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Bilski — Set Aside Your Criticism And Learn To Love It

Law360, New York (July 14, 2010) -- The U.S. Supreme Court recently issued its long-awaited decision in Bilski v. Kappos, a case that raised the issue of whether business methods are eligible for patent protection, i.e., whether they are statutory subject matter.

The Supreme Court affirmed the U.S. Court of Appeals for the Federal Circuit's decision that claims to a method of hedging against risk did not cover statutory subject matter, although the high court disagreed with the Federal Circuit that the latter's test is the exclusive one for determining whether an invention covers patentable subject matter.

Justice John Paul Stevens wrote a separate opinion for four members of the court stating that business methods should never be patentable.

In the wake of the Bilski decision, several articles have complained, or quoted lawyers as complaining, that the high court's opinion does not provide sufficient "guidance." This complaint is a familiar response to Supreme Court opinions, and by no means unique to patent law or patent lawyers.

The Supreme Court does not need me to defend it, but all lawyers should think back to their first year course in Civil Procedure or Introduction to Constitutional Law before making such comments. Article III, Section 2, of the U.S. Constitution extends the judicial power only to "cases" and "controversies."

This provision has long been interpreted to preclude the Supreme Court — indeed, all federal courts — from addressing hypothetical questions or issuing advisory opinions. E.g., Flast v. Cohen, 392 U.S. 83, 96 n.14 (1968) (tracing rule against advisory opinions to 1793).

In other words, the federal courts do not exist to issue "guidance." Indeed, they lack the "power" to issue abstract guidance, and for them to do so would be unconstitutional. No one wants a federal court, especially a Supreme Court, that acts unconstitutionally. Rather, federal courts exist to decide specific cases and controversies.

Lawyers are destined for a lifetime of frustration if they continually hope to receive specific guidance for the fact situations presented by their cases from individual federal court opinions arising out of different fact situations.

With this fundamental premise in mind, the high court's Bilski decision actually gives the patent community some bonuses. As Justice Anthony Kennedy's opinion for the majority noted, all nine justices agreed that the proposed patent covered an abstract idea.

Thus, strictly speaking, the Supreme Court could have decided the case as follows:

"While the words of Section 101 of the Patent Act, which define patentable subject matter, are broad, our cases have long recognized that certain subjects — laws of nature, physical phenomena, and abstract ideas — are not patentable. All the justices agree that the plaintiff's claims purport to cover an abstract idea. Therefore, his claims are not patentable."

Indeed, at the start of the final section of his opinion, Justice Kennedy plainly stated that the high court was deciding the case "narrowly" on that basis. Slip op. at 13.

Instead of limiting itself to that narrow basis, however, the Supreme Court addressed some other questions important to the patent community.

First, the court stated that the Federal Circuit's machine-or-transformation test was not the sole test for determining whether subject matter is eligible for patent protection. Id. at 6-8. Although this leaves some uncertainty as to what other tests might be, this ruling can only be a good thing for patent owners and lawyers, because it expands the category of eligible subject matter beyond subject matter that passes the machine-or-transformation test.

Indeed, under the high court's opinion, anything that falls within Section 101's broad terms — "process, machine, manufacture or composition of matter, or any new and useful improvement thereof" — but is not a "law of nature, physical phenomena or abstract idea," qualifies as patentable subject matter. Id. at 13-16.

Second, the Supreme Court ruled that Section 101 did not categorically exclude business methods from patentable subject matter. Id. at 10-13. The court observed that the Patent Act's definition of "process" includes "method" and stated that it was unaware of any definition of "method" that excludes business methods. Id. at 10.

Again, this ruling can only be positive for patent owners and patent lawyers because they hold out the prospect for additional eligible subject matter. On the other hand, the thousands of owners whose patents cover business methods narrowly avoided a disaster, given that four justices voted to declare that their patents are invalid because they do not cover patentable subject matter.

Lawyers currently prosecuting applications for such patents could have found themselves with unwelcome free time on their hands (during what is already being described as the Great Recession).

Finally, Justice Stephen Breyer wrote a separate opinion, joined in relevant part by Justice Antonin Scalia, that identified four principles on which all the justices appear to agree. In express recognition of the "need for clarity and settled law in this highly technical area," slip op. (Breyer, J. concurring) at 1, Justice Breyer's opinion furnishes guidance, although it is by necessity limited to general principles.

The principles include: (1) Section 101 is broad, but not without limit; (2) the machine-or-transformation test is an important clue to patentability, but (3) is not the sole test; and (4) the Federal Circuit's prior "useful, concrete and tangible result" test was incorrect.

In short, instead of criticizing the Supreme Court for failing to provide guidance, a practice that would exceed the court's powers under the Constitution, the patent community should be thankful for the arguably additional, pro-patent commentary the court did provide in Bilski.

Lawyers should also consider whether criticizing the Supreme Court for adhering to the constitutional limits of its authority, by not issuing guidance, is a disservice to the public.

Such criticism creates the impression that the court is not doing its job, when in fact the opposite is true. The high court should be applauded for respecting the constitutional limits on its authority.

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