

In Re Bilski: Federal Appeals Court Scales Back “Business Method” Patents

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The U.S. Court of Appeals for the Federal Circuit ruled against Bernard Bilski on Thursday, October 30, 2008, holding that a business concept was too vague to be protected by a patent. Bilski had tried to patent a method for managing weather-related risk through commodities trading, but the U.S. Patent and Trademark Office rejected his application, claiming that his application did not involve a particular machine and did not physically transform anything.

Over the years the Court of Appeals has used different tests to determine the qualifications for patenting, but the *Bilski* court said the only appropriate analysis is the “machine-or-transformation” test which requires that the invention be tied to a particular machine or that it transforms an “article.” The opinion was joined by nine of twelve justices who acknowledged that the use of computers and the Internet has begun to challenge the usefulness of the test. The court addressed this issue when it said, “we recognize that the Supreme Court may ultimately decide to alter or perhaps even set aside this test to accommodate emerging technologies. And we certainly do not rule out the possibility that this court may in the future refine or augment the test or how it is applied.”

The case has been watched closely by many industries because it could determine whether thousands of issued patents will hold up in court. The court’s 1998 ruling that allowed such patents must now be applied more narrowly. Many older patents may become invalid based on the ruling. The industries hit hardest by the decision will be financial services and software companies, both of which gain competitive advantages by developing complex ideas that do not always involve a particular machine or physically transform anything.

Sources:

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Jim Singer, *Federal Circuit’s In Re Bilski Decision Promises Continued Uncertainty for Business Method and Software Patents*, IP SPOTLIGHT, Oct. 31, 2008, available at <http://ipspotlight.com/2008/10/31/federal-circuits-in-re-bilski-decision-promises-continued-uncertainty-for-business-method-and-software-patents/>.