



Intellectual Property Advisory:

Supreme Court Grants Cert in Bilski Case

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On June 1, 2009, the U.S. Supreme Court granted *certiorari* in an important patent case involving the patentability of business methods. The case, In re Bilski, originated in the U.S. Patent and Trademark Office (PTO) and was the subject of an *en banc* 2008 decision rendered by the U.S. Court of Appeals for the Federal Circuit. Bilski sought to patent a series of transactions between a commodity provider and market participants in a way that balanced risk. The PTO rejected the patent application on the basis that it was not a “process” as that term is understood in patent law. According to the PTO, in order to be patentable, a process must either be tied to a particular machine or it must transform something tangible. Because Bilski’s invention did neither, it did not meet the definition of a “process.”

The Federal Circuit affirmed the PTO in an *en banc* decision, concluding that under controlling U.S. Supreme Court precedent a process must either be tied to a machine or it must transform something to be patentable. Because Bilski’s claims met neither prong of this “machine-or-transformation” test, it was deemed to be unpatentable. In his dissenting opinion, Judge Mayer would have gone farther, imposing a “technological arts” requirement for patentability. Two other judges filed dissenting opinions.

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Seeds of Discontent

The Bilski case represents a rare opportunity for the Supreme Court to weigh in on what constitutes patentable subject matter, an issue it has not addressed for nearly 30 years. Yet in 2006, three Supreme Court Justices filed an opinion dissenting from the dismissal of *certiorari* in another patent case, Laboratory Corp. of America v. Metabolite. Justice Breyer, writing for the three dissenters, clearly rebuked the Federal Circuit's State Street Bank line of cases, which had seemingly endorsed patentability for inventions that produced a "useful, concrete, and tangible result." Justice Breyer noted that such a liberal test for patentability "would cover instances where this Court has held to the contrary." The Federal Circuit's Chief Judge Michel, writing for the Bilski majority, acknowledged the rebuke and clarified that the "useful, concrete and tangible result" language was not the test for patentability.

Bilski's Petition for Certiorari

Bilski's petition for *certiorari* focused on two themes: First, Bilski argued that the Federal Circuit was once again applying rigid tests in patent cases that allegedly conflicted with Supreme Court precedent. Second, Bilski argued that the Federal Circuit incorrectly limited process patents to industrial manufacturing methods, ignoring the realities of innovation in the modern information age. According to Bilski, the boundaries of patentable subject matter should extend to anything under the sun made by man, with the recognized exceptions of laws of nature, natural phenomena, and abstract ideas. In its responsive brief, the PTO played down any purported conflict with Supreme Court precedent.

Bilski at the Supreme Court

Many patent attorneys were surprised by the Supreme Court's intervention in the Bilski case. Some have questioned whether Bilski's patent claims provide a good vehicle for the Court to clarify this area of patent law. In view of the Supreme Court's summer recess and the briefing schedule, it is unlikely that oral argument will be held until late 2009 or early 2010, with a decision rendered three to six months later. The recent

announced retirement of Justice Souter, one of the three Justices who signed on to the Metabolite dissenting opinion, may have an impact on the outcome of the case, as would the confirmation of new Justice Sotomayor, who has experience as a judge in patent cases. Regardless of the outcome, it seems certain that the Supreme Court's decision will attempt to clarify and harmonize its prior decisions in this area. The result could have a wide-ranging impact on many industries that rely on patents involving information technology and business-related processes.

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