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U.S. SUPREME COURT BROADENS INQUIRY FOR DETERMINING PATENT-ELIGIBLE PROCESSES

The U.S. Supreme Court has broadened the inquiry for determining patent eligibility of a process under 35 U.S.C. §101 in its decision in *Bilski v. Kappos*, 561 U.S. ___, 95 USPQ2d 1001 (2010). Although affirming the Federal Circuit's result regarding the unpatentability of the process claims at issue, the Court indicated disapproval of the exclusive machine-or-transformation test that was set forth by the Federal Circuit. The Court determined that §101 does not categorically exclude claims directed to business methods. Furthermore, the Court concluded that while the machine-or-transformation test is a useful and important clue and an investigative tool for determining whether some claimed inventions are processes under §101, it is not the sole test for deciding whether an invention is a patent-eligible process.

The Federal Circuit's machine-or-transformation test was stated as a two-branched inquiry in which an applicant could show that a process claim recites statutorily-patentable subject matter by showing that the claim (1) is tied to a particular machine or (2) transforms an article into a different state or thing. In *Bilski*, the Court indicated its disapproval of this test while reaffirming that an abstract idea, a law of nature or a mathematical formula cannot be patented and referred to its prior decisions that addressed the patentability of processes. See *Diamond v. Diehr*, 450 U. S. 175 (1981); *Parker v. Flook*, 437 U.S. 584 (1978); and *Gottschalk v. Benson*, 409 U.S. 63 (1972). The Court concluded that these precedents were sufficient to determine the unpatentability of the patentee's claims without any need to further define the limits of what constitutes a patentable process and without imposing an exclusive machine-or-transformation test. Based on this rationale, the Court held that the patentee's claimed methods directed to hedging risk in commodities and energy markets were not patentable processes because they were attempts to patent abstract ideas.

In removing the exclusivity of the machine-or-transformation test and determining that business method patents are not categorically excluded from patent eligibility under §101, the Court looked to the definition of "process" in §100(b) and noted that §273 explicitly contemplates the existence of at least some business method patents. The Court further indicated that §101 is a "dynamic provision designed to encompass new and unforeseen inventions," and concluded that it may not make sense to require courts to confine themselves to asking the questions posed by the machine-or-transformation test, suggesting that new technologies may call for new inquiries. The Court did, however, leave open the possibility that some categories or classes of patent applications that claim to instruct how business should be conducted could potentially still be determined as unpatentable attempts to patent abstract ideas.

The Court's decision in *Bilski* eliminates a defined and exclusive test for determining the patent eligibility of processes. Recently, the machine-or-transformation test criteria had become widely used by U.S. Patent and Trademark Office examiners in rejecting process claims as being patent ineligible. It is expected that the decision in *Bilski* will allow patent applicants more flexibility in advocating for the patent eligibility of processes that, prior to *Bilski*, would have been rejected under §101.

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