



Can We Patent That? Patentable Subject Matter and *Bilski v. Kappos*

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In the recent decision of *Bilski v. Kappos*, the Supreme Court addressed the patentability of "business method" inventions in the United States. However, the *Bilski* decision has implications not only for "business method" patents, but also for patents in a variety of other areas, including medical diagnostics and computer software. Further, the *Bilski* decision has important implications for how patent Applicants prepare themselves to negotiate with the U.S. Patent and Trademark Office (USPTO).

In 2008, the Federal Circuit held that the process/method claims in the *Bilski* patent, which were directed to methods of hedging risk in the energy market, were not patentable subject matter under 35 U.S.C. § 101 because they were not tied to a particular machine and did not transform an article of manufacture. This is the so-called "machine-or-transformation test." The Supreme Court agreed that the claims in *Bilski* were unpatentable subject matter. However, the Supreme Court rejected the Federal Circuit's holding that the machine-or-transformation test is the only test for determining if a claimed process is patent eligible. Instead, the Court relied on well-established precedent that abstract ideas (along with laws of nature and physical phenomena) are not patent eligible and declined to articulate a strict "bright line rule" such as the machine-or-transformation test. A majority of the Supreme Court held that the machine-or-transformation test is a "useful and important clue" for determining if process claims are directed to patentable subject matter, but not the sole test.

Therefore, even if a claim fails the machine-or-transformation test, it may still be patentable subject matter if it is not directed to an abstract idea, law of nature or physical phenomena. Such a holding allows for significantly more flexibility in arguing in favor of patent protection in areas such as business methods, software, and medical diagnostics. The Supreme Court specifically declined to interpret the patent statute as excluding all business method claims

or other claim categories. As the Supreme Court noted, the holding leaves the door open for the law to develop along with changing technology.

It remains to be seen exactly how the USPTO and lower courts will implement the Supreme Court's ruling in *Bilski*. The Supreme Court has already remanded several medical diagnostic cases to the Federal Circuit for further consideration in light of *Bilski*. On June 28, 2010, the USPTO issued a memo to the Examiner Corps stating that Examiners should reject process claims as unpatentable subject matter if they do not meet the machine-or-transformation test, unless the Applicant provides a "clear indication" that the claims are not directed to an abstract idea, law of nature or physical phenomena. What constitutes a "clear indication" is left noticeably unclear.

Given this uncertainty, negotiation with patent examiners should be expected and patent applications should be written in preparation for this negotiation. Applications should be drafted to describe machines that can perform a claimed process and/or describe how a claimed process can transform an article of manufacture or analyte. Alternative claim approaches should be included as fall-back positions, such as dependent claims that more clearly tie the process to a machine or transformation step. The application should also support claims of other statutory classes, such as apparatus and device claims, as well as "hybrid" claims. These alternatives may be extremely useful during negotiations with an Examiner or to strengthen a position during litigation. Care should be taken to include these details in provisional filings in order to secure the provisional filing date for these important alternative positions.

As we wait for clarification in the lower courts and USPTO examination practice, we can prepare by carefully drafting applications that contain alternative positions that better advocate the invention under the more flexible standards established by the Supreme Court.