

Torys on Intellectual Property

IP 2010-10
July 30, 2010

***Bilski*: U.S. Supreme Court Provides Little Guidance to Patent Applicants**

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On June 28, 2010, the U.S. Supreme Court (USSC) released its long-awaited decision in the case of [Bilski v. Kappos](#), which was on appeal from the U.S. Court of Appeals for the Federal Circuit (CAFC). Many observers hoped that the USSC would provide greater clarity regarding the legal test for patentability of a process, in particular with respect to business methods. Although the USSC affirmed that the patent in issue did not claim patentable subject matter, in the decision, the USSC left muddled the applicable test for determining patentability of methods in the United States.

“Machine-or-Transformation” Test Rejected as the Sole Test

In *Bilski*, the patent at issue claimed a method for hedging the risk associated with purchasing and selling commodities. The hedging method was not associated with any particular technology. Rather, the claimed innovation was the algorithm for hedging itself. The patent was rejected both during examination before the Patent and Trademark Office and on appeal to the CAFC. In rejecting the patent, the CAFC articulated the “machine-or-transformation” test, holding that a process (such as an algorithm) may be patentable only if it is tied to a particular machine or apparatus (such as using an idea in a specific physical embodiment) or if it transforms a particular article into a different state or thing.

The USSC affirmed the result of the lower court, but it did so on the basis of USSC precedent, holding that the *Bilski* patent claimed an abstract idea. In doing so, the USSC also rejected the premise that the machine-or-transformation test is the only test for determining the patentability of a process; however, a majority of the justices also held that this test remains a useful tool to provide clues regarding the patentability of a process. Although the Court was unanimous in rejecting the *Bilski* patent as unpatentable and a clear majority held that the machine-or-transformation test was not the only applicable test, *Bilski* was nonetheless a very fractured decision, with no clear majority agreeing on the level of importance of the machine-or-transformation test in determining patentability.

Are “Business Methods” Patentable?

The fractured nature of the *Bilski* decision provides little clarity on the patentability of so-called business methods in the United States. Justice Kennedy, writing an opinion for the Court, elected not to comment on the topic of business method patents, finding only that the patent claims were directed to an abstract idea that was unpatentable and stating that the Court need not further define what is considered a patentable process. In a concurring judgment, Justice Stevens was joined by three other justices in adopting the view that “methods of doing business are not, in themselves,” patentable.

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So while the four justices supporting the concurring opinion seemed prepared to categorically reject business methods as unpatentable “in themselves,” the choice of language used by Justice Stevens suggests that certain business methods might be patentable if applied in a certain fashion (perhaps in a particular machine or having a transformative effect), and not merely “in themselves.”

The *Bilski* decision is likely unsatisfying for both opponents and proponents of business method patents. For the opponents of such patents, the opinion of Justice Stevens against business method patents lacked the support of a fifth justice to become the majority opinion; additionally, Justice Stevens’s opinion seems to suggest that where business methods are not claimed in a patent “in themselves,” he may view them as patentable. For the proponents of business method patents, the opinion of Justice Kennedy for the Court also lacked any explicit support for these patents. Ultimately, *Bilski* provides little new guidance to applicants as to which, or how, business methods may be judged as abstract ideas that are unpatentable or as non-abstract applications that are patentable.

The only issue settled with certainty in *Bilski* was that the machine-or-transformation test is not the only test for determining patentability. However, questions relating to how patentability should be determined and how business methods may fall within or outside patentable subject matter were left by the Court for a future decision. **1**