SUPREME COURT ISSUES LANDMARK OPINION IN BILSKI PATENT CASE

Intellectual Property Litigation Alert
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Affirmed! It was a long time coming, but finally, on the morning of June 28, 2010, the U.S. Supreme Court issued its opinion in the matter of *Bilski v. Kappos*. The Court affirmed the Federal Circuit's *en banc* decision invalidating claims of a business method patent application pursuant to 35 U.S.C. § 101. The patent application at issue concerned a procedure for instructing buyers and sellers how to protect against the risk of price fluctuations in a discrete section of the economy.

In its opinion, the Supreme Court proclaimed that although instructive, the "machine-or-transformation test" is not the only test that should be applied when determining patentability. Specifically, the Court stated "adopting the machine-or-transformation test as the sole test for what constitutes a 'process' . . . violates statutory interpretation principles."

Justice Kennedy's opinion illustrates the importance of the credo "times change." Notably during the industrial age, inventions that failed the machine-or-transformation test were rarely granted. However, technological and other innovations progress in unexpected ways. Therefore, it is important, as technology progresses, to protect inventions in areas not contemplated by Congress. In other words, new technologies may call for new inquiries.

Additionally, the Court held the term "process," as contemplated by Section 101, does not categorically exclude business methods. More importantly, an analysis of Title 35's definition of "method" necessarily includes some business methods.

Finally, while the Court made clear it was not categorically rejecting all business method patents, it did reject the patent application at issue. The Court held that Bilski's patent application did not claim a patentable process because it is an attempt to patent abstract ideas.

Although Bilski's business method did not meet the standard for patentability under Section 101, Justice Kennedy's strong language rejecting the Federal Circuit's sole reliance on the machine-or-transformation test provides innovative companies a sigh of relief. The Supreme Court effectively stated that business method patents do qualify as patent-able subject matter as long as they comport with Title 35.

Lessons learned:

- Reminder: abstract ideas are not patentable.
- Though not exclusive, the machine-or-transformation test is still applicable.
- Claims must be carefully drafted to define a method not directed to an abstract idea.

Consistent with these lessons, the USPTO immediately released interim guidelines to its examiners post-*Bilski* instructing them to first apply the machine-or-transformation test, and if that fails, to evaluate whether the claims are directed to an abstract idea. The instructions command examiners to reject any such claims.

The court's opinion is available at: www.supremecourt.gov/opinions/09pdf/08-964.pdf

A recent memo to examiners providing guidance post-Bilski can be found at: www.uspto.gov/patents/law/exam/bilski_guidance_28jun2010.pdf