

CLIENT ALERT: SUPREME COURT HEARS ORAL ARGUMENTS IN BILSKI V. KAPPOS

The Supreme Court agreed earlier this year to hear the Bilski case and address the question of whether the “machine-or-transformation” test enunciated last year by the Federal Circuit is appropriate for determining patent-eligible subject matter.

In late 2008, the Federal Circuit held in Bilski that a process or method claim must either be tied to a particular machine or apparatus or transform a particular article into a different state or thing in order for the claim to constitute patent-eligible subject matter. The particular patent claim in question in Bilski is directed essentially to a method of hedging risk in the field of commodities trading. More particularly, the claim recites, in part, “[a] method for managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price”.

Two specific issues are before the Supreme Court. The first issue is whether the Federal Circuit erred by holding that, to be patent-eligible under Section 101 of the patent statute, a process claim must meet the machine-or-transformation test. The second issue is whether that test contradicts Congressional intent that patents can protect methods of doing or conducting business, as is at least implied by Section 273 of the patent statute.

Well over sixty “friend of the court” briefs have been filed with the Supreme Court by various entities interested in the outcome of the two issues before the Court. The briefs come from individuals, law schools, legal associations, software companies, life science companies, and others. While those briefs set forth specific positions on the issue, a recurring theme is that the machine-or-transformation test is not the correct test.

Yesterday, the Supreme Court held oral arguments in Bilski, as both sides presented their views on the issue. The Justices appeared to focus on the first issue before the Court, namely whether the Federal Circuit erred by holding that a process claim must be tied to a particular machine or apparatus or must transform a particular article into a different state or thing. The second issue, regarding whether the machine-or-transformation test contradicts Congressional intent, was not covered in any depth at the oral argument.



New York

Seven Times Square
New York, NY 10036
+1.212.209.4800
+1.212.209.4801 [fax]

Boston

One Financial Center
Boston, MA 02111
+1.617.856.8200
+1.617.856.8201 [fax]

Washington, DC

601 Thirteenth Street NW,
Suite 600
Washington, DC 20005
+1.202.347.2222
+1.202.347.4242 [fax]

Hartford

City Place I
185 Asylum Street
Hartford, CT 06103
+1.860.509.6500
+1.860.509.6501 [fax]

Providence

121 South Main Street
Providence, RI 02903
+1.401.276.2600
+1.401.276.2601 [fax]

London

8 Clifford Street
London, W1S 2LQ
United Kingdom
+44.20.7851.6000
+44.20.7851.6100 [fax]

Dublin

Alexandra House
The Sweepstakes
Ballsbridge, Dublin 4
Ireland
+353.1.664.1738
+353.1.664.1838 [fax]

www.brownrudnick.com

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Several of the Justices including Antonin Scalia, Sonia Sotomayor, Ruth Bader Ginsburg, Stephen G. Breyer, John G. Roberts, Jr., and Anthony M. Kennedy presented various hypotheticals to test how far the petitioners' lawyer thought patent protection should extend. The petitioners' lawyer maintained that, while some things are excluded as patent-eligible subject matter such as a poem, a corporation, and a human being, many if not all of the hypotheticals would qualify as patent-eligible subject matter. Petitioners would like to see the patentability standards of novelty and non-obviousness control, and they do not want certain classes of subject matter excluded entirely from patent protection.

The lawyer for the Patent and Trademark Office argued that inventions in the realm of the physical should be deemed patent eligible whereas those not dealing in the physical realm should be unpatentable. He also made it clear that the machine-or-transformation test applies only to process and method claims. Chief Justice Roberts questioned him on a footnote in his brief that acknowledged that Bilski's claimed method of hedging risk might satisfy the Federal Circuit's machine-or-transformation test if the method claim was tied to a machine such as a computer. He also was questioned why simply reciting something as a programmed computer instead of as a computerized process or method would avoid entirely application of the machine-or-transformation test, and to this he simply maintained that the machine-or-transformation test applies only to process and method claims.

The oral argument session held yesterday at the Supreme Court was just one step in the Bilski case. The Supreme Court still needs to answer the two issues before it and render its final decision. We expect the Supreme Court's final decision by the end of June 2010, at the latest.

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For further information on this topic, please contact your Brown Rudnick attorney or one of the following attorneys:

Thomas C. Meyers
+1.617.856.8483
tmeyers@brownrudnick.com

Robert J. Tosti
+1.617.856.8124
rtosti@brownrudnick.com