

## Patent Alert:

### Supreme Court Unanimously Rejects Bilski Patent Application but Narrowly Upholds Business Method Patents

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The *Bilski* case presented the Supreme Court with an opportunity to eliminate business methods from the scope of patentable subject matter. Today, by a single vote, the Court declined to take that step. Even though the specific patent application before the Court was unanimously rejected, the boundaries of patent-eligible inventions remain uncertain.

Bilski and a co-inventor filed a patent application on a method for hedging against price changes in the energy market. After their application was rejected by the Patent and Trademark Office, the inventors appealed to the Court of Appeals for the Federal Circuit. The Federal Circuit announced *en banc* that the so-called “machine-or-transformation” test would henceforth be the sole test to determine whether a claimed process describes patentable subject matter. According to that test, a claim to a process can only be patentable if it recites a transformation of matter or is tied to a particular machine. While the test itself was not new—having been created many years earlier by the Supreme Court—it had never before been deemed the sole test that could be used. Bilski’s claims failed the test, and were thus held unpatentable.

In today’s decision, the Supreme Court unanimously agreed that the machine-or-transformation test is not the *sole* test for establishing whether a process describes patentable subject matter. The Court went out of its way to explain that this test does, in many instances, provide “an investigative tool” for determining patentability of certain processes. In sum, the machine or transformation test is a sufficient but not necessary condition for patentability.

Although all members of the Court ultimately agreed that Bilski’s claims were unpatentable, the three separate opinions illustrate a court deeply divided over the issue of whether business method inventions as a whole should remain patentable.

The Court’s opinion, authored by Justice Kennedy, rejected the notion that methods of doing business are categorically excluded from the meaning of “process” under 35 U.S.C. § 101. Instead, the Court held that Bilski’s claims were unpatentable because they were directed to an abstract idea—a long-recognized exclusion from what is patentable subject matter. Unfortunately, the Court provided no clear guidance as to how to determine whether a claim is merely an abstract idea. The Court expressly stated that it was not attempting to make any holding about whether certain “technologies from the Information Age should or should not receive patent protection.” The Court observed that the modern age allows more and more people to innovate, thus posing a challenge for patent law to strike the balance between protecting inventors and avoiding inappropriate monopolies. “Nothing in this opinion should be read to take a position on where that balance ought to be struck.”

On the other hand, Justice Stevens’ concurring opinion attempted to do just that. Although concurring in the judgment, Justice Stevens, joined by Justices Ginsburg, Breyer and Sotomayor, took great issue with the Court’s rationale, arguing instead that business methods should be unpatentable based on the intent of the Framers, and the history of British and American patent law.

Justice Breyer, joined in part by Justice Scalia, also wrote separately to underscore those topics upon which all the members of the Court could agree. Justice Breyer again took the opportunity, as he had previously in his *LabCorp* opinion, to refute the notion that patentability extends to “anything which produces a useful, concrete, and tangible result.”

With the retirement of Justice Stevens, there are three justices—Ginsburg, Breyer and Sotomayor—on record as categorically opposing business method patents. The Court will inevitably agree to hear another

challenge to business method patents at some future date. For the time being, however, a claim to a process—business or otherwise—that does not claim only an abstract idea, law of nature, or natural phenomenon remains within the scope of patentable subject matter.

### Practical Implications

Businesses should continue to seek to protect innovations that are core to operations. In particular, business method patents should be described in a way that focuses on particular improvements and efficiencies in the performance of a business field, with specific connection to the “means” for implementing the business method, such as particular systems (e.g. computer systems, organizational structures, or the like). Companies with existing portfolios should audit their patents and identify those that are appropriate for reissue, and where necessary add limitations that identify particular means. For those business methods that are inherently practiced by a computer system, claim limitations reciting that the process is executed by a computer currently suffice before the USPTO, though the Office may issue new guidelines in view of today’s decision. We expect to learn more about the USPTO’s position in September, when the USPTO hosts its annual Business Methods Roundtable, at which Fenwick attorneys will be speaking on the *Bilski* decision.

The Court’s reliance on the rule that abstract ideas are unpatentable subject matter is likely to not be at issue for life science patents. Rather, the issue faced by these patents is the law of nature exception that was at issue in *LabCorp v. Metabolite*, 548 U.S. 124 (2006), an issue not squarely addressed in *Bilski*. Rather, the question of preemption is most likely to govern which life science process inventions are within the ambit of Section 101. So long as a claim does not “wholly pre-empt” a basic law of nature, it

should pass muster under Section 101. Of course, whether the assay-and-correlate-style *LabCorp*. claims (based on relationships between levels of physiologic substances) can be considered to preempt a law of basic law of nature remains unanswered. More clear, however, is the patentability of complex personalized medicine diagnostics that prognose risk or outcome based on a number of genetic or biological markers. Such methods do not preempt any basic law of nature because alternative predictive models can be developed using different sets of markers. Consequently, they should not be subject to Section 101 rejections under current law.

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