

CLIENT ALERT

Supreme Court Leaves Door Open to Business Method Patents

June 28, 2010

Summary

This morning, the U.S. Supreme Court issued its much-anticipated opinion in *Bilski v. Kappos*. Much attention had been focused on this case because of its potential to significantly impact current law on the types of inventions that are eligible for patent protection, particularly in the areas of business methods, software, and medical diagnostics.

In today's opinion, the Court declined to exclude business methods (or any other category of methods) from patent protection, but rather held *Bilski's* patent application to be ineligible on the narrow basis that the particular invention claimed is an abstract idea.

The Court discussed at length whether business methods could be patented. All the justices appeared to agree that these patents raise special problems and thus the Patent Office should set a high bar when considering patent applications of this sort. The Court, however, rejected (5-4) an across-the-board exclusion of all business method patents. The Court did suggest that the Federal Circuit could define a narrower category of such applications (such as those that attempt to patent abstract ideas) as not eligible for patent protection.

The Court also took issue with the Federal Circuit's view that a process or method is patent-eligible only if: (1) it is tied to a particular machine or apparatus; or (2) it transforms a particular article into a different state or thing. While noting that this "machine-or-transformation" test is a useful and important clue in determining whether some inventions qualify as "processes" under section 101 of the Patent Act, the Court also acknowledged that new technologies (software, advanced diagnostic methods, etc.) may call for new inquiries. Thus, the Court rejected the Federal Circuit's position that a process claim must meet this narrow test. The Opinion, however, did not take a position as to what future technologies should receive patents.

Outside of ruling that *Bilski's* particular claims are directed to an abstract idea, the Court provided little guidance as to what constitutes an abstract idea and provided few clues as to how one determines whether a claimed process is an abstract idea. Thus, the Court left the door open for future cases to provide guidance as to whether a claimed process is directed to an abstract idea.

Wolf Greenfield attorneys will discuss the potential ramifications of the *Bilski* decision in a webinar on Wednesday, July 7, 2010 (see below for more information and to register.) Our attorneys will address the potential effects of today's opinion on business method, software, and medical diagnostic patenting, as well as potential changes to the USPTO's examination procedures for subject-matter eligibility.

Background

Section 101 of the United States Patent Act grants eligibility for patent protection to any new and useful

process. Legal precedent has narrowed the definition of the term “process” to exclude a number of so-called judicial exceptions (i.e., laws of nature, natural phenomena, and abstract ideas), but has held that a process claim directed to a practical application of one of these judicial exceptions is eligible for patent protection.

In 1997, Bernard Bilski and Rand Warsaw filed a patent application at the U.S. Patent and Trademark Office (“PTO”) with claims directed to a method for hedging risks in commodities trading. The PTO rejected these claims, concluding in part that they were directed to an abstract idea ineligible for patent protection.

This rejection was appealed to the Federal Circuit, which issued an en banc (i.e. full court) decision on October 30, 2008. In its decision, the Federal Circuit rejected the idea of a business method or software exclusion from eligibility, and expressly affirmed that business method and software claims can be eligible for patent protection. At the same time, however, the court reverted to a standard previously enunciated by the Supreme Court for patent eligibility of all processes. Under that standard, referred to as the machine-or-transformation test, a process is eligible for patent protection only if it either: (1) is tied to a particular machine or apparatus; or (2) transforms a particular article to a different state or thing. The court held that the invention did not satisfy the machine-or-transformation test, as it was not tied to a particular machine or apparatus and transformed only legal or contractual obligations. The transformation of these legal obligations did not satisfy the test because legal objects are not physical objects or representative of physical object.

Bilski and Warsaw petitioned the Supreme Court to review the Federal Circuit’s decision, and the petition was granted in June of 2009. In the petition, the Supreme Court was asked to decide whether the “machine-or-transformation” test articulated by the Federal Circuit is the exclusive test for determining whether processes are eligible for patent protection.

Wolf Greenfield Webinar

To assist clients and others in understanding the impact of Bilski on future practice, Wolf Greenfield will present a webinar on the decision on Wednesday, July 7, 2010, from 12:00pm-1:30pm EST / 11:00am-12:30pm CST / 10:00am-11:30am MST. To register for this webinar, please [click here](#). If you are unable to attend the webinar, a podcast will be available through our website a few days after the webinar (we will send a notice out when it is available.)

For Further Information

To read the Supreme Court’s full decision [click here](#).

As always, if you have specific questions about how this decision might affect your patent portfolio or patent strategy, please contact your Wolf Greenfield attorney.