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Business method patents hinged on one vote in *Bilski*

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While all nine U.S. Supreme Court justices agreed that *Bilski* was "dead in the water," said patent attorney Paul C. Craane, just one justice's vote decided the fate of business method patents.

The U.S. Supreme Court issued its opinion Monday in *Bilski v. Kappos*, a case argued in November 2009 after the U.S. Court of Appeals for the Federal Circuit affirmed the U.S. Patent and Trademark Office's rejection of *Bilski's* claimed business method of hedging risks in commodities trading.

Justice Anthony M. Kennedy delivered the majority opinion of the court, which rejected the Federal Circuit's ruling that processes are solely ineligible for patenting if they are not tied to a machine or do not transform an article into a different state or thing.

Kennedy wrote, "This Court's precedents establish that the machine-or-transformation test is a useful and important clue, an investigative tool, for determining whether some claimed inventions are processes. …

"The machine-or-transformation test is not the sole test for deciding whether an invention is a patent-eligible 'process.'"

The majority opinion reaffirmed three exclusions to patent eligibility — "laws of nature, physical phenomenon and abstract ideas" — and rejected *Bilski's* claimed business method as an abstract idea.

Craane, a partner at Marshall, Gerstein & Borun LLP, said the decision didn't come as a surprise to those closely following the case.

"The fact that they said the machine-or-transformation test is not the test, the fact they went back to the three fundamental exceptions, and frankly, even the fact that *Bilski* lost, if you read the majority of amicus briefs, you would be left with the perception — that's pretty much what most people think," he said.

The bigger shock comes from Justice John Paul Stevens' concurrence, Craane said, and its call for the exclusion of business methods from patent eligibility.

Stevens wrote, "The Court is quite wrong, in my view, to suggest that any series of steps that is not itself an abstract idea or law of nature may constitute a 'process' …

"The wiser course would have been to hold that petitioners' method is not a 'process' because it describes only a general method of engaging in business transactions — and business methods are not patentable."

Craane said Stevens' concurrence nearly became law, since four justices each joined the majority opinion and the concurrence, but Justice Antonin Scalia only joined in parts of the majority opinion.

"The fact that this court was divided 4-4 between those two positions, with Justice Scalia being the deciding vote, really ought to make a bunch of people wake up to the fact that we were this close to having all business methods disappear," Craane said. "If Justice Stevens had been able to convince Justice Scalia that there was no such thing as a business method patent, we could have a much different opinion."

Joseph M. Barich, a partner at McAndrews, Held & Malloy Ltd., said Stevens' attempt to delineate business method patents as a specific category is a "real slippery slope."

"When does something become a business method versus not being a business method?" Barich said. "I certainly agree with the majority opinion not to hamstring American innovation by performing surgery with a chisel and exclude business methods categorically."

But, Barich said, even the majority opinion left the door open for the potential demise of business method patents.

He pointed to a specific passage: "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."

"Business methods could potentially be knocked out, it's just that they're not knocked out now," Barich said. "That's a little bit troubling for the future."

Charles L. Miller, a partner at Banner & Witcoff Ltd., and a former patent examiner, said, for now, the Supreme Court decision broadens the "universe of method-related innovations" that are subject to patent protection.

Miller said the court could have provided more guidance on the definition of an abstract idea, but that clarity could now come from the Federal Circuit.

"It remains to be seen the type of test the Federal Circuit may come up with to determine whether or not a method is really an abstract idea," Miller said.

Miller said he doesn't think the Bilski decision will affect patent practitioners, since they already work to submit claims that satisfy the machine-or-transformation test or avoid the three exclusions to patent eligibility.

Daniel P. Williams, a partner at McDonnell, Boehnen, Hulbert & Berghoff LLP, agreed that day-to-day practice for patent attorneys won't change as a result of Bilski.

"Business methods were patentable before the decision, and they still are," Williams said. "Abstract ideas weren't patentable before, and they're still not.

"Attorneys that practice in patent prosecution like I do will still do their best, to the extent that it's not too limiting on the claims, to satisfy the machine-or-transformation test as somewhat of a safeguard against getting into the question of whether or not a claim is directed only to an abstract idea."

Craane said the Supreme Court decision does provide "preemption" and "field of use" as additional rules for the patent process.

In the majority opinion, Kennedy wrote, "Allowing petitioners to patent risk hedging would preempt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea,"

Craane added that Kennedy also held that limiting an abstract idea to one field of use does not make the method patent eligible.

"Between a combination of preemption and field of use, they got rid of all of the *Bilski* claims under the broad rubric of abstract idea," Craane said.

"The court's signaling that those concepts are useful tools in the same way they say the machine-or-transformation test is a useful tool."

The case is *Bilski v. Kappos, 08-964.*

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