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Long Awaited *Bilski* Decision Rejects Claims as Being For an Unpatentable Abstract Idea, Rejects New Broad Categorical Rules as to What Is or Is Not Patentable Subject Matter Under 35 U.S.C. § 101

In the long-awaited opinion regarding the appeal of *In re Bilski*, the U.S. Supreme Court, in an opinion penned by Justice Kennedy, unanimously held that the claims of the Bilski patent application directed to a method of hedging risks in commodities markets are not patentable subject matter under 35 U.S.C. § 101 because the claims were directed to nothing more than an "unpatentable abstract idea." *Bilski v. Kappos*, No. 08-964, slip op. at 15, 561 U.S. __ (June 28, 2010). In view of its decisions in *Gottschalk v. Benson*, 409 U.S. 63 (1972), *Parker v. Flook*, 437 U.S. 584 (1978), and *Diamond v. Diehr*, 450 U.S. 175 (1981), the Court also rejected the Federal Circuit's holding below that the machine-or-transformation test is the only viable test for determining patent-eligibility of claims directed toward methods. Rather, a majority of the Court agreed that the machine-or-transformation test is just one possible limit on eligibility of claims to methods. The majority also declined to hold that there is any categorical exclusion of business methods, concluding rather that "a business method is simply one kind of 'method' that is, at least in some circumstances, eligible for patenting under §101." Slip. op. at 11. After deciding the explicit questions in front of the Court, however, the Justices were split on how to provide any broad, guiding definition regarding what does or does not fall within the scope of 35 U.S.C. § 101, and ultimately did not provide any such broad guiding principle that would be binding in the future.

Although Parts II-B-2, and II-C-2, of the opinion written by Justice Kennedy discuss possible ways to address the broader questions of what does or does not fall within the scope of 35 U.S.C. § 101, these parts of Justice Kennedy's opinion are not part of the majority opinion because Justice Scalia did not join therein. Therefore, only a minority of Justices (JJ. Kennedy, Roberts, Thomas, and Alito) joined on these portions of his opinion. In Part II-B-2 of his opinion, Justice Kennedy opines that "the patent law faces a great challenge in striking the balance between protecting inventors and not granting monopolies over procedures that others would discover by independent, creative application of general principles. Nothing in this opinion should be read to take a position on where that balance ought to be struck." Slip op. at 10. In Part II-C-2, Justice Kennedy speculates as to what form a broad, guiding principle might take and suggests that "[i]n searching for a limiting principle, … 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 [of *Benson*, *Flook*, and *Diehr*]." Slip op. at 12.

On the other hand, a different minority of Justices (JJ. Stevens, Ginsburg, Breyer, and Sotomayor) would have held that "a claim that merely describes a method of doing business does not qualify as a 'process' under §101." Slip. op. at 3 (Stevens, J., concurring); *see* Slip. op. at 1 (Breyer, J., concurring).

It must be noted that Justice Scalia joins in Part II of Justice Breyer's concurring opinion but does not join in Part I of Justice Breyer's concurrence. Part I of Justice Breyer's opinion is the only place where his concurrence states that "a general method of engaging in business transactions is not a patentable process." Therefore, Justice Scalia does not join the minority of Justices that would institute a broad categorical exception to the patent eligibility of business methods.

In summary, although the Court identified the claims of Bilski's application to be not eligible for patent protection because they were directed to an "abstract idea," the Court did not provide any explicit, broadly applicable guidelines to help applicants, practitioners, or lower courts decide whether other claims to so-called "business methods" are patent eligible. Rather, the Court has left it to future generations to decide each of these questions on the particular facts of each case based on the established exceptions summarized in *Diamond v. Chakrabarty*, 447 U.S. 303 (1980) - i.e., laws of nature, physical phenomena, and abstract ideas - and the various specific guideposts found in *Benson*, *Flook*, *Diehr*, and now *Bilski*.

And finally, here are some initial thoughts of this author directed to applicants and practitioners on how to proceed in the future. The *Bilski* opinion shows a deep and fundamental split in the Supreme Court as to how to limit the scope of business method patent eligibility, not whether to limit the scope. As is clear from Justice Stevens' concurrence, four Justices would simply create a "new" categorical exclusion to §101 under the name of "business methods." However, even if such were to have been the decision, it is this author's opinion that the ultimate change to patent applicants and practitioners would have been minimal. Rather, such a categorical exclusion would likely have served mostly to just shift the arguments to whether a claim is or is not a "business method." Instead, the Court has shown restraint by not trying to create new law under the guise of providing a new, simply stated, broad ranging guiding principle, which would most likely only have generated new names for old arguments. What we are left with is a legal landscape that has clearly rejected, both by the Federal Circuit and the Supreme Court, the "useful, concrete, and tangible result" test enumerated in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), and requires applicants and attorneys to argue specific fact scenarios as to whether an invention is more than simply an "abstract idea." Talented patent attorneys will (in most cases) still be able to draft different claims of varying scope, some of which can explore the boundaries of what is or is not an "abstract idea" to be argued by future litigators, and some of which are clearly within one or more accepted areas of patent-eligibility, such as by meeting the machine-or-transformation standard.

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