable defense. Indeed, since the heart of the argument is that there is no properly issued patent, one might argue that the district court lacks subject matter jurisdiction to entertain the infringement action.

Admittedly, my entire construct is based on a circumstance that only arises if the lack of patent-eligible subject matter defense is not raised. I suppose that in the litigation that will take place “Beyond *Bilski*,” like the other “invalidity” defenses (anticipation, obviousness, inadequate written description . . . the list goes on), waiver will not be an issue because litigants will now automatically add lack of statutory eligibility to their answers in every infringement case without any real consideration of its applicability.

III. WHICH COMES FIRST, *BILSKI* OR *MARKMAN*?

Let’s assume that invalidity due to non-statutory subject matter is properly pled. Which should come first: claim construction or a hearing on a motion to strike or dismiss the infringement action on the ground that the patent claim in suit discloses non-statutory eligible subject matter?

A. *Bilski First*

There is clear authority that the issue of whether a patent claim is drawn to “patent-eligible” subject matter under § 101 is a threshold inquiry. If any claim fails to meet the requirements of § 101, it must be rejected even if it meets all of the other legal requirements of patentability.

Therefore, there will be cases in which the district court might be persuaded to proceed to hear the dismissal motion prior to a claim construction

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hearing and, consequently, prior to requiring the parties to exchange claim construction briefs and other materials.

When patentability is raised in the district court, the legal standard for deciding the motion will be a different legal standard than that which applies if the issue is raised by the examiner during prosecution. When the § 101 issue is raised by the examiner, it concerns a pending application for which the examiner is not required to presume validity. When the § 101 defense is asserted in the district court, it would be raised with respect to an *issued* patent. The district court would be required to make the statutory presumption that the challenged claim is valid. Under that presumption, there might be no need to interpret the claims.

B. *Markman First*

Conceivably, there will be circumstances when the invalidity of a process claim will depend on whether the claim describes a “workpiece” that is the subject of the process, how the claim describes the “workpiece,” and what the claim describes as being done. Because patentees frequently use words and phrases idiosyncratically, before adjudicating whether the claim fails to meet § 101 the court might desire to hold a *Markman* hearing to interpret the claim. Such a hearing would enable the court to decide if the words, as interpreted, render the claim as one claiming non-statutory subject matter.

If the court decides to give a claim construction before deciding patentability, the complexities of *Bilski* will be compounded by the complexities of *Markman*. Under *Markman*, the court would be required to determine what a person of ordinary skill in the art would have understood a word or phrase to mean. Before *Bilski*, courts have struggled with competence to take cognizance of what would be in the consciousness of a hypothetical person of ordinary skill in the art.

It is my experience that even competent people go unconscious a lot. Cognitive scientists tell us that when it comes to doing many human endeavors, there are four states of “consciousness” and “competence”:

UNCONSCIOUS INCOMPETENT	CONSCIOUS COMPETENT
CONSCIOUS INCOMPETENT	UNCONSCIOUS COMPETENT

Take the simple human task of tying your shoes. There was a time when you were “unconscious” and “incompetent.” You did not know how to tie your shoes. You were “incompetent.” And you did not know that you did not know how to tie your shoes. You were “unconscious.”

Then there came a time in your development when you still did not know

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how to tie your shoes. You were still “incompetent.” But you knew you did not know. You were “conscious.”

Next, after a great deal of practice, you learned how to tie your shoes. You were “competent.” You knew that the left string was laid on top of the right string, pulled under, and tightened. The left string was folded in half, the right string laid on top and pulled under, once accomplished, the two ends were pulled tight! As a novice shoe-string-tier, you were “conscious” of each step of the process.

Finally, you got to the stage of unconsciousness that I am talking about. You can tie your shoe, but you are totally “unconscious” of the process. If I were to ask you to specify which string you normally place over the other, left or right, you would not be able to answer. If I asked you the time, with a quick glance of your watch you would tell me. You are “competent.” But if I were to ask whether the brand name of the manufacturer of your watch was above or below the midpoint, even though you look at your watch multiple times each day you would be “unconscious” of what you are seeing.

It is human nature to not always be subjectively aware of the practices we undertake. Our brains create shortcuts for us. The activities we undertake in our everyday lives structure our attention and direct which aspects of our lives we are conscious of and which aspects we are not. We benefit from them. Sometimes, however, they deprive us of the ability to take cognizance of the environment in which we act.

With respect to understanding the meaning of words and phrases used in a patent, whether arguably patentable subject matter or not, there is no actual speaker or linguistic community member in the world who is or could be called to the witness stand as the actual person of ordinary skill in the art at the time of the application whose understanding governs the interpretation of the language of a patent claim. And if there were, truly she would not speak in the language characteristic of patent claims. For example, whose bright idea was it to have long, drawn out, and linguistically complex patent claims expressed as a single sentence? If any one of us would turn a patent claim in to our English grammar class, a sentence with upwards of five, ten, sometimes over fifteen modifying phrases, it would promptly be returned marked in red ink, “This a run-on sentence!”

Imagine two engineers having lunch. One of them pauses and says, “Wow, I forgot my fruit.” The other engineer, let’s say his name is John Jepson, native speaker of the Markush language—the lost language of engineers—says, “Don’t worry.” Then, in a single sentence, characteristic of how he describes all of his processes or methods, says:

I hereby give, convey, transfer, and transmit to you, all and singularly, my estate, interest, right, title, claim, and advantages of and in this orange comprising: all its rind, skin, juice, pulp, and pits, and all rights and advantages therein, with full power to bite, cut, suck, and otherwise eat said orange or give said

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orange away, with or without the rind, skin, juice, pulp, or pits.

Thus, for claim construction or purposes of judging patent-eligible subject matter, we would be required to judge the language by what it would have been understood to mean. In that process, we would be acknowledging that there is no record of what it was, in fact, understood to mean by a particular person who was of ordinary skill in the art. Moreover, we are saying that the subjective testimony of experts, argument by lawyers, and even the testimony of the inventor, must be relegated to a lower tier of relevance.

With the speed of technology, I confess that it is hard to go back in time and accurately state what would have been understood at the time of the application. As a society we suffer from technological amnesia. Just as it was hard for our ancestors to remember the world B.C. (especially since the people living in B.C. did not know that they were living in B.C.), it is hard for our generation to remember the world B.G. (Before Google).

Bilski removes the previous bright-line machine or transformation test and replaces it with indeterminate factors. Thus, if claim construction precedes judging patentability, the already complicated *Markman* claim construction process must be applied to these indeterminate factors. District courts will have to become sensitive to whether the court's claim construction introduces abstractions into the claim that affects the patentability of the claim. In other words, will patentability be created or destroyed by the claim construction process when it is being employed to decide patentability?

IV. REVIEW OF DISTRICT COURT PATENTABILITY DECISIONS BY THE FEDERAL CIRCUIT

Like claim construction before the district court, claim construction by the PTO as part of its decision whether a patent claim addresses patent-eligible subject matter is reviewed *de novo* by the Federal Circuit. But the legal standards for which *de novo* will be applied in its review of district court decisions is different from the legal standards applied to the PTO.

For example, if validity for lack of patent-eligible subject matter or for any of the other reasons for which a patent claim may be invalidated, comes up before a district court, there is a presumption of validity and, thus, the opposing party must establish invalidity by a "clear and convincing evidence" standard. In contrast, before the PTO, there is no such presumption and invalidity must be proven by the lower "preponderance of the evidence" standard.

Second, there is a difference in the preferred scope of claim interpretation. The PTO is allowed to give the "broadest reasonable interpretation" of a claim's scope, as opposed to the more circumscribed interpretation afforded to the district courts.

Third, the involvement of adverse parties and a jury create important differences between the two proceedings. For example, if for some reason the is-

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sue of invalidity due to lack of patent-eligible subject matter is not resolved by the district judge and like other invalidity issues, the defense is tried to a jury, perhaps it goes without saying that the fact that the claim under attack was approved by the PTO is likely to have a greater persuasive force in front of a jury, who are apt, as laypeople, to afford the PTO more deference.

CONCLUSION: THE PTO *BILSKI* FACTORS IN THE DISTRICT COURT

I agree with the commentators who say, “If you can’t tell the boundaries, it ain’t property.” The model patent jury instructions adopted by our district and others analogize patent claims to the metes and bounds descriptions in a deed. However, every time I give that instruction in a patent case I think back to the claim construction hearing and say to myself, “You know that unlike a deed, there are no visible physical structures or land features to use as a reference. There are no skilled surveyors who can use scientifically calibrated instruments to stake the metes and bounds upon which to construct a fence around a patent.”

On July 27, 2010, the PTO released interim guidelines detailing the appropriate steps for determining whether process claims are patentable material under *Bilski*. These guidelines provide a basic overview and summary of the *Bilski* decision, guidance on the abstract idea exception to subject matter eligibility as set forth in *Bilski*, and specific factors relevant to reviewing method claims for subject matter eligibility in view of *Bilski*. Thus the PTO is attempting to reintroduce a bright-line test for patentability. A similar challenge will be faced by district judges when deciding patent-eligible subject matter. I predict that district court decisions will likely fall into two categories: (1) adherence to the Federal Circuit’s machine-or-transformation test; or (2) case-by-case determinations of whether the patent-in-suit is directed to abstract subject matter. As a consequence, like with *Markman*, we must wade through those cases to get beyond *Bilski*. Perhaps that is the point of the Supreme Court’s decision: rather than have a bright line to tell us when the subject matter is patent-eligible, we will find the answer somewhere in the middle of a myriad of cases, when going forward is just as tedious as going back.