

# Bilski Aftermath: Business Methods Patentable, Standards Unclear

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## Winstead News Alert

### Background:

*Bilski v. Kappos* is an appeal to the U.S. Supreme Court of a decision of the Federal Circuit relating to the patentability of processes (including business methods). In its majority opinion, the Federal Circuit stated that a process is patentable if it is tied to a particular machine or apparatus ("machine prong") or transforms a particular article into a different state or thing ("transformation prong"). The machine prong and the transformation prong are collectively referenced as the "machine-or-transformation test."

### Highlights from the Supreme Court Opinion:

- Business methods are not categorically excluded from patentability. The fact that the claims in the Bilski patent application are directed to a business method is not a sufficient basis for the claims to be found unpatentable.
- The machine-or-transformation test is not the sole test for the patentability of a process under 35 U.S.C. § 101. The claims at issue in *Bilski* are clearly not implemented on a computer or any other machine. This fact alone is not a sufficient basis to find the claims at issue in *Bilski* to be unpatentable.
- Bilski's claims are unpatentable because they are directed to an abstract idea. According to the Supreme Court, allowing Bilski's claims to be patented would preempt use of the method for hedging risk in all fields and furthermore would effectively grant a monopoly over an abstract idea.
- The Supreme Court leaves open the possibility that further limitations on the patentability of business methods may be imposed by the Federal Circuit.

### Initial Reaction:

The Supreme Court appears to remove any doubt as to the patentability of business methods by explicitly stating that business methods are not categorically excluded from patentability under 35 U.S.C. § 101. However, rather than giving broad definitive guidance, the Supreme Court has found Bilski's claims to represent unpatentable abstract ideas based on the particular facts of the case.

Many questions relating to the patentability of business methods under U.S. law remain unanswered. For example, the Supreme Court suggests that at least some limitations on the patentability of business-method inventions might be permissible with the caveat that any such limitations must be consistent with the text of 35 U.S.C. § 101. The opinion provides very little guidance as to what types of limitations might be permissible. Furthermore, while the machine-or-transformation test is not an exclusive test for the patentability of business methods, the Supreme Court does not elaborate regarding what other tests might be used or on how the machine-or-transformation test should be applied.

*Bilski v. Kappos*, No. 08-964 (U.S. June 28, 2010)

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