

U.S. Supreme Court Issues Opinion in *Bilski* Case

The U.S. Supreme Court has just issued its long-awaited decision in *Bilski v. Kappos*, regarding the scope of patentable subject matter, including the patentability of business methods. In a surprisingly limited ruling, the Court affirmed that Bilski's claimed method for hedging against risk of price changes in commodities transactions is not a patentable process. The Court reiterated the unpatentability of abstract ideas, confirmed the continued utility and importance of the "machine or transformation" test for patentable subject matter as a non-exclusive test for patentable subject matter, and declined to endorse a categorical exclusion of entire classes of subject matter such as business methods from the scope of patentable subject matter.

The decision was much anticipated because of the expectation that it would clarify the test for ascertaining when a method is or is not abstract, and therefore excluded from the scope of patentable subject matter under the patent statute. While the Supreme Court commented on various tests articulated in prior decisions, it did not provide an exclusive test for the resolution of future cases. The Federal Circuit Court of Appeals had held that the sole test for patentability was the "machine or transformation" test, which requires that a claimed method is "tied to a particular machine or apparatus" or "transforms a particular article into a different state or thing." The lead opinion in the Supreme Court, by Justice Kennedy, stated that the machine or transformation test remains "a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under § 101," but held that it is not the "sole test." The Court rejected the prior "useful, concrete and tangible result" test of *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, but did not provide a new test to supplement the machine or transformation test, and did not state the circumstances in which another test would apply. A concurring opinion by Justice Stevens agreed that the machine or transformation test "is a critical clue" to what constitutes a patentable process. A concurring decision of Justice Breyer, joined in by Justice Scalia, stated that while the machine or transformation test "is not necessarily the *sole* test of patentability, the Court intends neither to deemphasize the test's usefulness nor to suggest that many patentable processes lie beyond its reach."

Other aspects of the law respecting the scope of patentable subject matter were also left intact. For example, Justice Kennedy reiterated statements from prior Supreme Court decisions to the effect that "the prohibition against patenting abstract ideas 'cannot be circumvented by attempting to limit the use of [a mathematical] formula to a particular technological environment' or adding 'insignificant postsolution activity.'"

The practical import of the Supreme Court's *Bilski* decision appears to be that the law remains substantially similar to what it was under the Federal Circuit's *en banc* decision, while leaving room for future development of unspecified variations in the test for patentable subject matter. The majority did not wish to make categorical statements that might preclude patentability of developing technologies, and did not wish to "foreclose the Federal Circuit's development of other limiting criteria that further the purposes of the Patent Act and are not inconsistent with its text." Justice Kennedy explicitly stated that the Court was not holding that "Information Age" technologies such as "software, advanced diagnostic

medicine techniques, and inventions based on linear programming, data compression, and the manipulation of digital signals” “should or should not” receive patent protection. Moreover, he added that the terms of the patent statute suggest that “new technologies may call for new inquiries.” Accordingly, specific questions of patentability regarding new technologies may have to be addressed on a case-by-case basis, to determine whether certain inventions that do not satisfy the machine or transformation test can survive.

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