Supreme Court Confines Business Method Patents

In Bilski v. Kappos, the Supreme Court unanimously ruled on Monday that a non-computer-implemented commodities risk-hedging business method is not patent-eligible because such an invention is merely an abstract idea. In doing so, the Court signaled that business method patents would generally be confined under a standard only slightly broader than the Federal Circuits machine-or-transformation test.

While all of the Justices were in agreement that Bilskis invention was merely an abstract idea, the Court fractured when attempting to enunciate the precise standards for determining when process inventions, particularly business method inventions, become patent eligible.

A majority of the Court refused to rule that 35 USC 101, the statute that defines patent-eligible subject matter, categorically denies patent-eligibility to all business method inventions, but did not elaborate on the circumstances under which business method inventions may rise beyond the level of an abstract idea and become patent-eligible.

In the decision on appeal, the Federal Circuit had ruled that a process invention was patent-eligible only if it passed the machine-or-transformation test. Under this test, to be patent-eligible, a process invention must be (1) tied to a particular machine or apparatus, or (2) transform a particular article to a different state or thing. The Supreme Court found this test, while a useful clue for patent-eligibility, was not the sole test for governing the patent-eligibility of process inventions.

A four Justice plurality (Justices Kennedy, Roberts, Thomas and Alito) found that 35 USC 101 is a dynamic provision such that constraining the scope of patent-eligible subject matter to only the machine-or-transformation test based on past precedent from the Industrial Age would be inappropriate in todays Information Age. These four Justices leave it to future decisions to strike a balance between protecting inventors and protecting the public from improper patent monopolies in connection with emerging technologies.

In a concurring opinion authored by Justice Stevens, four Justices (Justices Stevens, Ginsburg, Breyer and Sotomayor) found that 35 USC 101 categorically excludes business method inventions from the scope of patent-eligible subject matter.

Justice Breyer (joined by Justice Scalia in part) filed a concurring opinion to express what he believed to be four points of agreement among all of the justices:

(1) while 35 USC 101 broadly defines patent-eligible subject matter, it is not without limit and does not encompass phenomena of nature, mental processes and abstract intellectual concepts,

(2) the transformation and reduction of an article to a different state or thing is the clue to the patentability of a process claim that does not include particular machines,

(3) while the machine-or-transformation test is a useful and important clue it is not the sole or exclusive test for patent-eligibility, and

(4) while the machine-or-transformation test is not the sole or exclusive test for patent-eligibility, this should not be interpreted to mean that the so-called State Street test (whereby anything which produces a useful, concrete, and tangible result is patent-eligible) is an appropriate test because it is unduly broad and produces absurd results.

Following this decision by the Supreme Court, determining whether a business method invention is patent-eligible will be a case-by-case fact-intensive inquiry, guided but not controlled by the machine-or-transformation test.

Future court decisions will be needed to provide clarity as to what business methods (or process inventions including medical diagnostic processes) may be patent-eligible where the inventions in question do not pass the machine-or-transformation test.

Future court decisions will also be needed to explain what standard should apply to various computer-implemented processes such as software and other data processing inventions (including computer-implemented business methods). In reaching its decision, the Court approvingly cited past Supreme Court precedent, Gottschalk v. Benson and Parker v. Flook, that can be regarded as hostile to the patent-eligibility of such inventions.

If you have any questions about this decision, you may contact any of the Intellectual Property attorneys listed below, or your Thompson Coburn attorney.

Benjamin L. Volk, Jr.	View Resume	bvolk@thompsoncoburn.com
Richard E. Haferkamp	View Resume	rhaferkamp@thompsoncoburn.com
Thomas A. Polcyn	View Resume	tpolcyn@thompsoncoburn.com
Alan H. Norman	View Resume	anorman@thompsoncoburn.com
Dean L. Franklin	View Resume	dfranklin@thompsoncoburn.com

Visit our Intellectual Property Group online.

Thompson Coburn LLP
Chicago | St. Louis | Southern Illinois | Washington, D.C.
www.thompsoncoburn.com