

## IP Lawyers React To Bilski's Long-Awaited Arrival

By **Elise Czajkowski**

*Law360, New York (June 28, 2010)* -- The U.S. Supreme Court on Monday narrowly ruled that business methods are eligible for patent protection, ending months of speculation as to how the court might lean in Bilski. Law360 asked leading intellectual property attorneys to weigh in on the scope and significance of the ruling.

**Meredith Addy**

*Brinks Hofer Gilson & Liono, partner and chair of the appellate practice*

The ruling largely met expectations. The court recognizes that times change, that they'll continue to, and that "[t]echnology and other innovations progress in unexpected ways.

But in some ways the ruling fell short. The issue central to America's companies is how to protect inventions while preventing monopolies. But many of the complexities presented by our "Information Age" have been left to the lower courts to be decided on a case-by-case basis — not based on broad guidance but on the facts in each application.

**Pavan K. Agarwal**

*Foley & Lardner LLP, partner and vice-chair of the intellectual property department*

The Supreme Court took careful steps to affirmatively decide very little, expressly leaving for the future the harder questions about the appropriate outer boundaries of patent eligibility for various technologies of the Information Age, such as software and advanced diagnostic medicine techniques.

The Supreme Court confirmed that it does not endorse the tests in the Federal Circuit cases *State Street Bank* and *AT&T*, yet indicating that the Federal Circuit may well develop other criteria beyond the machine-or-transformation test consistent with the purpose and text of Section 101.

**Phil Albert**

*Townsend and Townsend and Crew LLP, partner*

It is unfortunate that the court continued the problem of blurring the distinction between disliking a patent claim for lack of novelty and disliking a patent claim for lack of statutory subject matter. While the outcome is the same

— a patent claim undeserving of a patent is rejected — this does not appear to help patent practitioners. Now there appears to be a continuum where more novel claims might be found more within the statutory limits.

I have always assumed that the current court would reject the claims, so the only question was how they would word it. Fortunately, they did not reject the claims reasoning that the Federal Circuit got it exactly right. Instead, they rejected the claims and while criticizing where the Federal Circuit drew the line, the Supreme Court noted that wherever the line should be, the claims at issue were on the wrong side of that line.

### **Russell Barron**

*Pepper Hamilton LLP, partner*

Justice Kennedy's majority decision decidedly favors modernity and business. It recognizes that 'times change' and that the patent law is "dynamic" and "designed to encompass new and unforeseen inventions." This is a particularly important decision today, now that American business has transformed from the Machine Age to the Information Age.

### **Jack Barufka and James Gatto**

*Pillsbury Winthrop Shaw Pittman LLP, partners*

The machine-or-transformation test is not the sole test for patent eligibility under Section 101. The Court's precedents establish that although that test may be a useful and important clue or investigative tool, it is not the sole test for deciding whether an invention is a patent-eligible "process" under Section 101.

The Supreme Court did not articulate any other specific test. Because Bilski's patent application could be rejected under the court's precedents on the unpatentability of abstract ideas, the court need not define further what constitutes a patentable "process," beyond pointing to the definition of that term provided in Section 100(b) and looking to the guideposts in Benson, Flook and Diehr. Nothing in today's opinion should be read as endorsing the Federal Circuit's past interpretations of Section 101. See, e.g., *State Street*, 49 F. 3d, at 1373.

### **Ilan Barzilay**

*Seyfarth Shaw LLP, partner*

Going forward, this decision is unlikely to create any major waves. The Federal Circuit's attempts to clarify the law were struck down in favor of a more amorphous approach.

Courts will still rely on the machine-or-transformation test, but they will still need to do more to investigate whether challenged patents are "abstract ideas," like Bilski's, that are undeserving of protection.

It wouldn't be surprising to see the question of whether an invention is patentable come down to, to paraphrase Justice Potter Stewart, "I know it when I see it."

### **Rod S. Berman**

*Jeffer Mangels Butler & Marmaro LLP, chairman of the intellectual property group*

Not unsurprisingly the Supreme Court has ruled that the machine-or-transformation test is not the sole test for determining whether a process is a patentable "process" under Section 101 of the Patent Act. Surprisingly three

Justices, Ginsburg, Breyer and Sotomayor, agreed with Justice Stevens' concurring opinion that business methods are not patentable subject matter. This is notwithstanding the fact that Congress has recognized in the Patent Act that methods (patentable subject matter) include "a method of doing or conducting business." 35 U.S.C. Section 273(a)(3).

Nevertheless, this opinion advises the business community of how precarious a business model based upon the patenting of business methods is, and how a one vote shift in the court could have invalidated many patents and the foundation of billions of dollars of business presently protected by business method patents.

### **John Biernacki**

*Jones Day, partner*

As anticipated by many, the Supreme Court struck down the "pure" business method claim in *Bilski*. The Supreme Court has also made more flexible how e-commerce and other types of patents should be analyzed as to whether they satisfy a primary requirement for patenting — that is, do they have patent-eligible subject matter or are they merely claiming an abstract idea. Prior to this decision, the Federal Circuit ruled that the sole test for analyzing this primary requirement was the machine-or-transformation test. By ruling that this is not the sole test, the court has allowed a more flexible analysis for assessing this question. This should help companies and individuals in patenting their e-commerce and other software-based innovations.

### **Scott Bluni**

*Bingham McCutchen LLP, partner and co-leader of the intellectual property practice*

Although the concurring opinions argue in favor of holding methods of doing business as ineligible, the opinion of the court declines to declare business methods as unpatentable per se. Today's decision should therefore give some comfort to owners of business method patents, and other patents that claim methods or processes that are not expressly linked to machines or apparatuses, or are not demonstrably transformative.

Given that there are no bright line tests to take away from *Bilski*, the test for patentable subject matter will continue to be governed by the language of Section 101 and the standing judicially established exceptions.

### **Jim Bollinger**

*Troutman Sanders LLP, partner*

Although *Bilski* has lost, the decision goes no further, and indeed, the court rejected the lower court's bright line "machine-or-transformation" analysis as the exclusive test for eligibility. For owners of financial patents and patents directed to business methods, this is a victory of sorts — or at least a reprieve. The court's majority opinion, authored by Justice Kennedy, specifically rejects a categorical exclusion to business method patents.

For much of the past two decades, the biggest banks and brokerages have been amassing portfolios of patents with the leaders in mutual funds, retail brokerages and investment banking, each now holding patent assets that extend into the hundreds of patents and pending applications. These patents cover a wide spectrum of different technologies, including various investment vehicles, risk management techniques, trading platforms, account management tools, securitized and structured assets, portfolio management, insurance products, mortgage and credit card programs, and the like.

The Bilski court, while perhaps not endorsing these patents, has at the very least left them alone — for now. Recognizing that unfettered acceptance of these new technologies is also an issue, Justice Kennedy, writing for the majority, also cautioned against the broad acceptance of these innovations within the patent system.

**Lee Bromberg**

*McCarter & English LLP, partner*

The Supreme Court's decision in Bilski broadly supports innovation in our national economy, and preserves a wide scope of patentable subject matter, which may include software, biotechnology processes and business methods, as well as more concrete machinery.

This welcome broadening of the test of patentable subject matter should encourage innovation across the spectrum of new technologies, including biotechnology, software, and business methods.

**Robert Cannuscio**

*Drinker Biddle & Reath LLP, vice chair of the intellectual property group*

The Supreme Court's holding is in line with a number of recent decisions issued by the court criticizing any attempt by the Federal Circuit to limit the application of the patent statute. This decision will have the most profound impact on software and life science businesses that had difficulty attempting to protect innovations that could not be easily defined as operating on a machine or transforming data. It will also likely lead to a ramp up again in patent applications directed to various business processes.

**James T. Carmichael**

*Miles & Stockbridge PC, principal and former administrative patent judge with the U.S. Patent and Trademark Office*

The Supreme Court, as it so often does, thwarted the Federal Circuit's attempt to bring certainty to patent law. By rejecting the machine-or-transformation test and failing to define a replacement test, the Supreme Court frustrated the intent of Congress and the Constitution.

The Federal Courts Improvement Act created the Federal Circuit in the midst of economic malaise, to increase predictability in patents and thus promote the progress of the useful arts. The Supreme Court today retarded that predictability and progress, ironically in the throes of another Great Recession.

**Christopher J. Chan**

*Sutherland Asbill & Brennan LLP, counsel*

While many patent practitioners are surprised at how long the Supreme Court took to decide this case, not many practitioners should be surprised by the court's ruling.

The scope of the Bilski decision should affect all process patents and pending applications with process claims even though only business method claims were at issue. I believe the greatest impact of the Bilski decision will be the reduction of overly broad (and sometimes absurd) business method patents issuing from the USPTO, and a corresponding or greater increase in software and medical diagnostic and procedural patent applications filed by patent applicants confident in knowing that there is not a per se exclusion of process patents under U.S. law.

**Tom Chen**

*Haynes and Boone, LLP, partner*

After waiting more than seven months on *Bilski*, the Supreme Court's decision is likely seen as a disappointment and letdown. The decision is green light with an accompanying flashing yellow. The good out of this decision is that the court affirmed the viability of business methods, which is very important in today's economy with so many online businesses having innovations to protect. But the mixed signal comes by requiring lower courts to do a balancing test — which gives no practical guidance to the USPTO, patent attorneys and agents, and technology companies.

**John L. Cooper**

*Farella Braun + Martel LLP*

The Supreme Court's overturning of the Federal Circuit's machine-or-transformation test is an important event for Information Age innovators. The patent-eligibility of technologies such as digital signal processing and data compression, which had perhaps inadvertently been called into doubt by the Federal Circuit, has been restored to its prior state. The court expressly confirmed that "new technologies may call for new inquiries," and reminded us that applications of laws of nature and mathematical formulas to known structures and processes remain patentable under *Diehr*.

While chalking up these significant wins to Information Age innovators, the court dealt a serious blow to business method patents that might arguably claim "basic concepts" and "fundamental economic practices" such as with the risk hedging claims of *Bilski*.

**David A. Cornett**

*Ballard Spahr LLP, partner*

My opinion is that today's decision will not dramatically change the examination of process and method claims by the Patent Office from what they have been doing since *Bilski* was first decided by the Court of Appeals of the Federal Circuit in 2008.

Because the Supreme Court failed to define a new test (or tests), and indicated that the *Bilski* machine-or-transformation test is not the sole test to determine patentability of processes and methods, the Patent Office will be forced to rely upon the examining procedures and Interim Guidelines adopted in the wake of the 2008 *Bilski* decision until new tests are outlined by the Federal Circuit. In other words, it will be "business as usual" for the Patent Office in regard to method and process claims for the immediate future.

However, one takeaway from today's *Bilski* decision by the Supreme Court is that it may have signaled a new, more flexible approach to determining the patentability of new technologies.

**Paul Craane**

*Marshall Gerstein & Borun LLP, partner*

This is a very polarized decision, coming down to Justice Scalia throwing his weight behind the majority opinion, but not the entirety of the majority opinion. It is 5-4 in certain respects, 4-4-1 as to others.

Section 101 is still all about the three exclusions: laws of nature, physical phenomena and abstract ideas (this case). After reading the amicus briefs, this appeared to be what the majority of the amici (or at least a very large group of the amici) suggested should be the outcome — machine-or-transformation is not the test (although it is a very helpful clue, and so will stay around as an analytical tool), and the three exclusions apply. You can hardly fault the court for siding with the majority.

**James Dabney**

*Fried Frank Harris Shriver & Jacobson LLP, partner*

The Bilski decision represents a substantial victory for proponents of extending patent protection to “business methods.” Prior to the Supreme Court’s decision, there was widespread uncertainty whether the court would recognize “business methods” as a type of “method” that is potentially patent-eligible. The answer is now clear, and that answer is “yes.” The decision is likely to direct attention toward better enforcement of other statutory requirements of the Patent Act.

**Paul Devinsky**

*McDermott Will & Emery LLP, partner*

After an agonizing seven and half-month wait, a divided Supreme Court today finally announced its decision in Bilski. Absent congressional intervention, it will now be up to the Federal Circuit to further develop the law in this area on a case-by-case basis, and to determine the patent eligibility of emerging technologies and new technologies. The decision today neither endorses or overrules prior Federal Circuit interpretations of Section 101, e.g., State Street.

**Irah Donner**

*Stroock & Stroock & Lavan LLP, partner*

Overall, all nine justices rejected the Federal Circuit’s rigid machine-or-transformation test.

Conservative justices generally did not believe there was a specific business method exclusion because it is not in the Constitution, it is not in the statute, and Congress seems to have understood that some business methods are eligible in view of the prior user right for business method patents under 35 U.S.C. Section 273.

Liberal justices viewed the invention as “merely” describing a business method, and historically this was not patent eligible subject matter. Justice Scalia agrees that there is no specific exclusion of business methods, but would appear to exclude a variety of processes and methods, including business methods, that are “somewhat ridiculous to the truly absurd.”

**Roderick Dorman**

*Hennigan Bennett & Dorman LLP, head of the patent and technology department*

A Bilski challenge by a patent defendant will no longer be a preferred procedural course. Bilski is pretty much dead, except for abstract business methods. The Supreme Court rejected clear line tests for patentability.

**Matthew Dowd**

*Wiley Rein LLP, associate*

The court's decision comes as a bit of a surprise. Many were expecting Justice Stevens to author the majority opinion. At the same time, Justice Stevens may have had the last word in a firmly worded, wide-ranging, 47-page concurrence — his last authored opinion.

He garnered the full support of Justices Ginsburg, Breyer and Sotomayor, and the partial support of Justice Scalia. Indeed, Justice Stevens noted that, "since at least the days of Assyrian merchants, people have devised better and better ways to conduct business."

### **Scott W. Doyle**

*Shearman & Sterling LLP, partner and co-head of the intellectual property and technology litigation group*

As the Supreme Court is apt to do on patent matters, the court tells the Federal Circuit that it is wrong in *Bilski* to tout its test for determining patent eligible subject matter as the only game in town, but the court punts on providing the legal and business community much guidance for determining patentability of business method patents.

While pro-patentees may be encouraged that the court did not embrace the machine-or-transformation test or develop a more restrictive test jeopardizing software and other new technologies, they should not be too happy since the court hardly provided a whole hearted endorsement of business methods, in general, and all the justices appear to believe that the *State Street* case went too far.

With the apparent encouragement by the Supreme Court, the Federal Circuit and the district courts have some heavy lifting ahead and must provide more definition on limitations to process and business method patents.

### **Richard Eskew**

*Stroock & Stroock & Lavan LLP, special counsel*

The decision has important implications for the financial industry, which has in recent years attempted to patent novel financial products, indexes, methods of trading such financial products and indexes, and the like. To a large degree, the financial industry has been divided over whether patents should be issued on such products and methods, as evidenced by the amicus briefs filed by each camp.

The Federal Circuit's *Bilski* decision slowed the pace patenting in these areas, and generally forced practitioners to limit claims to these technologies using phrases like, "implemented on/ using a computer ...."

The Supreme Court's decision potentially eliminates the need for such limitations, and entities seeking patents in the financial industry and in other industries where novel business practices create competitive advantages, will now test whether the "computer" limitation is necessary to pass USPTO review and later the courts' standard. The Supreme Court's decision strongly suggests that such limitations are not required to meet the standard for patentable subject matter.

### **James J. Foster**

*Wolf Greenfield & Sacks PC, shareholder*

Outside of ruling that Bilksi's particular claims are directed to an abstract idea, the court provided little guidance as to what constitutes an abstract idea and provided few clues as to how one determines whether a claimed process is an abstract idea. Thus, the court left the door open for future cases to provide guidance as to whether a claimed process is directed to an abstract idea.

### **Nicholas Groombridge**

*Weil Gotshal & Manges LLP, partner and co-head of the patent litigation practice*

The court has declined to find business methods unpatentable per se. The court has expanded the scope of what may qualify for patent protection, by saying that the test adopted by the court of appeals (the so-called machine-or-transformation test) was too restrictive. This is the first time in several years that the court has issued a decision expanding rather than cutting back the scope of patent protection.

Does this mean we have passed the high-water mark of the trend to cut back on patent protection evident in the court's decisions over the last five years? Interestingly, and unlike all other recent patent decisions, the court split on ideological lines: It appears the conservative wing may be concerned that cutting back patent protection too much would be bad for innovation and the economy.

### **Alex Hadjis**

*Morrison & Foerster LLP, partner and co-chair of the intellectual property practice group*

The Supreme Court just hit the business method patent reset button by undoing the patentability test the Federal Circuit pronounced in its Bilski decision. The Supreme Court's decision expressly leaves room for business methods to be patented.

All-in-all, it should be a welcome decision by companies looking to obtain or hold on to patents in the software and business method areas.

### **C. Erik Hawes**

*Morgan Lewis & Bockius LLP, partner*

A majority of the court believes that business methods may be patentable, under some circumstances. Based on the split among the various portions of the opinions, however, it is unclear whether or to what extent computer software or other technologies from the Information Age may be eligible for patent protection.

In the end, it appears that the law in this area has essentially returned to where it was prior to the Federal Circuit's 1998 decision in State Street.

### **David Heisey**

*Sheppard Mullin Richter & Hampton LLP, partner*

The machine-or-transformation test remains a valid patent test, but it's not the only one that can be used. Software patents and business method patents are still valid; however the Supreme Court suggested that such intangible patents should be more difficult to obtain.

Additionally, the court explicitly invited the Federal Circuit Court of Appeals to introduce further limitations with respect to such patents.

**Craig Hemenway**

*Dorsey & Whitney LLP, partner*

The Supreme Court's decision in *In re: Bilski* reopens a previously closed door, affirming business methods can be patentable subject matter so long as they are not merely abstract ideas. The ruling takes a forward-looking approach to patentability and refuses to tie it to inventions that would have been patentable only when the Constitution was drafted since, in the words of the opinion, "times change."

The Supreme Court declined to set out any particular test for method or process claims beyond ensuring that these claims are more than just algorithms or abstract ideas. Although the court explicitly refused to address the patentability of software, there are some guidemarks in the opinion that should help people to obtain software patents with more certainty.

While it certainly seems like software should be patentable under the guidance in this decision, we will have to wait for further articulation from the Federal Circuit to know how to structure software patent applications.

**Michelle K. Holoubek**

*Sterne Kessler Goldstein & Fox PLLC, associate*

On the one hand, the decision is a win for the pro-patent community, because it removes the Federal Circuit's requirement that method claims satisfy the machine-or-transformation test. On the other hand, the decision sends method patent applicants down a different, but equally murky, path. The USPTO will simply change the language of its go-to Section 101 rejection from "not satisfying the M-or-T test" to "claiming an abstract idea."

It will be up to the applicant to convince the USPTO otherwise.

**Ethan Horwitz**

*King & Spalding LLP, partner*

In its decision, the Supreme Court realized it did not want to make sweeping policy statements and issue a decision with hard and fast rules, stating that it did not want to limit future technologies.

I think with the rapid development of technologies and the rapid development of new ways to patent technologies, this was a good approach. Making policy based on a business method process application could be detrimental to other existing areas, let alone future developed technologies.

**Andrea Weiss Jeffries**

*Munger Tolles & Olson LLP, partner*

The court reaffirms the importance and general applicability of the machine-or-transformation test, and potentially broadens the meaning of "abstract idea" beyond the way one might read the court's precedent in *Benson*, *Flook* and *Diehr*.

At least initially, it may result in a shifting of the burden to the patentee to explain why the machine-or-transformation test does not properly apply to the claims at issue, once the challenger brings a motion satisfying that test.

**Bruce Jobse**

*Burns & Levinson LLP, member of the intellectual property/sci-tech practice*

Many people in computer- and electronic commerce-related industries will breathe easier given the court's finding that the Patent Act does not categorically exclude business methods from patent eligibility.

However, the court's holding that the machine-or-transformation test may be a useful and important investigative tool, but not the sole test for determining whether a "process invention" is patentable, doesn't provide further clarification for the patent bar. Nor does the court's characterization of the Bilski application as an attempt to patent an abstract idea, without further guidance defining what is an abstract ideas in the context of business methods, provide further clarification.

Overall, the Bilski decision of the Supreme Court places the issue of patentability of method claims back in the same place it was before the Federal Circuit decision.

**Cynthia Kernick**

*Reed Smith LLP, partner*

The Supreme Court has left the door open for business method patents by not adopting the Federal Circuit's limiting machine-or-transformation test. But, just as it did in KSR, the court also has provided guidance going forward on patentable subject matter by advising that the focus should be on whether a patent claim covers an abstract idea and by suggesting that in the right circumstances the Federal Circuit could adopt a limiting rule for a narrower category of patent applications.

In the short run, there may be fewer claims for patent infringement. At the end of the day, though, smart people will still figure out how to make money from the patent system and business methods no matter what the Supreme Court rules.

**Mark G. Knedeisen**

*K&L Gates LLP, partner*

In today's ruling, the Supreme Court held that the machine-or-transformation test is not the sole test for patent eligibility for a process under Section 101. It also did not categorically exclude business method patents from being patentable subject matter, although the extent to which the decision will make business method patents more prevalent in practicality remains to be seen.

**Robert Kovelman**

*Stephoe & Johnson LLP, partner*

Once again, the Supreme Court turns to flexibility in their ruling which found the Federal Circuit misapplied the Supreme Court's precedent and misinterpreted the patent statute. The test for patent eligible subject matter is not limited to the machine-or-transformation test. This test is but a clue and an investigative tool.

The Supreme Court expresses concern, particularly in Justice Stevens' opinion, over the scope of patents issued today. However, it appears that, despite the personal beliefs of the justices, the Supreme Court ruled based upon the law and the clear language of Section 101 itself.

In this case, the issue of patent-eligible subject matter remains a dynamic question that will need further review in the years to come.

#### **Tim LeDuc**

*Akerman Senterfitt LLP, of counsel*

Many feared that the Supreme Court would go so far as to rule that business methods were no longer patentable subject matter. Today, the Supreme Court did rule that the claims at issue (related to a form of hedging risk) were invalid for attempting to claim an abstract idea, perhaps in deference to new Chief Judge Rader, who had dissented from the Federal Circuit's decision on such grounds.

More importantly, however, in a ruling that most patent prosecutors will likely view as pro-patent and favorable to patent applicants, the Supreme Court disapproved the use of the machine-or-transformation test as the sole test of patentable subject matter.

Such a test is too restrictive. Rather, the guideposts provided by previous landmark rulings — such as *Benson*, *Flook* and *Diehr* — remain good law, and perhaps restore at least some certainty to the standard for patentable subject matter.

#### **David Leichtman**

*Robins Kaplan Miller & Ciresi LLP, partner*

While the result upholding the invalidity of the specific patent claims at issue was not unexpected, the clarity of a bright-line test that some had hoped a unified Supreme Court would provide did not materialize. By keeping the standard flexible, the Supreme Court left the door open for the allowance of method patents on future innovative technologies that may not have met the Federal Circuit's strict machine-or-transformation test. The challenge thus will be put to practitioners, the PTO and the district courts to distill what it means for the specific matters confronting them.

#### **Jeffrey Lewis**

*Patterson Belknap Webb & Tyler LLP, partner*

Popular opinion among patent practitioners was that this decision would stop business method patent cases from being filed, both as applications and as lawsuits. The Supreme Court's decision today will not do that. Although it did not decide that *Bilski*'s application was patentable subject matter, it left the Patent Office's door open sufficiently to encourage people — particularly nonpracticing entities, sometimes condescendingly called patent trolls — to keep with their business models of filing business method patent applications and lawsuits.

Justice Kennedy writes for the majority, joined fully only by Justice Roberts, Justice Thomas and Justice Alito. Justice Scalia joined much of the opinion, but not two sections that tried to define a test. This, plus the long delay, shows the court too has problems defining a business methods patent as well as setting out a patentability test — the only thing it seems sure of is that the machine-or-transformation test — which the court's opinion describes as "useful and important" — is not the only test to show patentable subject matter.

**Randy Lipsitz**

*Kramer Levin Naftalis & Frankel LLP, partner*

Surprisingly, Justice Kennedy issued the decision. The odds makers were calling for Justice Stevens to issue the opinion on his last day on the court. He did write a strong concurrence, however, over twice as long as the majority opinion, arguing that business methods should never be patentable because you can't patent business itself.

As Ms. Kagan's Senate confirmation hearings start today, the affirmance of the Federal Circuit decision, which she argued in favor of as the solicitor general, is a good omen for her.

**Bradford Lyerla**

*Jenner & Block LLP, partner*

Two things are clear. 1) If an invention survives the machine-or-transformation test, it probably is patent eligible, but that test is not exclusive. 2) Business methods, software and other inventions are patent eligible even if they do not meet the machine-or-transformation test unless they are too dependent on an abstract idea. But the court left it largely to the court of appeals to work out the boundaries that will determine when a method is too abstract. Stay tuned.

**Fabio Marino**

*Orrick Herrington & Sutcliffe LLP, partner*

The decision effectively removes the constraints on patentable subject matter introduced by the CAFC's Bilski decision, which is likely to result in more software and e-commerce patents being awarded. The decision opens ever so slightly the door to the patentability of business methods but strongly suggests these patents should be subject to a higher standard of scrutiny to be further defined by the lower courts.

By failing to announce a new test to replace the CAFC's machine-or-transformation test, the decision will likely generate a wealth of further litigation in this area, particularly with respect to business methods.

**Rob Masters**

*Paul Hastings Janofsky & Walker LLP, global vice chair of intellectual property*

The Bilski decision did little in the way of assisting practitioners in determining what does or does not constitute patentable subject matter. The court's rejection of the Federal Circuit's machine-or-transformation test leaves the practitioner with less guidance than before in determining whether a claim satisfies Section 101. The court's focus on "abstract idea" appears to come directly from the initial inquiry by Chief Justice Roberts during oral argument.

While it is clear (and perhaps never debated) that an "abstract idea" by itself is not patentable subject matter, there will remain much debate (and litigation) in the future as to whether or not an invention is a mere "abstract idea" and not deserving of a patent.

**Deanne Maynard**

*Morrison & Foerster LLP, partner and chair of the appellate and Supreme Court practice group*

A majority of the court expressly states that business methods are not categorically ineligible to be patented. It is interesting to note that the court divided on that question 5-4. Given that the majority opinion is much shorter than the principal concurrence, it is possible that the opinion of the majority shifted at some point between today and when the opinion initially was assigned.

**David Metzger**

*Sonnenschein Nath & Rosenthal LLP, partner*

It is a great day for patent law. The Supreme Court revalidated a plain reading of the patent statute to not categorically exclude business methods or software from patent protection. Further, the court overruled the Federal Circuit's restricted use of the very limiting machine-or-transformation of matter test for determining patentability of a process. This will again open up patenting possibilities in the very areas where much recent innovative activity is taking place.

**Stuart Meyer**

*Fenwick & West LLP, partner*

Armageddon did not come for companies that rely on business method patents. However, there is a deep division in the Supreme Court over one of the most fundamental issues of patent law, which is what should be included as patentable subject matter.

**Charles Miller**

*Banner & Witcoff Ltd., shareholder*

Today's decision should allow for the patenting of more inventions and will encourage innovation. Fortunately, the court did not stifle innovation by applying a more restrictive patent eligibility test.

**Steven J. Moore**

*Kelley Drye & Warren LLP, partner*

There was a sigh of relief from patent practitioners upon issuance of the U.S. Supreme Court's Bilski opinion. As hoped, the majority of the court stayed clear of ruling business method or software inventions per se patent ineligible. Furthermore, as hoped, the Supreme Court overruled the Federal Circuit's ruling that the machine-or-transformation test was the sole test for patent eligibility of processes under Section 101.

However, the concurring opinions make clear that the patent bar dodged a bullet. Undoubtedly, the present roster of Supreme Court justices are seriously fractured over what types of inventions are eligible for patent protection. We will all now have to look to the Federal Circuit to make sense of it all.

**James R. Myers**

*Ropes & Gray LLP, partner*

Over the long term, the Supreme Court's opinion in Bilski today will focus and sharpen the patent system on the protection of innovative practical technologies. In the immediate aftermath of Bilski, patent litigators will be

arguing over whether existing patents address abstract ideas such as legal contracts, business models, and marketing strategies.

**Doug Nemec**

*Skadden Arps Slate Meagher & Flom LLP, partner*

Those seeking bright-line rules and predictability will no doubt be unsatisfied with today's ruling. But industry sectors that have come to rely on "business method" patents, such as biotech and financial services, can breathe a sigh of relief — the court has left room for such patents in our system. Now the next wait begins, as it will take years to determine how much room the Federal Circuit will allow. The process will likely resemble the evolution of obviousness law following KSR.

**Stan Panikowski**

*DLA Piper LLP (US), partner*

The Supreme Court's Bilski opinion is remarkable for how little it decided. The only things on which a majority of the court expressly agreed were: 1) the Federal Circuit's machine-or-transformation test is not the exclusive test for patent subject matter eligibility; 2) business methods are not categorically unpatentable; and 3) the invention at issue in Bilski is an unpatentable abstract idea.

There will still be much litigation over whether particular business methods are patentable subject matter, but the notion that business methods are categorically unpatentable is now off the table. We can expect a lot of the litigation to focus on the majority opinion's statement about "adding token postsolution components."

**Frank P. Porcelli**

*Fish & Richardson PC, partner and co-chair of the appellate group*

The court's opinion appears to be what most court-watchers believed it would be immediately after the oral argument — an effort to block the patent-eligibility of "pure" business methods that are nothing more than abstract ideas. The court clearly recognizes that its statements in this area are important to commerce, and the Bilski majority opinion is written very narrowly.

Bilski does not resolve two important issues that have caused a great deal of uncertainty in the biotechnology and life sciences community: Can you patent isolated genes and methods for using such genes (Assoc. of Molecular Pathology v. Myriad Genetics) and can you include as part of a patent claim a physician's thought processes (Mayo v. Prometheus)? We'll have to wait until next term to find out.

**W. Edward Ramage**

*Baker Donelson Bearman Caldwell & Berkowitz PC, partner and chair of the intellectual property group*

Patent practitioners, applicants and owners are left with no firm guidance. Applicants with business method claims can continue to expect rejections by the Patent and Trademark Office, but these will now be based on the claims being directed to unpatentable abstract ideas. Knowledgeable applicants likely will still aim to meet the machine-or-transformation test, knowing that while it is not a required test, it is a "useful and important clue" to determine whether some claimed processes are patentable. And while issued business method patents are not

free from attack, patent holders can breathe a little easier, knowing that the business method patents are not categorically excluded from patentability.

**Martin G. Raskin**

*Cozen O'Connor PC, member*

Business method patents are still alive and well — or at least have survived this latest test. While the court invalidated the specific patent at issue, they have maintained the viability of business method patents and seem to have even broadened the existing limitations on those types of patents.

This decision is a win for financial institutions and software companies, but clearly not what companies like Google and Yahoo would have liked. It is quite clear that a process that can be performed by a human with pen and paper is not likely to be patentable.

**Joshua H. Rawson**

*Dechert LLP, partner*

The Supreme Court's narrow decision means that the game of "hot potato" being played between the Federal Circuit and the Supreme Court will continue. For 10 years we had the Federal Circuit's broad State Street test, and a wide range of methods were found to be patentable.

The Federal Circuit's narrow machine-or-transformation test in the 2008 Bilski case dramatically changed the landscape, with the result that not only business methods, but also a wide range of other processes that had been patentable in the past now came into doubt.

While the opinion suggests wide disapproval among the justices for any test that would broadly allow patenting of methods of doing business, the court offered little or no guidance about the shape of a proper test. With today's decision we really don't know what test is to be applied for a wide range of inventions — not only methods of doing business, but also medical diagnostic methods, software and other digital processes.

This puts us all in waiting mode for the next opportunity for the Federal Circuit to find another test, and the hope that any such test would meet Supreme Court approval.

**Patricia Rogowski**

*Connolly Bove Lodge & Hutz LLP, partner*

Patent practitioners now expect the U.S. Patent and Trademark Office will issue new guidelines as to how the Patent Office shall interpret 35 USC 101 for business method inventions. Notwithstanding that the Supreme Court confirms that business methods can constitute patentable subject matter, by defining what is an "abstract idea" that is not patent eligible, the Patent Office may constrict patentability of business method patent claims further than the machine-or-transformation test that had been outlined by the Court of Appeals for the Federal Circuit. This has major impact on the information technology sector.

**Michael Samardzija**

*Bracewell & Giuliani LLP, counsel*

The one thing that examiners or judges may take away from this decision is that whatever test they use to determine whether the subject matter of a claim is patent eligible, that test's threshold must be low. The plurality also concluded that business methods in general should not constitute patent ineligible subject matter.

### **Mark Scarsi**

*Milbank Tweed Hadley & McCloy LLP, partner and head of the West Coast IP litigation group*

The court appears to be evenly split on whether the patent system should embrace business method patents. Interestingly, the split appears to be along traditional ideological lines.

The conservative members of the court (Roberts, Alito, Kennedy and Thomas) favor a flexible approach to new technology, whereas the liberal members (Bryer, Ginsberg, Sotomayor and Stevens) favor a more rigid prohibition on business method patents.

Breaking from recent IP decisions from the court, the majority opinion expresses some confidence in the Federal Circuit when it expressly invites the Federal Circuit to develop additional tests.

The Supreme Court seems to be saying that it thinks the Federal Circuit, being closer to the issues, will be in a better position to fashion appropriate tests.

### **Peter C. Schechter**

*Edwards Angell Palmer & Dodge LLP, partner*

Abstract ideas have never been patentable — the U.S. Patent & Trademark Office said so when it rejected Bilski's patent application on that basis, among several.

And now, finally, the PTO and federal courts agree that Bilski's methods of hedging are not patent-eligible, at least on that "abstract idea" basis. The alternate approach — i.e., the federal courts' struggle to define "process" in some exclusive "bright-line" way — has now been downgraded to a merely interesting and potentially helpful analytical "clue-giving" tool, but no more.

The Bilski decision is quite surprising because the court states that certain business methods may in fact constitute patentable subject matter, even though four of the nine justices — Stevens, Ginsburg, Breyer, and Sotomayor — who concurred in the result appear to be ready to hold flat-out that business methods were never meant to be protected by U.S. patents.

As a result, the decision suggests that if the question had been whether business methods should be protected by patents, those four justices would have said that methods are not patentable subject matter — period.

### **Stephen Schreiner**

*Goodwin Procter LLP, partner*

Wow, the Supreme Court ended its 2010 session with a bang. The court launched the U.S. patent system into the Information Age with the Bilski v. Kappos decision today. Rejecting the chorus from some demanding the patent system be limited to Industrial Age technology, the court answered with a flat no, finding patents are available for software, business methods, medical diagnostic techniques and other products of the Information Age.

In sum, everything is back up in the air again.

**Jim Scott**

*Roetzel & Andress LPA, partner and practice group manager of the intellectual property group*

The intentionally dynamic breadth of the patent statute Section 101 to include "process[es]" as patentable subject matter is noted, with a "process" being defined to include a "method," and with no categorical exclusion of methods of doing business. Only the exclusion of patent protection for abstract ideas is used to deny patent protection for Bilski's method.

The court does not endorse the Federal Circuit's past interpretations of Section 101 (again reminding the Federal Circuit that the Supreme Court is the last word on patents), and suggests "less extreme means of restricting business method patents." That could mean more allowances of business method patents which are more than abstract ideas, but also new bases for rejections. The opinion can be interpreted as pro-patent for business methods, and a clean slate for the Patent Office to devise new and more difficult tests for patentability.

**Brian B. Shaw**

*Harter Secrest & Emery LLP, partner*

The striking of the bright-line test set forth by the Court of Appeals for the Federal Circuit and the refocusing on the existing three precedential exceptions to §101 (laws of nature, physical phenomena and abstract ideas) will allow the patent law to encompass new and unforeseen inventions. However, there will be a period of sorting out the boundaries of laws of nature, physical phenomena and abstract ideas.

It is likely the U.S. Patent & Trademark Office will issue guidance on the boundaries during prosecution of applications and case law will develop around the boundaries, thereby providing additional guidance.

However, four justices joined in a concurring opinion which stated the wiser course of action is to preclude patent protection for business methods. Thus, the door remains open for this issue being revisited by the court.

**Timothy Engling**

*Miller Canfield Paddock and Stone PLC, senior counsel*

The decision will have little impact on drafting patent claims as the prudent claim drafter should continue to use transformation or a connection to a machine to direct asserted claims as statutory subject matter.

By not placing undue restrictions on business method patents, the case recognizes the role that patents play in a changing economy that transitioned from an Industrial Age to an Information Age.

**Joshua Slavitt**

*Pepper Hamilton LLP, partner*

The opinion of the court is a win for the patentability of business methods. In fact, by rejecting the Federal Circuit's machine-or-transformation test as the only test for patentability of methods, and allowing patentability of methods (including business methods) to be established by other tests, the court has at least theoretically if not practically broadened the ability of applicants to secure patent protection on business methods.

The concurring opinion, by contrast, rejects the patentability of business method patents and makes some very pointed attacks on the reasoning of the court's opinion. According to four of the justices, the patentability of business methods is not properly grounded in patent law as initially adopted and developed in the U.S.

### **John Squires**

*Chadbourne & Parke LLP, partner and co-chair of the IP group*

As Thomas Jefferson wrote centuries ago "ingenuity should receive liberal encouragement." Today it has. The Supreme Court's *Bilski* decision confirms that the doors of the U.S. Patent Office remain open and welcoming "for the revelations of ... new, onrushing technology."

Today's decision will serve to further our country's competitiveness and leadership position in software, Internet technologies, computers, mobile platforms, wireless technologies, bioinformatics, financial services, process, manufacturing and the like, to name a few.

Smartly, the court turned away arguments that attempted to tether innovation to the specific economic sector from whence it came. Instead, the Court's decision on the facts confirms, 9-0, that abstract ideas remain ineligible for patenting.

The decision is also a very a pragmatic one as well - in short, the patent office will not have to spend its resources examining invention claims that attempt to string abstract concepts together or applications where the invention is not fully baked.

Information age companies and start-ups and patent practitioners alike should take heart in today's decision that their inventions will continue to be protectable under the U.S. patent law .

### **Wayne Stacy**

*Cooley LLP, partner*

The decision tells us that business methods and software processes, as a category, are patentable subject matter. But the case provides us with little or no guidance on dealing with the patentability of particular business methods or particular software processes.

Instead, the court points to 30-year-old cases as guidance for determining what constitutes patentable subject matter. No one knew how to apply these cases 30 years ago, and no one will know how to readily apply them today. Patent prosecutors and litigators will be wringing their hands for years trying to re-establish a workable standard for evaluating particular patents and patent applications.

The Supreme Court turns the clock back to previous precedent set in its *Benson*, *Flook* and *Diehr* decisions. *Benson* was issued in 1972, *Flook* was issued in 1978 and *Diehr* was issued in 1981.

Since then, the courts and practitioners have struggled to convert these cases into a workable standard. With *Bilski*, the Supreme Court sweeps away 30+ years of judicial guidance but gives us little in return.

The most telling statement made by the Supreme Court is "The court, therefore, need not define further what constitutes a patentable 'process,' beyond pointing to the definition of that term provided in 100(b) and looking to the guideposts in *Benson*, *Flook* and *Diehr*."

**David Tennant**

*White & Case LLP, partner, intellectual property practice group*

The Supreme Court's decision will not have a far-reaching impact on the validity of thousands of issued business method patents as well as business method patent applications pending before the U.S. Patent and Trademark Office.

The ruling maintains the status quo and affirms the patent eligibility of business method patents provided that certain established standards are satisfied. In recent years, business method patents have become, and will continue to be, key assets for both independent inventors and major corporations.

**Robert Tosti**

*Brown Rudnick LLP, partner*

For the past year or so, the door to the U.S. Patent and Trademark Office was closed to many inventions expressed as methods or processes, but the door has been opened somewhat by today's Bilski decision. The door had previously been wide open to all kinds of inventions regardless of whether the inventions were expressed as a method, process, machine, device or system.

The claims in the Bilski patent application are directed to methods of hedging risk in certain markets such as an energy market. These claims have been held unpatentable by the Supreme Court.

While the Supreme Court acknowledges that some methods of conducting or doing business could be eligible for patent protection, it states that abstract ideas are not and have never been patent eligible, and it held today that Bilski's risk hedging claims recite nothing more than an abstract idea.

The Supreme Court's decision today is not limited just to business methods, however. The decision applies to any invention expressed as a method or process.

The decision states that the machine-or-transformation test is not the sole test for determining patentable subject matter. An invention expressed in a patent claim as a method or process will be found patent eligible even if it does not meet the machine-or-transformation test, as long as the invention does not constitute a law of nature, a natural phenomenon or an abstract idea.

What remains fuzzy is how to determine which inventions constitute laws of nature, natural phenomena or abstract ideas. The Supreme Court has not provided a definitive test for making such determinations.

**Steven McMahon Zeller**

*Dykema Gossett PLLC, of counsel*

The court's ruling in Bilski comes very close to an outright ban on pure business method patents, but will cause some uncertainty in the field for the immediate future.

The court rejects the machine-or-transformation test as the only test for determining patentability, yet still acknowledges that it is "a useful and important clue" of patentable subject matter. Yet the court offers no other test, nor even an example of a particular business method that is patentable but does not meet the machine or transformation test.

This suggests, I believe, that the court really has no idea what type of business method may actually be patentable, but for some reason, did not want to foreclose all possibility.

Justice Breyer, in his concurrence, nicely sums up the court's majority opinion by stating "the court intends neither to de-emphasize the test's usefulness nor to suggest that many patentable processes lie beyond its reach."

Lower courts and the PTO will be forced to pay lip service to the idea that the machine or transformation test is not the only test, while using it to determine patentability.