

In Re Bilski: The Federal Circuit Re-examines Method Patents

By Blaine T. Bettinger, Ph.D.

When the United States Supreme Court dismissed certiorari in *Lab. Corp. of America Holdings v. Metabolite Labs., Inc.* 126 S. Ct. 2921 (2006), Justice Breyer (joined by Justices Stevens and Souter) wrote that although the Court of Appeals for the Federal Circuit has held that a process is patentable subject matter if it involves a “useful, concrete, and tangible result,” [*State St. Bank & Trust Co. v. Signature Fin. Group, Inc.* 149 F.3d 1368 (Fed. Cir. 1998)] the Supreme Court has “never made such a statement, and if taken literally, the statement would cover instances where this Court has held the contrary.”

Soon after *Metabolite*, in the dissent from another patent case [*eBay, Inc. v. MercExchange, L.L.C.* 126 S. Ct. 1837 (2007)], Justice Kennedy (joined by Justices Stevens, Souter, and Breyer) expressed his concern regarding “the potential vagueness and suspect validity of [business method] patents.”

It is thus apparent from these two Supreme Court cases that at least four Justices are concerned about the patentability of method patents. In this current atmosphere, the Federal Circuit is hearing an appeal from a decision of the Board of Patent Appeals and Interferences (BPAI) that may reinforce or reject their holding in *State Street Bank*.

On April 10, 1997, inventor Bernard Bilski filed a patent application entitled “Energy Risk Management Method.” The Patent Office examiner rejected Bilski’s claims under 35 U.S.C. § 101 because they claimed an “abstract idea.” On appeal, the BPAI held that the Bilski application involved a “non-machine-implemented” method since claims 1-11 were broad enough to be performed without the use of a machine. As such, the BPAI concluded, the outcome of the appeal was not controlled by *State Street Bank* because that case involved the transformation of data through the use of a machine. As a result, claims 1-11 did not claim patentable subject matter under 35 U.S.C. § 101 and the BPAI affirmed the PTO’s rejection of Bilski’s application.

The Federal Circuit heard oral argument regarding the Bilski application on October 1, 2007, but on February 15, 2008, the Court issued Order No. 07-1130, which asked the parties to file supplemental briefs addressing the following five questions:

- (1) Whether claim 1 of the [Bilski] patent application claims patent-eligible subject matter under 35 U.S.C. § 101?
- (2) What standard should govern in determining whether a process is patent-eligible subject matter under section 101?
- (3) Whether the claimed subject matter is not patent-eligible because it constitutes an abstract idea or mental process; when does a claim that

contains both mental and physical steps create patent-eligible subject matter?

- (4) Whether a method or process must result in a physical transformation of an article or be tied to a machine to be patent-eligible subject matter under section 101?
- (5) Whether it is appropriate to reconsider *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), and *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999), in this case and, if so, whether those cases should be overruled in any respect?

According to the Order, the parties must file simultaneous supplemental briefs by March 6, 2008, and oral argument will be heard en banc on May 8, 2008.

Sources:

In Re Bilski, No. 07-1130 (Fed. Cir. Feb. 14, 2008), *available at* <http://www.cafc.uscourts.gov/opinions/07-1130%20order.pdf>.

In Re Bilski, Informative Opinion No. 2002-2257 (BPAI Sept. 26, 2006) *available at* <http://www.uspto.gov/web/offices/dcom/bpai/its/fd022257.pdf>.

For further information:

Dennis Crouch, *Bilski: Full CAFC to Reexamine the Scope of Subject Matter Patentability*, Patently-O, <http://www.patentlyo.com/patent/2008/02/bilski-full-caf.html> (last visited Feb. 22, 2008).

Dennis Crouch, *BPAI 'Informative' Opinion on Business Method Patents*, Patently-O, http://www.patentlyo.com/patent/2007/02/bpai_informativ.html (last visited Feb. 22, 2008).

LexisNexis Patent Law Center, *The Bilski Butterfly*, <http://law.lexisnexis.com/blogs/Patent/The-Bilski-Butterfly> (last visited Feb. 22, 2008).