SUPREME COURT GRANTS CERT IN *BILSKI* CASE

BY: BRADLEY C. WRIGHT

On June 1, 2009, the U.S. Supreme Court granted certiorari in an important patent case involving the patentability of business methods. The case, *In re Bilski*, originated in the U.S. Patent and Trademark Office (USPTO) and was the subject of an en banc 2008 decision rendered by the U.S. Court of Appeals for the Federal Circuit. Bilski sought to patent a series of transactions between a commodity provider and market participants in a way that balanced risk. The USPTO rejected the patent application on the basis that it was not a "process" as that term is understood in patent law. According to the USPTO, in order to be patentable, a process must either be tied to a particular machine or it must transform something tangible (or data that represents something tangible). Because Bilski's invention did neither, it did not meet the definition of a "process."

The Federal Circuit affirmed the USPTO in an en banc decision, concluding that under controlling U.S. Supreme Court precedent, to be patentable a process must either be tied to a machine or it must transform something. Because Bilski's claims met neither prong of this "machine-or-transformation" test, it was deemed to be unpatentable. In his dissenting opinion, Judge Mayer would have gone further, imposing a "technological arts" requirement for patentability. Two other judges filed dissenting opinions.

SEEDS OF DISCONTENT

The *Bilski* case represents a rare opportunity for the Supreme Court to weigh in on the outer limits of patentable subject matter, an issue it has not addressed for nearly 30 years. In 2006, three Supreme Court Justices filed an opinion dissenting from the dismissal of certiorari in another patent case, *Laboratory Corp. of America v. Metabolite*. Justice Breyer, writing for the three dissenters, clearly rebuked the Federal Circuit's *State Street Bank* line of cases, which had seemingly endorsed patentability for inventions that produced a "useful, concrete, and tangible result." Justice Breyer noted that such a liberal test for patentability "would cover instances where this Court has held to the contrary." The Federal Circuit's Chief Judge Michel, writing for the *Bilski* majority, acknowledged the rebuke and clarified that the "useful, concrete and tangible result" language was not the test for patentability.

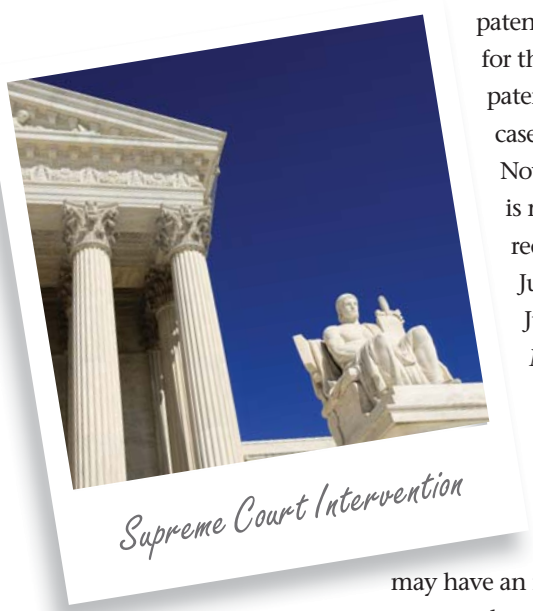
BILSKI'S PETITION FOR CERTIORARI

Bilski's petition for certiorari focused on two themes: First, Bilski argued that the Federal Circuit was once again applying rigid tests in patent cases that allegedly conflicted with Supreme Court precedent. Second, Bilski argued that the Federal Circuit incorrectly limited process patents to industrial manufacturing methods, ignoring the realities of innovation in the modern information age. According to Bilski, the boundaries of patentable subject matter should extend to anything under the sun made by man, with the recognized exceptions of laws of nature, natural phenomena, and abstract ideas. In its responsive brief, the USPTO played down any purported conflict with Supreme Court precedent. MORE▸

[**SUPREME COURT**, FROM PAGE 3]

BILSKI AT THE SUPREME COURT

Many patent attorneys were surprised by the Supreme Court's intervention in the *Bilski* case. Some have questioned whether Bilski's patent claims provide a good vehicle for the Court to clarify this area of patent law. Oral argument in the case has now been set for Monday, November 9, 2009, and a decision is not likely before early 2010. The recent announced retirement of Justice Souter, one of the three Justices who signed on to the *Metabolite* dissenting opinion, may have an impact on the outcome of the case, as may the recent confirmation of new Justice Sotomayor, who has experience as a judge in patent cases. Regardless of the outcome, it seems certain that the Supreme Court's decision will attempt to clarify and harmonize its prior decisions in this area. The result could have a wide-ranging impact on many industries that rely on patents involving information technology and business-related processes, as well as certain medicine-related applications.



Supreme Court Intervention

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AMICUS BRIEFS FILED

Since the U.S. Supreme Court granted Bilski's certiorari petition, more than 40 amicus briefs have been filed, most of them filed in support of neither party. Heavily represented among the amicus filers are companies in the software, pharmaceutical, and medical diagnosis fields. In advocating reversal of the Federal Circuit's "machine-or-transformation" test, some amicus parties have urged a broader "usefulness" test, while others have urged the Supreme Court to focus on whether an invention provides a "technological contribution." Yet others have suggested that the test should distinguish between applied inventions that would be patentable and abstract inventions that would not. Few amicus filers have urged outright affirmance of the Federal Circuit's decision.

USPTO STRUGGLING WITH TEST

The *Bilski* "machine-or-transformation" test has presented some difficulties for the USPTO, which has been left to apply it in pending patent applications without much guidance from the Federal Circuit. In its August 2009 New Interim Patent Subject Matter Eligibility Examination Instructions for patent examiners, the USPTO has acknowledged that "the state of the law with respect to subject matter eligibility is in flux." The rejection rate for computer-related inventions, for example, has increased substantially, especially for method claims that recite little or no machine structure. In one case, for example, the USPTO's Board of Appeals concluded that a method reciting a "monitoring device" failed the Bilski test because "monitoring device" was not a specific machine. In other cases, the USPTO's Board of Appeals has struggled to determine what type of "transformation" would make a claim patentable. Patent attorneys have been left wondering how to claim various types of software and diagnostic processes in a way that would pass the *Bilski* test.

CONCLUSION

It is difficult to predict how the U.S. Supreme Court will decide Bilski's appeal. For applicants struggling with difficult *Bilski*-type rejections, it may pay to defer further prosecution of the application (e.g., by filing an appeal or other action that would effectively defer prosecution on the merits) until the Supreme Court issues its guidance. ■