



TIP SHEET™

INTELLECTUAL PROPERTY ALERT JUNE 29, 2010

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Business methods remain eligible for patent protection following U.S. Supreme Court decision



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On Monday, June 28, 2010, the United States Supreme Court released the long awaited and highly anticipated decision in *Bilski v. Kappos*, a case involving the patent eligibility of business methods. The case arose out of a patent application for a method of hedging risks in commodities trading. The application was rejected by the United States Patent and Trademark Office (the “USPTO”), on the ground that the subject matter was not eligible for patent protection. In October of 2008, the Court of Appeals for the Federal Circuit (the “Federal Circuit”) upheld the rejection on the same ground stating that the claimed methods 1) did not transform an article into a different state or thing or 2) was not tied to a specific machine or apparatus (the “machine or transformation” test). In doing so, the Federal Circuit held that the “machine or transformation” test was the sole test for determining whether a method or process was eligible for patent protection.

The Supreme Court upheld the rejection of the *Bilski* patent application, but in doing so, did not rely on the Federal Circuit’s “machine or transformation” test. The majority of the Court agreed that “[t]he patent application here can be rejected under our precedents on the unpatentability of abstract ideas.” Thus, the Court decided against further defining a patentable “process.” Rather, the Court upheld the definition provided in the patent statutes and previous Supreme Court decisions addressing the topic. As for the “machine or transformation” test, the Court made clear that this test is no longer the exclusive test for determining the patent-eligibility of a process, but instead is “a useful and important clue.” The primary concern with adopting the “machine or transformation” test or any other categorical test was the potential incompatibility with certain current and emerging technologies.

In summary, to the joy of some and dismay of others, the Court did not hold that business methods should be categorically excluded from patent protection. However, by failing to set forth a clear test for what constitutes a patent-eligible process, the Court did not put an end to the controversy surrounding business method patents. Courts and legal practitioners will continue to struggle with this issue. Patent practitioners who have waited for the Supreme Court to provide clarity are likely disappointed, and are left with the same uncertainty that existed prior to the decision. Indeed, the lack of guidance from the Supreme Court as to what constitutes a patent-eligible process will likely spur further litigation.

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