

## Supreme Court Punts: *Bilski* and Its Immediate Aftermath

On June 28, 2010, the Supreme Court decided *Bilski v. Kappos*, 561 U.S. \_\_\_\_ (2010) (“*Bilski*”). Speaking for the Court, Justice Kennedy affirmed a rejection by the Federal Circuit of a patent application directed to hedging risk associated with commodity transactions. A majority of five justices, with the remaining four concurring, disapproved the so-called “machine-or-transformation” test as the sole criterion for determining patent eligibility under 35 U.S.C. §101. That test, as articulated by the U. S. Court of Appeals for the Federal Circuit, requires that subject matter must be “tied to a particular machine or apparatus” or “transform a particular article into a different state or thing” to be eligible for patent protection. Despite denying the test an exclusive role, the Court reiterated that the “Court’s precedents establish that the machine-or-transformation test is a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under §101.”

Reiterating previous Supreme Court precedent, the Court only excluded from patentability “laws of nature, physical phenomenon and abstract ideas.” The Court, however, stated that, by virtue of the Patent Act itself, namely 35 U.S.C. §273, “a method of doing or conducting business” is “at least, in some circumstances, eligible for patenting under §101,” although “it [§273] does not suggest broad patentability of such claimed inventions.” No new criteria were provided by which to determine whether any particular business method would qualify as patentable subject matter and the Court did not explain why it held *Bilski*’s claimed methods to be statutorily ineligible subject matter other than to say that “[a]llowing petitioners to patent risk hedging would preempt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea.” Justice Stevens, who wrote an extended concurring opinion, sharply criticized the reasoning of the majority, asserting that history “strongly suggests the conclusion that a method of doing business is not a ‘process’ under §101.”

The day after *Bilski* was decided, the Supreme Court remanded two cases to the Federal Circuit for reconsideration in view of its holding in *Bilski*. In one of the two cases, *Prometheus Laboratories, Inc. v. Mayo Collaborative Servs.*, 581 F.3d 1336 (Fed. Cir. 2009), the Federal Circuit upheld the patentability of a method for calibrating dosage of a drug to patients under the now-disapproved exclusive application of the machine-or-transformation test. The other case, *Classen Immunotherapies Inc. v. Biogen IDEC* 304 Fed. Appx. 866 (Fed. Cir. 2008), was directed to a method for determining

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the effectiveness of an immunization schedule in tracking a chronic immune-related disorder. The Federal Circuit had invalidated the patent in *Classen* as claiming subject matter that does not meet the machine-or-transformation test.

Despite great speculation, the Court in *Bilski* did not alter the statutory requirement of patentability, and the Court has provided little additional guidance for determining what constitutes patentable subject matter and what would necessarily be excluded as non-patentable subject matter. The United States Patent and Trademark Office has instructed its examiner corps to continue use of the machine-or-transformation test as a “useful and important clue, an investigative tool,” following *Bilski*, but notes that patents for laws of nature, physical phenomena and abstract ideas are barred regardless.

Inventors and applicants should continue to consider pursuing inventions directed to methods, including business methods, but should expect resistance from the Patent Office and courts to what might be characterized as business method patents. Patent applicants may have to demonstrate that such methods are not abstract ideas. Applicants should continue to claim systems and stored software, which might not see the same resistance as methods.