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Review of the Supreme Court's Recent Opinion In *Bilski*

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Bilski Background -1

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- Claimed method for managing consumption risk cost of a commodity
- Method claims only – no system claims
- No recitation of specific machine
- "Initiating a series of transactions"
- "Identifying market participants"

Bilski Background -2

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- Rejected by Examiner and BPAI
- CAFC -Machine-Or-Transformation Test
  - Tied to a particular machine or apparatus
  - Transforms article into different state or thing
  - Synthesis of SC cases, especially *Diehr*
- Sole test - discards all previous, including *State Street*
- Note: *Bilski* only addresses patentability of method claims, not machine, manufacture, or composition

Supreme Court's Opinion

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- Opinion – 16 pages
- Stevens Concurrence – 47 pages
- Breyer Concurrence – 4 pages

Supreme Court's Decision

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- *Bilski* is too abstract - Unanimous
- MOT is valuable, but not exclusive test
- Use language of §100(b) and "guideposts" of *Benson*, *Flook*, and *Diehr*
- *(b) The term "process" means process, art, or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.*
- Business method patents are not categorically excluded

Stevens Concurrence

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- Joined by Ginsburg, Breyer, and Sotomayor
- Agree with MOT as nonexclusive test
- Wants categorical exclusion of business method patents
  - Not in accord with historical precedents
  - Do not promote innovation

Scalia Maneuvering

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- Does not join in Opinion's Part II-B-2 and II-C-2 relating to historical denial of business methods
- Does join in Part II-C-1 – don't exclude
  - Definitional issue
  - 273(b)(1) - rights to practice business methods – supports business methods

Breyer Concurrence

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- Breyer and Scalia
- Part I – no business methods – No Scalia
- Part II – Consistent with Op and Stevens
  - 101 is limited
  - MOT is "the clue" to patentability
  - Never has been the sole test
  - State Street test is too broad

Excluding Business Methods Is a Bad Idea

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- "Claims related to business subject matter" vs. "business method claims"
- §101 – machine, manufacture, process, composition
- 1) *Bilski* only addresses "process"
- 2) Can claim using system claims
- 3) Definitional problem
- 4) "People will still be motivated"

Door is Still Open to Exclude

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- Stevens concurrence – 4 want them gone
- Opinion itself leaves the door open
- "Indeed, if the Court of Appeals were to succeed in defining a narrower category or class of patent applications that claim to instruct how business should be conducted, and then rule that the category is unpatentable because, for instance, it represents an attempt to patent abstract ideas, this conclusion might well be in accord with controlling precedent." p12

Who Got What They Wanted?

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- Comparison of what Bilski wanted and the PTO wanted
- How did I do in my predictions of December 2009?
- Continuing SC trends

Did Bilski Get What He Wanted?

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- Everything except laws of nature, natural phenomenon and abstract ideas [Pretty Much]
- Does not like the additional MOT test applicable to just one statutory class [MOT is not the sole test]
- Also patentable subject matter – tax avoidance, estate planning, how to resist a corporate takeover [Not categorically excluded]

Did the PTO win?

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- Limitation to the realm of the physical [Nope]
- Like the MOT test [MOT still useful]
- Want to keep the holding narrow [Yes]
- I guess the point I'm trying to make is simply that we don't want the Court, for instance, in the area of software innovations or medical diagnostic techniques to be trying to use this case as the vehicle for identifying the circumstances in which innovations of that sort would and would not be patent eligible, because the case really doesn't present any -- any question regarding those technologies.

My *Bilksi* Predictions

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- Lots of possible outcomes [Always]
- Hope for smart law clerks [Always]
- Most likely to soften MOT to make it non-exclusive [Oh Yeah]
- May add additional language about applied knowledge [Stevens concur]

Continuing SC Trends

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- The Supreme Court does not like rules
- Comparison to KSR
  - SC removed TSM as sole 103 test, but still useful
- E-bay – no "automatic injunction"

Impact of *Bilski*

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- PTO – already implemented MOT - likely to stay, but some wiggle room
- Drafting patent apps – include variety –method, system, method with machine
- American innovation – not hamstrung by categorical exclusion of business methods
- Increased litigation – Standard is unclear, therefore plaintiff's patent does not clearly meet standard – defendant may be motivated to attack it

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QUESTIONS?