

**Subject: High Court OKs Business Method Patents**

**A short comment on last week's Supreme Court decision, regarding *Business Method Patents*:**

In the much-anticipated US Supreme Court decision, [Bilski v. Kappos](#), the high court affirmed the patentability of business methods. While business method patents will likely continue to receive extra [patent office scrutiny](#), it is now clear that these business methods are indeed patentable.

**Summary of the Lawsuit brought by the inventors (Bilski and his co-inventor) against the Patent Commissioner (Kappos):**

- The *Bilski* [patent application](#) claims a procedure for instructing buyers and sellers how to protect against the risk of price fluctuations in a discrete section of the economy (energy hedge trading).
- The patent examiner rejected the *Bilski* application on the grounds that the invention is not implemented on a specific apparatus, merely manipulates an abstract idea, and solves a purely mathematical problem. The Board of Patent Appeals and Interferences agreed and affirmed. The [Federal Circuit](#), in turn, affirmed.
- The Federal court held that “[a] claimed process is surely patent eligible ... 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 court concluded this “machine-or-transformation test” is “the sole test governing [subject matter] analyses.”
- The patent application was appealed to the U.S. Supreme Court. All justices agreed that the hedging invention was too abstract to be patentable.
- The majority opinion also ruled that, although the machine-or-transformation test may be a useful and important clue or investigative tool, it is not the sole determinant of business method patentability, and that other, unspecified analyses may be used.

**What this means for patent applications:**

Although the Court rejected the machine-or-transformation test as the sole test for determining the subject matter patentability of a business method, this test likely remains a safe harbor in a sea of uncertain and ever-shifting policy winds. [Carr & Ferrell, LLP](#) will continue to write [patent applications](#) that are machine-or-transformation friendly, as we have for much of the past decade.

**Syllabus of the Supreme Court Opinion:**

# SUPREME COURT OF THE UNITED STATES

Syllabus

## BILSKI ET AL. *v.* KAPPOS, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

No. 08–964. Argued November 9, 2009—Decided June 28, 2010

Petitioners’ patent application seeks protection for a claimed invention that explains how commodities buyers and sellers in the energy market can protect, or hedge, against the risk of price changes. The key claims are claim 1, which describes a series of steps instructing how to hedge risk, and claim 4, which places the claim 1 concept into a simple mathematical formula. The remaining claims explain how claims 1 and 4 can be applied to allow energy suppliers and consumers to minimize the risks resulting from fluctuations in market demand. The patent examiner rejected the application on the grounds that the invention is not implemented on a specific apparatus, merely manipulates an abstract idea, and solves a purely mathematical problem. The Board of Patent Appeals and Interferences agreed and affirmed. The Federal Circuit, in turn, affirmed. The en banc court rejected its prior test for determining whether a claimed invention was a patentable “process” under Patent Act, 35 U. S. C. §101—*i.e.*, whether the invention produced a “useful, concrete, and tangible result,” see, *e.g.*, *State Street Bank & Trust Co v. Signature Financial Group, Inc.*, 149 F. 3d 1368, 1373—holding instead that a claimed process is patent eligible if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing. Concluding that this “machine-or-transformation test” is the sole test for determining patent eligibility of a “process” under §101, the court applied the test and held that the application was not patent eligible.

*Held:* The judgment is affirmed.