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 abstraction: What a new thing "is" is no longer as important as what that thing "does," and how it does it. For example, at its heart the iPhone is a small screen, a computer processor, a cellular transmitter and software that causes these components to operate as a phone. A patent directed just to the hardware components of the iPhone would not sound obviously, if at all, different from most earlier smart phones or even general-purpose computing devices.

HOW ABSTRACT CAN AN IDEA BE AND STILL BE PROTECTABLE UNDER PATENT LAW?

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 technological 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 Today, it is routine to find valid, enforceable patents that, but for some outdated technology requirement written into the claims (requiring a modem for communication, or demodulating a carrier wave to obtain an analog signal to get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 designed 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 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 different 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 exclusion of "business method" patents (claims directed to "business" 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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As a result of the Bilski decision, if a claim cannot be 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 substantial 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

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 stifled patent protection of future technologies, it did little to change the current realities faced by inventors and industry.

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"performing surgery with a chisel" to categorically exclude business methods as patentable subject matter. We recognize that many of the innovations sometimes regarded derisively as mere business method patents represent useful arts that provide great value. Failure to promote the progress of these arts by allowing them to be patentable subject matter may adversely impact innovation.

If you are a defendant being sued on a patent that includes a substantial software, business, or other seemingly abstract component, it may be worthwhile to have the patent analyzed 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.

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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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