TWO TAKES on Bilski

STILL ROOM FOR BUSINESS PROCESS PATENTS

By George C. Lewis and Joshua P. Graham

On June 28th, the Supreme Court issued its long-awaited ruling in Bilski v. Kappos. Though it had been touted in the media as the business method patent case, the issue was of fundamental importance across industries: How abstract can an idea be and still be protectable under patent law? One commentator stated that the fate of tens of thousands

Supreme Court’s Decision Ensures More Litigation

By Joseph M. Barich

By declining to adopt a clear standard in addressing when a method or process is patentable, the Supreme Court’s opinion in Bilski v. Kappos virtually guarantees that compliance with the statute will be litigated with increasing frequency.

Bilski sought to patent claims directed to a method for
of issued patents and pending applications across multiple
industries rested on the outcome.
As highly anticipated as the ruling was, it did little or
nothing to resolve these issues.
A nearly universal technological transformation has
been occurring over the last few decades towards abstrac-
tion: What a new thing "is" is no longer as important as
what that thing "does," and how it does it. For example, at
commodities risk hedging, but his claims were rejected by
the Patent and Trademark Office as outside the definition of
patentable subject matter.
On appeal, the Federal Circuit synthesized prior Supreme
Court case law including Benson (1972), Flook (1978), and
Diehr (1981) to arrive at the Machine-or-Transformation
(MOT) test as the sole test for patentable subject matter.
The MOT test identifies a method or process as patentable
subject matter only if: (1) it is tied to a particular machine or
apparatus, or (2) it transforms a particular article into a dif-
f erent state or thing. The Federal Circuit found that Bilski's
claims did not comply with the MOT test and consequently
were not patentable.
In its opinion, the Supreme Court agreed that the MOT
test was a "useful and important clue," but held that it was
not the sole test for compliance and that the claims should
be reviewed in light of the "guideposts" of Benson, Flook,
and Diehr. Under these precedents, patentable claims do not
include (1) laws of nature, (2) physical phenomena and (3)
abstract ideas.
The Court found that Bilski's claims recited abstract ideas
and consequently were not patentable subject matter.
The Supreme Court also considered a categorical exclu-
sion of "business method" patents (claims directed to "busi-
ness" subject matter claimed in method or process claim
style) from patentable subject matter, but declined to adopt
it. Although the Court was unanimous in its decision that
Bilski's claims were too abstract, the decision to decline to
exclude business method patents was made 5-4.
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regarded as clearly and unequivocally in compliance it often
will be in a defendant's interest to argue it. The defendant
just might get lucky.
In this regard, we note that the various "guideposts"
cited by the Court were issued about 30 to 40 years ago and
are somewhat strained in their application to the substan-
tial new technological fields of endeavor that have evolved
since then.
On the other hand, we note that the Supreme Court
thankfully declined to hamstring American innovation by

its heart the iPhone is a small screen, a computer processor,
a cellular transmitter and software that causes these com-
ponents to operate as a phone. A patent directed just to the
hardware components of the iPhone would not sound obvi-
ously, if at all, different from most earlier smart phones or
even general-purpose computing devices.
Even in the medical and pharmaceutical industries,
which are not being taken over by "smart" devices, there
is a desire to patent the end results. Inventors are trying to
patent what their new drug or device does—suppressing the
function of a gene, maintaining a patient's vital sign within a
specified range—as opposed to patenting an exact molecular
shape or a collection of parts.
In part, this change has been driven by the pace of tech-
nological growth. Today, it is routine to find valid, enforceable
patents that, but for some outdated technology requirement
written into the claims (requiring a modem for communi-
cation, or demodulating a carrier wave to obtain an analog
signal to get information), would still be valuable. When the
claims were written, they must have sounded like the only
feasible way. Now they are merely interesting anachronisms,
outdated before their expiration.
In response to their clients' demands, patent attorneys
have had to respond to this change by writing more and
more process patents. In addition, whereas these clients
before may have been reluctant to pursue broad protection
for their inventions (opting instead for narrow patent scope
that protected them in their slowly changing technological
niche), after years of seeing their patented inventions de-
dsigned around and co-opted through creative programming
or alternative computer architecture, they now demand that
their attorneys write patents broad enough to cover the next
wave of technology.
These process patents, particularly when directed to
financial, internet commerce, data analysis and business

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processes, are typically called “business method patents.” They specifically claim methods that are intentionally written so broadly that it is irrelevant what machine or system performs the method.

Into this charged environment, in which record amounts of money rest on the protection afforded by patents, the Supreme Court made its ruling in Bilski. In the end, the decision provides some guidance, but for the most part it leaves the status quo in place.

The application at issue in Bilski attempted to patent a concept so abstract it could be described as making a series of sales to commodity buyers at a sale price, then making a series of purchases of the commodities at purchase prices that hedge the sale price. The Federal Circuit decision reviewed by the Supreme Court invalidated these claims, and in so doing articulated an exclusive rule, the “machine-or-transformation test,” for determining when a patent was too abstract to be considered patentable.

While the Supreme Court agreed with the Federal Circuit that the claims in Bilski were unpatentable, it overruled the rule stating that “the machine-or-transformation test is not the sole test for patent eligibility...”

The Supreme Court also weighed in on the business method patent issue, stating that U.S. law “precludes a reading of the term ‘process’ that would categorically exclude business methods.”

The practical upshot is that there is no strong guidance for determining patentability, and it is still possible to draft process claims that push the envelope. Similar to the result in the Supreme Court’s recent ruling on obviousness, the lack of any exclusive rule means that more cases will fall within the zone of uncertainty, increasing the cost of both litigation and patent prosecution. While the Supreme Court may have been correct in being careful not to issue a ruling that stilled patent protection of future technologies, it did little to change the current realities faced by inventors and industry.

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to determine whether it may potentially be vulnerable to attack. The Bilski decision is now the law of the land and may be used to retroactively attack any issued patent.

Finally, we note that after the Bilski decision the PTO issued interim guidance in which it directs its examiners to continue to apply the MOT. This does not represent a significant change because the PTO has been applying the MOT since the Federal Circuit decision in 2008.

Consequently, patent prosecution best practices should be mostly unchanged and should include, especially in the software and internet areas: using multiple independent claims reciting varying levels of structure in order to more clearly meet the “tied to a particular machine” arm of the MOT; keeping a continuation application pending to allow the possible modification of claims or introduction of new claims in light of how the Bilski decision will be interpreted by the Federal Circuit in the near future; and claiming innovations using a variety of claiming styles, including both method/process claims and apparatus/system claims.

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