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If you're an inventor – if your company develops software – if you've dreamed up a new way to do business – then Monday's Supreme Court decision [1] broadening patentability standards ever so slightly may be good news.

The Decision

A method might qualify as patent-eligible even if it doesn't pass the "machine-or-transformation" test.

The Background

The case arose from the inventive activities of one Bernard Bilski and his colleague. They claimed a method of hedging that protects sellers against sudden price drops and buyers against sudden spikes.

Bilski's patent application was rejected by the Examiner and by the Board of Patent Appeals [2] on the ground that the invention was a mere abstract idea, and abstract ideas do not qualify as patentable subject matter. Bilski appealed. The Court of Appeals not only affirmed the rejection but went further, ruling that a method could be patented only if it either (1) was practiced in a specific machine or (2) transformed matter into a different state or thing [3].

Under this new machine-or-transformation test, many method claims have been rejected. Of course, even if an invention passes the test, it still is subject to the requirements of novelty [4], non-obviousness [5], and full disclosure [6].

Bilski appealed again – to the U.S. Supreme Court. His case attracted about as many amicus briefs as have ever been filed in a patent case. Indeed, Holland & Hart's own Robert Ryan authored a brief [7] on behalf of the Intellectual Property Section of the Nevada State Bar Association, urging the Court to reverse the rigid machine-or-transformation test and instead rely on the Constitutional mandate to promote "useful arts" and the Patent Act's definition of a patentable "process" [8].

What the Decision Means

The Supreme Court agreed that Bilski's invention was too abstract to be patented. The Court also ruled that the words of the Patent Act itself should determine which inventions may be patentable. The Court emphasized that the issue (as argued in Ryan's brief) is whether an invention is a "new and useful art" and qualifies as patent-eligible under

Section 101 of the Patent Act [9]. The Court said that under its own prior decisions there already are three categories of subject matter that are not patentable subject matter under the "new and useful" requirement of Section 101 – laws of nature, physical phenomena, and abstract ideas. The Court explained that some methods (including business methods) might qualify as patent-eligible under Section 101 even if they don't pass the machine-or-transformation test.

Within hours of the Court's decision, the Patent Office had issued new guidance to patent examiners: if an invention meets the machine-or-transformation test, it is likely patent-eligible, but even if it doesn't pass the test, the applicant will now have an opportunity to show that the invention is patent-eligible anyway. This guidance is new and may be changed by the Office or by the courts.

This note is for general interest only. It is not legal advice. We in the Intellectual Property Practice Group of Holland & Hart would be delighted to discuss with you at your convenience how this case might affect your unique situation.

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1. *Bilski v. Kappos*, __ U.S. __, 28 June 2010
2. *Ex parte Bilski*, No. 2002-2257, 2006 WL 5,738,364 (B.P.A.I. Sept. 26, 2006)
3. *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008, en banc)
4. 35 U.S.C. §102
5. 35 U.S.C. §103
6. 35 U.S.C. §112
7. http://www.nvbar.org/PDF/IPSection-BilskiBrief.pdf
8. 35 U.S.C. §100(b)
9. 35 U.S.C. §101

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