

Trick or Treat? Federal Circuit Hands Down Much-Anticipated Biz Method Patent case

By David M. Pankros

The day before Halloween, the Federal Circuit has handed the patent bar and the business world the much-anticipated Bilski decision. This is an extremely important case that significantly reins in the scope of patentable subject matter as to business method patents. Moreover, the "process" standards set forth in Bilski will require careful drafting of applications relating to computer and data-based inventions.

In [re Bilski](#), the Federal Circuit today affirmed the conclusion of the PTO's board of Patent Appeals and Interferences that Bilski's claimed method of hedging risk in commodity trading lacked statutory subject matter. The majority of the en banc court adopted the use of the "machine-or-transformation" test as the sole test to determine patentability of method claims.

Adoption of Machine or Transformation Test

The machine-or-transformation test states that "[a] claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing." First, Bilski requires that the use of a machine must impose some meaningful limit on the claim's scope. That is, a claim to a use of a machine does not preempt all uses of a fundamental principle but instead is tied in some way to a particular or limited use. Second, the use of a machine or transformation claimed must be significant. Using the court's example, the Pythagorean theorem would not be suddenly patent-eligible simply because a final step stated a use of the formula in surveying.

The court rejected other previously used approaches including, most notably, the approach taken in the famous State Street opinion. It did, however, leave the door open for a modified test, as future need dictates.

Business Methods and Software Still Remain Patentable

Importantly, business methods and software patents are still eligible for patent protection as long as they meet the machine-or-transformation test. Thus, "a claimed process wherein all of the process steps may be performed entirely in the human mind . . . would not be patent-eligible under § 101." Also, "a claim that recites 'physical steps' but neither recites a particular machine or apparatus, nor transforms any article into a different state or thing, is not drawn to patent-eligible subject matter." On the other hand, the invention from *Diamond v. Diehr*, a process for producing cured synthetic rubber utilizing a computer, would still be patentable under Bilski.

Unfortunately, Bilski left the question of what constitutes a "particular machine or apparatus" undefined for now. In the court's words, "[w]e leave to future cases the elaboration of the precise contours of machine implementation, as well as the answers to particular questions, such as whether or when recitation of a computer suffices to tie a process claim to a particular machine."

Dissents

Among the dissenters, opinions varied. Only one judge found patentable subject matter, but questioned what would become of the thousands of issued business method patents in view of the Bilski opinion. Another dissent stated that business methods should not be afforded patent protection at all. The final dissent states that the opinion should be one sentence: "[b]ecause Bilski claims merely an abstract idea, this court affirms the Board's rejection."

Please contact us if you have any questions about how this decision could affect your business and obtaining business method patents.

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