



Patent Decision Means Tough Times for Many Tech Companies, Attorney Says

Atlanta (November 2008) – A recent federal appeals court decision (*In re Bilski*) presents big challenges for many technology companies, a leading intellectual property attorney says.

“There’s an old saying that the best ideas are stolen,” says John Harris, a Partner in the intellectual property practice at Morris, Manning & Martin, LLP, and a patent attorney for over 28 years. “This ruling makes it easier for some good ideas to be stolen, because process patents will be harder to get. Unless companies that specialize in data processing technologies immediately examine and adjust their patents and patenting strategies, their competitors can start using their ideas.”

The Court of Appeals for the Federal Circuit ruled last week in the *Bilski* case that valid process patents either:

1. Have to be “tied to a particular machine,” though it doesn’t define what constitutes a machine, or
2. Must involve a transformation of articles or material to a different state or thing.

It’s unclear, for example, whether a machine means a specific device such as cell phones, computers or motors, or something as broad as the Internet, Mr. Harris says. It is also not clear from the case what aspects of modern information-age processes involving electronic signals and electronically-manipulated data can constitute a patentable process. The Court specifically left that question open.

Since many information technology patents relate to data and services rather than physical things such as machines and physical material processing, it appears that such technology patents could easily be challenged, and hard to enforce. “The court ruling was mainly directed at cutting back on so-called ‘business method’ patents, which saw a big flurry of filings starting in 1998 after the State Street Bank case,” Mr. Harris says. “However, the *Bilski* ruling was not limited to these business method patents and affects any process-oriented patents.”

“Patents are critically important for the information-age economy,” Mr. Harris adds. “Without good patents many companies can’t get funding to grow the business and might not be deemed as valuable. If their patents are denied or invalid, these companies are at a significant disadvantage and may find their valuations diminished.”



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Software, network security and data management companies, as well as insurance and financial services firms would be at risk for increased competition from companies that can freely use their ideas. In the past, if others used their ideas, they could protect them through patents.”

Mr. Harris says information technology companies should examine their patents to be sure they hold up under the new interpretation of the law. Many companies may need to apply for new patents – if they still can. If they have patent applications currently pending, he adds, they may need to re-work them.

“In truth, many more patent applications in the IT space will likely be denied by the Patent Office,” Mr. Harris says.

The ruling, which applies nationwide, could be appealed to the U.S. Supreme Court. But Mr. Harris says many companies should review their patent filings ASAP, since the ruling applies nationwide.

About Morris, Manning & Martin, LLP

Morris, Manning & Martin, LLP, (www.mmmlaw.com) enjoys national prominence for its corporate finance, securities, mergers and acquisitions, litigation, technology, intellectual property, real estate and real estate capital markets, environmental, insurance and healthcare practices. The firm has offices in Atlanta, Raleigh-Durham, Savannah and Washington, D.C.

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