Bilski Overview

Where Do We Stand In Late 2010

A Brief Summary for the Patent Professional

Bilski v. Kappos, 561 U.S. __ (2010), the Supreme Court agreed with the Federal Circuit that the business method claimed by Bilski (a method for hedging risk) was not patentable, as the claims were too abstract. While they agreed with the conclusion reached by the Federal Circuit, the Supreme Court overruled the narrow test established by the lower court.

Machine or Transformation Test (M-or-T)
The Federal Circuit had held that a process was eligible for patenting *only* if it was tied to a particular machine or transformed an article into a different state or thing. The Supreme Court held that the "Machine or Transformation" test is *not* the exclusive test for determining whether a claimed process is patent-eligible under 35 U.S.C. § 101.

Patent Office Definition of a "Machine"

- A "machine" is a concrete thing, consisting of parts, or of certain devices and combination of devices. This includes every mechanical device or combination of mechanical powers and devices to perform some function and produce a certain effect or result. This definition is interpreted broadly to include electrical, electronic, optical, acoustic, and other such devices that accomplish a function to achieve a certain result.
- The machine should implement the process, and not merely be an object upon which the process operates. The claim should be clear as to how the machine implements the process, rather than simply stating "a machine implemented process". The machine limitations should make clear that the use of the machine in the claimed process imposes a meaningful limitation on the claim's scope.
- An "apparatus" does not have a significantly different meaning from a machine and can include a machine or group of machines or a totality of means by which a designated function or specific task is executed.

Not Patentable – Statutory Exceptions
Exceptions to patentability: laws of nature, abstract ideas, or natural phenomena.

Supreme Court Testing Guidelines
The Supreme Court agreed that the Machine or Transformation Test was useful in some cases, but disagreed that the statutory language sanctioned such a narrow test. M-or-T test is <u>not</u> the only test. The Patent Office interprets this to mean that, if a claim meets the M-or-T Test, it is likely directed to patentable subject matter.

Instead of applying the M-or-T Test to Bilski, the Supreme Court asked whether the claims were too abstract, whether the claims were merely directed to abstract ideas. The Bilski application attempted to patent the concept of hedging risk, but allowing such a patent would pre-empt use of the risk hedging approach in all fields. More limited claims were also considered too abstract because they limited the risk hedging concept to the energy market field or to add token post-solution activity. The additional limitations were considered insufficient for patent-eligibility.

Precedents:

- *Gottschalk v. Benson*, 409 U.S. 63 (1972) - an algorithm for converting binary-coded decimals to binary code was an unpatentable abstract idea, because it would "wholly pre-empt the mathematical formula and in practical effect be a patent on the algorithm itself."
- *Parker v. Flook*, 437 U.S. 584 (1978) - a process for monitoring catalytic conversion using a mathematical algorithm was unpatentable because the patent merely attempted to limit the use of an algorithm to a particular technical environment while including only insignificant post-solution activity.
- *Diamond v. Diehr*, 450 U.S. 175 (1981) - a process for molding uncured rubber into cured rubber products using a mathematical formula to complete some of the steps with a computer was patentable subject matter

under § 101 because it was an *application* of a mathematical formula to produce molded products and not just an attempt to patent the formula itself.

These three brightline cases together with the pre-emption analysis of the *Bilski* claims, likely provides the Court's main guidance in considering whether other processes are patent-eligible under § 101.

> Caveat: *Benson* would probably satisfy M-or-T Test (shift register in digital computer); but, it attempted to monopolize use of the algorithm on all digital computers (without any other practical application).

Business Methods:
The Supreme Court rejected the broad notion that "business methods" are excluded from patentable subject matter. The majority opinion suggested that business methods cannot be categorically denied, but said that § 273 "does not suggest broad patentability of such claimed inventions." John Paul Stevens, J., in his concurring opinion that was joined by three justices(!), warned that the act of 1952 did not authorize methods of doing business for patenting.

What to do

. . . with software, signal processing, business methods, games, medical processes in biotech, etc.

Idea Preemption
A key factor in analyzing whether method claims are patent-eligible is likely to be whether the claimed invention preempts all practical use of an idea or concept. Idea pre-emption was central to the outcome of unpatentability in *Benson* and *Flook*, and also in *Bilski*. The claims in *Diehr*, on the other hand, were directed to a practical application of a formula and did not pre-empt all uses of the formula.

M-or-T Test
Continue using the test, but not as the only test. If the test is satisfied, it will likely win the argument before the US patent examiner. Other tests will be developed by the courts.

Interim Bilski Guidance – July 27, 2010

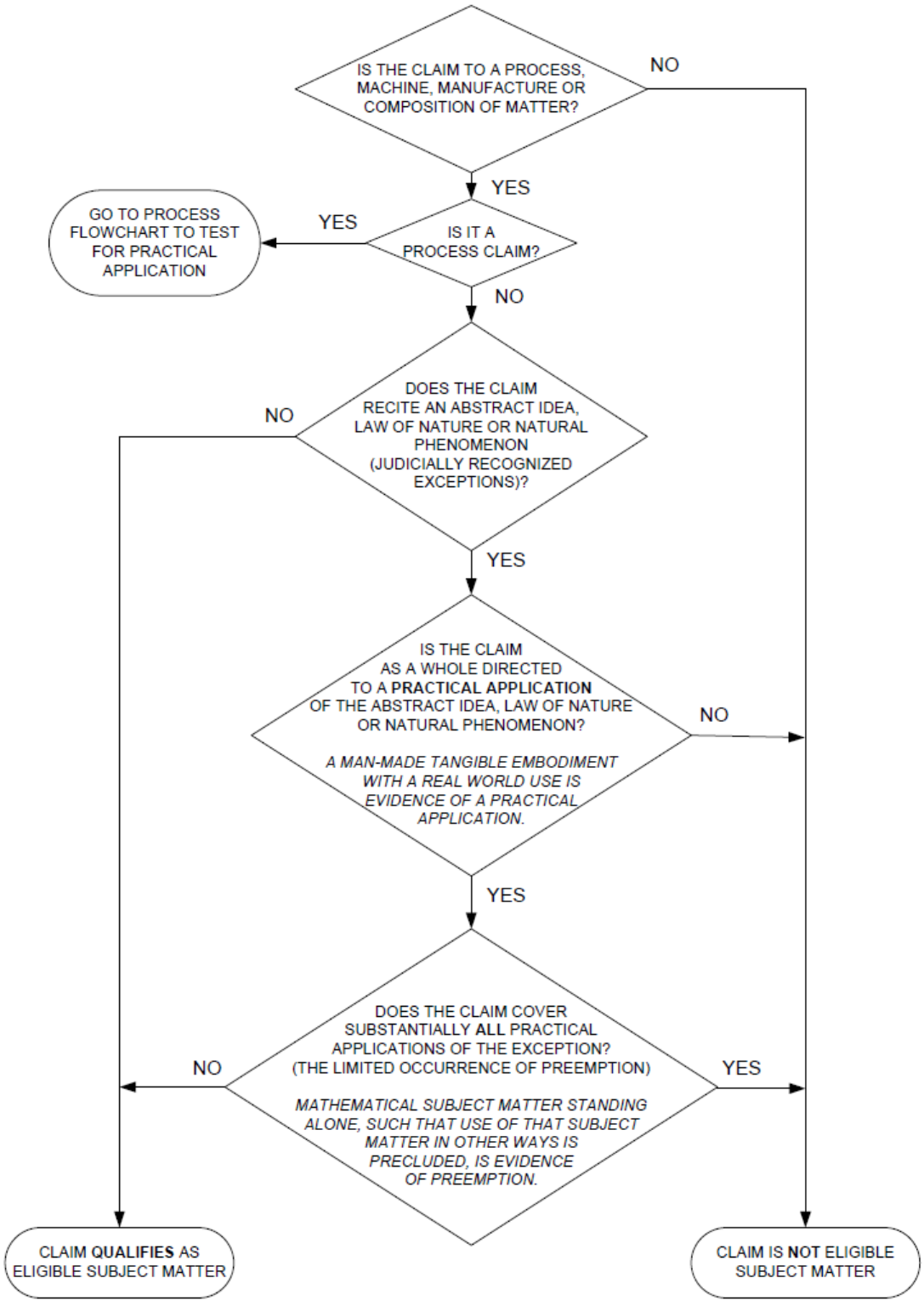
No new guidelines have issued yet. The Patent Office has issued interim guidance instructing patent examiners how to handle the issue. Patent examiners are instructed to examine for compliance with § 101 with the M-or-T Test:

- If the claimed method meets the Machine or Transformation test, it is *likely* patent-eligible under § 101 "unless there is a clear indication that the method is directed to an abstract idea."
- If the claimed method does not meet the Machine or Transformation test, the examiner should issue a rejection under § 101 "unless there is a clear indication that the method is not directed to an abstract idea."

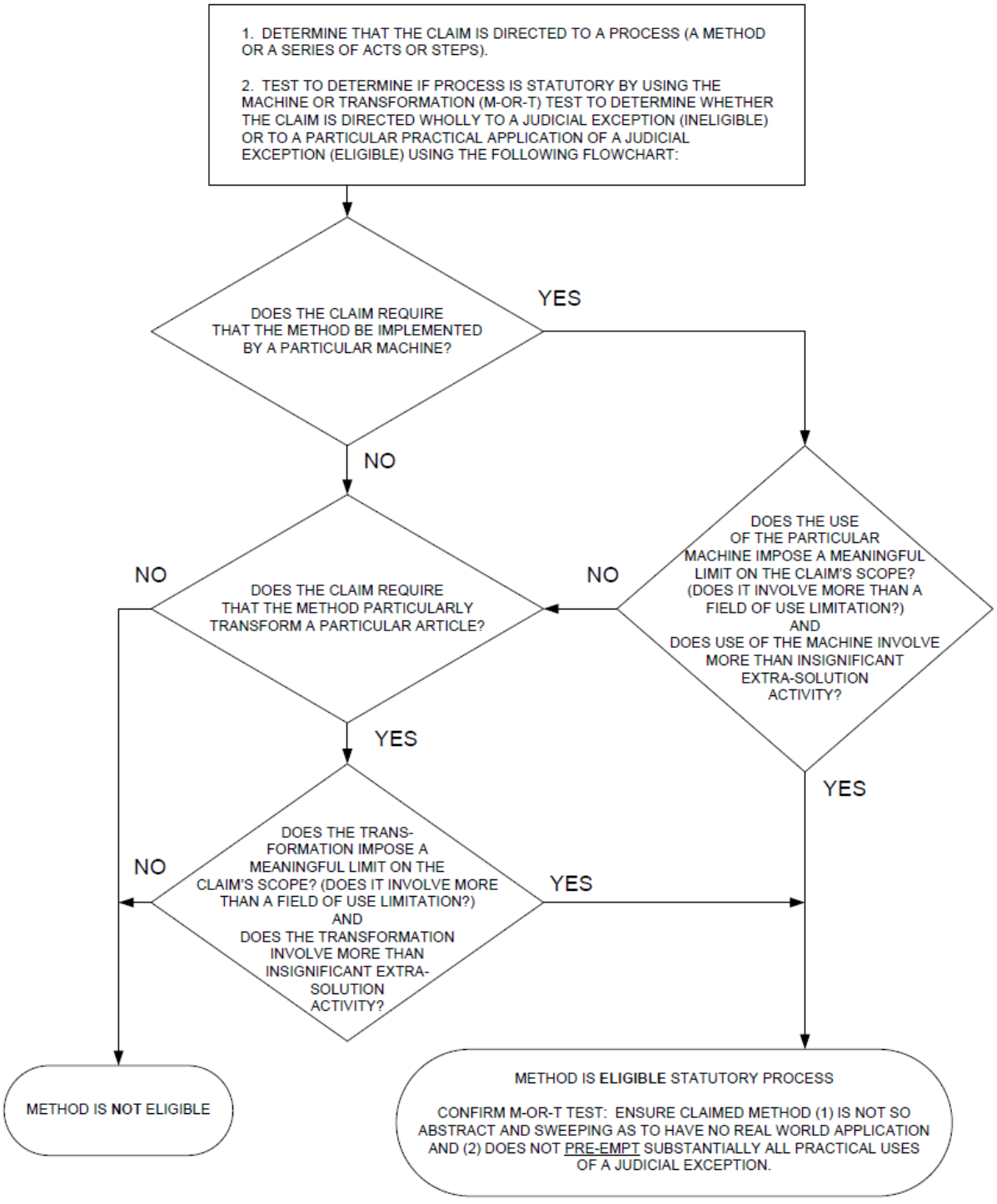
Factors Weighing Toward Eligibility:

- Recitation of a machine or transformation (either express or inherent).
  - Machine or transformation is particular.
  - Machine or transformation meaningfully limits the execution of the steps.
  - Machine implements the claimed steps.
  - The article being transformed is particular.
  - The article undergoes a change in state or thing (e.g., objectively different function or use).
  - The article being transformed is an object or substance.
- The claim is directed toward applying a law of nature.
  - Law of nature is practically applied.
  - The application of the law of nature meaningfully limits the execution of the steps.
- The claim is more than a mere statement of a concept.
  - The claim describes a particular solution to a problem to be solved.
  - The claim implements a concept in some tangible way.
  - The performance of the steps is observable and verifiable.

SUBJECT MATTER ELIGIBLITY TEST



SUBJECT MATTER ELIGIBILITY TEST (M-OR-T) FOR PROCESS CLAIMS



MACHINE

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Sources/Credit:
First Part with Guidance and Paraphrased from: Brian Mudge, *A Madness to the Method?* IP Strategist 2010
Second Part: Robert Bahr, USPTO, memo to examining corps, July 27, 2010; and Interim Examination Guidelines Aug. 2009.