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In re Bilski Decided—Supreme Court Upholds Business Method Patents

In *In re Bilski* [No. 08-964, slip op. (S.Ct. Jun. 10, 2010);__U.S.—(2010).] a decision handed down on June 28, 2010, the US Supreme Court was asked to decide whether a claim on a business method is patentable subject matter under 35 U.S.C. §101. The Federal Circuit had affirmed the Patent Office rejection of the Bilski business method claims as non-patentable subject matter under a newly formulated "machine or transformation" test. The Supreme Court affirmed the judgment of the Federal Circuit in rejecting the Bilski patent claims but under the Court's precedents on the unpatentability of abstract ideas and not on the machine-or-transformation test adopted by the Federal Circuit. [*In re Bilski*, No. 08-964, slip op. at 16.]

Importantly, business methods are not categorically outside of 35 U.S.C. §101 and hence patentable so long as not an abstract idea, the Supreme Court held. [*Id.* at 13.] Beyond that, the definition of the term "process" provided in Section 100(b) and Benson, Flook, and Diehr provide the guidelines on what constitutes a patentable "process." [*Id.* at 16.]

So what are the guidelines provided by this trilogy of Supreme Court decisions? The *Benson* precedent holds that an algorithm is not a "process" but an unpatentable abstract idea. [*Id.* at 13.] A contrary holding "would wholly pre-empt the mathematical formula and in practical effect would be a patent on the algorithm itself." [*Id.* at 13.] In *Flook*, unlike the algorithm in *Benson,* the mathematical formula used for monitoring conditions during the catalytic conversion process in the petrochemical and oil-refining industries was limited so that it could still be freely used outside the petrochemical and oil-refining industries. [*Id.* at 14.] Nevertheless, the *Flook* Court rejected "[t]he notion that post-solution activity, no matter how conventional or obvious in itself, can transform an unpatentable principle into a patentable process." [*Id.* at 14.] As the Court later stated in *Diehr*, *Flook* stands for the proposition that the prohibition against patenting abstract ideas "cannot be circumvented by attempting to limit the use of the formula to a particular technological environment" or adding "insignificant post solution activity." [*Id.* at 14.] Finally, in *Diehr* involving a method for molding raw, uncured synthetic rubber into cured precision products using a mathematical formula to complete several of the steps by computer, the Court explained that "while an abstract idea, law of nature, or mathematical formula could not be patented, an application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection." [*Id.* at 14.]

The *Bilski* decision may be less traumatic than the patent community had expected; but only facially so. The decision may actually have created a whole new paradigm for determining the patentability of a process patent; one based on whether subject matter contains other than a limitation to a technology or insignificant post solution activity rather than on satisfaction of a machine-or-transformation test. The Court did not overturn the machine-or-transformation test but made clear that while the test may be "a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under §101," it is not the sole test for making that determination. [*Id.* at 8.] In deciding whether previously unforeseen inventions qualify as patentable "processes," the Court even posited that "it may not make sense to require courts to confine themselves to asking the questions posed by the machine-or-transformation test." [*Id.* at 9.] Clearly, the focus of patentability should be on the broader approach taken by the trilogy of Supreme Court precedent and the definition of the term "process" provided in Section 100(b) rather than on the narrower machine-or-transformation test.

As the Supreme Court noted "the patent law faces a great challenge in striking the balance between protecting inventors and not granting monopolies over procedures that others would discover by independent, creative application of general principles." [*Id.* at 10.] For today's patent program to be successful, companies must understand this balance and craft their business method claims so they are applied to a structure or process defined by other than a limitation to a particular environment or by the addition of an insignificant post solution activity.

In view of *Bilski*, linking a claim to a machine or apparatus would still appear to be a good practice. But *Bilski* makes clear that the true test of patentability lies in the *significance* of the link and not its existence. To learn more about the effects of *Bilski* on business method patents involving software, biotechnology, and medical diagnostic subject matter, be sure to look for the follow up to this column in the September issue of the *IP Litigator*.

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