

PATENT LAW UPDATES

Bilski v. Kappos: machine-or-transformation test no longer exclusive test for patentability

Yesterday's long-awaited *Bilski v. Kappos* holding was rather anticlimactic, in that it provided no new guidelines on whether a particular invention would be patentable under 35 USC § 101. While some had feared that the decision in *Bilski* may invalidate business method patents altogether, while others expected that the Supreme Court would at least provide clarity to the patentability rules for business methods, the Court instead decided to limit its holding solely to the invention at issue:

It is important to emphasize that the Court today is not commenting on the patentability of any particular invention, let alone holding that any of the above-mentioned technologies from the Information Age should or should not receive patent protection. This age puts the possibility of innovation in the hands of more people and raises new difficulties for the patent law. With ever more people trying to innovate and thus seeking patent protections for their inventions, the patent law faces a great challenge in striking the balance between protecting inventors and not granting monopolies over procedures that others would discover by independent, creative application of general principles. Nothing in this opinion should be read to take a position on where that balance ought to be struck.

The Court did decide that *Bilski's* risk-hedging

method was unpatentable, due to the concept being an abstract idea:

The concept of hedging, described in claim 1 and reduced to a mathematical formula in claim 4, is an unpatentable abstract idea, just like the algorithms at issue in *Benson* and *Flook*. Allowing petitioners to patent risk hedging would preempt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea.

However, in reaffirming the Federal Circuit's ruling that *Bilski's* method was unpatentable, the Supreme Court effectively rejected the Federal Circuit's machine-or-transformation standard as the *sole* test by which to determine the patentability of a process, electing instead to rely on the precedential cases of *Parker v. Flook*, *Gottschalk v. Benson*, and *Diamond v. Diehr*:

Today, the Court once again declines to impose limitations on the Patent Act that are inconsistent with the Act's text. The patent application here can be rejected under our precedents on the unpatentability of abstract ideas. The Court, therefore, need not define further what constitutes a patentable "process," beyond pointing to the definition of that term provided in §100(b) and looking to the guideposts in *Benson*, *Flook*, and *Diehr*. And nothing in today's opinion should be read as endorsing interpretations of §101 that the Court of Appeals for the Federal Circuit has used in the past... It may be that the Court of Appeals thought it needed to make the machine-or-trans-

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formation test exclusive precisely because its case law had not adequately identified less extreme means of restricting business method patents, including (but not limited to) application of our opinions in *Benson*, *Flook*, and *Diehr*. In disapproving an exclusive machine-or-transformation test, we by no means foreclose the Federal Circuit's development of other limiting criteria that further the purposes of the Patent Act and are not inconsistent with its text. The judgment of the Court of Appeals is affirmed.

Thus, while certain business method patents and computer-implemented process claims are likely to remain patentable subject matter as far as the USPTO is concerned, the Supreme Court, in this ruling, has effectively directed the Federal Circuit to apply the *Benson-Flook-Diehr* line of precedent to redevelop a doctrine of patentable subject matter beyond the machine-or-transformation test, and it is likely that we will see the issue relitigated in the years to come.

Bilski v. Kappos and business method patents

It took 231 days for a decision to be rendered in *Bilski v. Kappos*, longer than any other Supreme Court patent case in recent memory. Since oral arguments took place on November 9, 2009, the Supreme Court had also received 65 amicus briefs, which is also believed to be a record for a case dealing with patent law. The long wait was exacerbated by the fact that the *Bilski* decision was expected to have determined the fate of

business method patents, or to at least provide some guidelines on what constitutes patentable subject matter.

Indeed, business method patents survived — but by a hair. Departing Justice Stevens was expected to author the majority opinion, but the controlling opinion in the case turned out to be Justice Kennedy's, with five justices concurring with the greater part of it (Justice Scalia didn't sign on to certain portions of the opinion). The majority opinion wound up rejecting *Bilski*'s risk-hedging method because it was an abstract idea — something all nine justices agreed with — but left the question of the patentability of business methods untouched.

Justice Stevens wrote a concurring opinion that was an indictment of the patentability of business methods. Stevens opined that business method patents stifled innovation, depressed “the dynamism of the market,” and were thus undesirable. However, his opinion garnered only four votes, and wound up being merely a concurrence, rather than the controlling opinion.

For now, business method patents live on, and United States patent law remains mostly unchanged by the decision in *Bilski v. Kappos*. However, the Federal Circuit is expected to develop some “limiting doctrines” for the field — somewhere between the expansive standard set by the Federal Circuit in the *State Street Bank* decision and the machine-or-transformation test, which has been deemed by the Supreme Court, in the instant case, to be too restrictive.

[Read the opinion](#) in *Bilski v. Kappos*.