

Supreme Court Clarifies Scope of Patentable Inventions

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Bilski v. Kappos, No. 08-964, (June 28, 2010), available [here](#).

The Supreme Court today affirmed the Federal Circuit's holding that Bilski's business method was unpatentable subject matter because it sought to claim patent protection on an abstract idea. But the Court rejected the Federal Circuit's bright-line "machine or transformation" test as the sole test for determining whether an invention is eligible for patent protection.

Bilski's patent application claimed a method for a buyer or seller to hedge price risks in commodities trading. The U.S. Patent and Trademark Office rejected all claims as unpatentable subject matter under Section 101 of the Patent Act, 35 U.S.C. §101, because the invention was not implemented on a specific apparatus, but merely manipulated an abstract idea and solved a purely mathematical problem.

Bilski appealed to the United States Court of Appeals for the Federal Circuit. The Federal Circuit affirmed the rejection of Bilski's patent application, holding that Bilski's claimed process or method was not eligible subject matter for a patent because it was not tied to a machine or apparatus, or did not transform a particular article into a different state or thing (later termed the "machine or transformation test"). *In re Bilski*, 545 F.3d 943, 88 U.S.P.Q.2d 1385 (Fed. Cir. 2008) (en banc), *cert. granted*, 129 S. Ct. 273 (2009).

Bilski successfully petitioned the Supreme Court to hear the case. Bilski argued that there should be no rigid test for patentability of business methods. The government urged the Court to adopt the machine or transformation test. Over forty amicus briefs were filed.

In its decision, the Supreme Court affirmed the Federal Circuit's holding that Bilski's method for hedging risks in commodities trading was ineligible for patent protection. Although there were three separate opinions, all members of the Court agreed that the Federal Circuit's "machine or transformation" test is not the exclusive test to be applied in determining what is patentable subject matter, although that test provides a useful clue or investigative tool.

As a threshold matter, Justice Kennedy, in an opinion joined in whole or in part by four other justices, determined that the term "process" in the Patent Act does not categorically exclude business methods. The Court held, however, that Bilski's method simply explained the basic concept of hedging, and reduced it to a mathematical formula, an unpatentable

abstract idea. Because the Court has held in prior decisions that abstract ideas are not patentable, it rejected Bilski's method on those grounds.

The Court stated that it did not need to define further what would constitute a patentable process, and encouraged the Federal Circuit to develop other limiting criteria to the extent needed to restrict business method patents consistently with the purposes and text of the Patent Act.

While the differing views of the concurring justices suggest that the debate over subject matter patentability will continue, the decision assures a more flexible approach to future inventions than the Federal Circuit's overly rigid machine-or-transformation test. Indeed, Justice Kennedy, joined by three members of the Court, emphasized the uncertainty the Federal Circuit's test would create for innovation in such fields as computer software, advanced medical diagnostics, and manipulation of digital signals. Thus, the decision offers hope that the courts will allow patent law to continue adapting in order to protect future new technologies, including in biotechnology, medical diagnostics, and high tech.