

ALERTS

Intellectual Property Update

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On June 28, 2010, the Supreme Court issued its opinion in Bilski v. Kappos. The case involved the patentability of a method by which buyers and sellers of commodities can hedge against price changes in the market. In 2008, the Court of Appeals for the Federal Circuit ("Federal Circuit") upheld the United States Patent and Trademark Office's rejection of a patent application directed to this method and, in doing so, held that a process can only be patentable if it is either: (1) tied to a particular machine, or (2) results in a transformation of an article into a different state or thing ("machine-or-transformation test"). In its decision today, the Supreme Court affirmed the Federal Circuit's decision to reject the patent application, but held that the machine-or-transformation test is not the sole test for patentable subject matter.

Specifically, the Supreme Court held that the patent application at issue is unpatentable under 35 U.S.C. Section 101 because the claims of the patent application are directed to abstract ideas, which have been deemed to be unpatentable by Supreme Court precedent. However, the Supreme Court held that the machine-or-transformation test is not the sole test for patentability of a process under Section 101 and that, while the test may be a useful tool, it was never intended to be exhaustive or exclusive. The Supreme Court also held that Section 101 does not categorically exclude business methods from being patentable subject matter. Because the patent application could be rejected under Supreme Court precedent on the unpatentability of abstract ideas, the Court declined to impose further limitations on patentable subject matter beyond the language of Section 101 itself and the Court's current precedent.