

SUPREME COURT GRANTS CERT PETITION FOR *IN RE BILSKI* - THE FEDERAL CIRCUIT'S *EN BANC* DECISION ON WHAT IS PATENTABLE SUBJECT MATTER

The Case

On June 1, 2009, the Supreme Court granted a Petition for a Writ of Certiorari in the case of *In re Bilski*. *Bilski* asks the Court to tell us what subject matters, *e.g.*, business methods, are eligible for patent protection.

The Federal Circuit's Bilski Decision

On October 30, 2008, the Federal Circuit, sitting *en banc*, issued its highly anticipated decision in *In re Bilski*. *Bilski* asked the Federal Circuit whether its business method claim was eligible for patent protection.

Bilski had sought a patent for a method of hedging risk in commodities trading. In abbreviated form, *Bilski* sought to claim “[a] method for managing the consumption of risk costs of a commodity...” by (a) “initiating a series of transactions ...,” (b) “identifying market participants ...,” and (c) “initiating [another] series of transactions....”

Sitting *en banc*, the Federal Circuit abandoned two well known tests for patent-eligibility: 1) the *Freeman-Walter-Abele* test which required determining if the claim recited an algorithm and, if so, whether the algorithm was “applied in any manner to physical elements or process steps,” and 2) the “useful, concrete and tangible result” test associated with *State Street Bank*. (*State Street Bank* is the 1998 Federal Circuit case that found business method patents to be patent-eligible subject matter.) The Federal Circuit “reject[ed] calls for categorical exclusions” such as the wholesale exclusion of business method or software patents.

The Federal Circuit adopted the machine-or-transformation test. Under this test, a claim is patent-eligible subject matter only if the “claim is tied to a particular machine” or the “claim transforms an article.” However, “the use of a specific machine or transformation of an article must impose meaningful limits on the claim’s scope to impart patent-eligibility. Also, “the involvement of the machine or transformation in the claimed process must not merely be insignificant extra-solution activity.” The Federal Circuit held that “the machine-or-transformation test is the *only* applicable test and must be applied....”

The Grant of Certiorari

On June 1, 2009, the Supreme Court granted Bilski's Petition for a Writ of Certiorari on the two questions presented:

Whether the Federal Circuit erred by holding that a “process” must be tied to a particular machine or apparatus, or transform a particular article into a different state or thing (“machine-or-transformation” test), to be eligible for patenting under 35 U.S.C. §101, despite this Court's precedent declining to limit the broad statutory grant of patent eligibility for “any” new and useful process beyond excluding patents for “laws of nature, physical phenomena, and abstract ideas.”

Whether the Federal Circuit's “machine-or-transformation” test for patent eligibility, which effectively forecloses meaningful patent protection to many business methods, contradicts the clear Congressional intent that patents protect “method[s] of doing or conducting business.” 35 U.S.C. §273.

Although it is not likely that the Supreme Court will again front-load its calendar, as it experimented with in the October, 2008 term, it is likely that argument will be set for the fall with an opinion to be issued sometime during the October, 2009 term which ends in June of 2010.

What You Need To Know

The question of what is and what is not patentable subject matter is once again in flux. Business decisions made based on whether particular subject matter is patentable should be reexamined, particularly if they were based on the *Bilski* “machine-or-transformation” test. Anyone who received an opinion regarding the validity or invalidity of a patent claim should review that opinion. If the opinion relied exclusively on patentability under 35 U.S.C. § 101, this grant of *certiorari* raises a question as to whether one can continue to rely upon that opinion. (Anyone receiving an opinion from Dow Lohnes since I arrived nearly three years ago can rest assured that we did not write any opinions that relied exclusively on patentability under § 101.)

*If you have any questions regarding this issue or other patent and intellectual property matters, please contact **Bruce Wieder** at **202-776-2888** or **bwieder@dowlohn.com**.*

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