***Bilski* FAQ**

January 28, 2009

What action did Finnegan take with respect to *Bilski* and the U.S. Supreme Court?
Finnegan filed a petition for a writ of certiorari on behalf of the applicants in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc). The petition asks the U.S. Supreme Court to review and reverse the *Bilski* decision by the U.S. Court of Appeals for the Federal Circuit limiting what types of inventions are patentable "processes" under the U.S. patent laws.

What's wrong with the Federal Circuit *Bilski* decision?
The Federal Circuit decision changes the law by requiring a process to be tied to a machine or transform articles in order to be eligible for patenting. This "machine-or-transformation test" is inconsistent with the patent statute, which provides that "any new and useful process" is patentable. The Federal Circuit's test is also contrary to prior decisions by the U.S. Supreme Court in which the high Court refused to adopt the machine-or-transformation test. Indeed, the Federal Circuit in *Bilski* recognized that the Supreme Court may decide to alter or even set aside the "machine-or-transformation" test to accommodate emerging technologies.

What is the right test for patentable processes?
The Supreme Court has said that patentable processes include "anything under the sun that is made by man" except laws of nature, natural phenomena, and abstract ideas. If a new process involves an abstract idea, such as a mathematical equation, the process can still be patented so long as the process applies the idea to achieve a useful result. The Supreme Court has said that this test is intentionally flexible to adapt to new, unforeseen technologies.

Why should the U.S. Supreme Court take this case - didn't the Federal Circuit decide the issue?
This case involves the central question of our patent system: what is patentable? The Federal Circuit decision changes the law on this fundamental issue and casts a cloud over thousands of issued patents. Several Federal Circuit judges dissented from the decision. Judge Newman wrote that the "machine-or-transformation" test creates uncertainty that will diminish innovation. Judge Rader wrote that the test disrupts settled law and ties the patent laws to the industrial age of the past. Judge Mayer noted that the test is "unnecessarily complex."

Why should the U.S. Supreme Court take this case - aren't there only a few thousand business method patents?
The impact of the Federal Circuit's decision goes far beyond the *Bilski* patent application and business methods. For example, thousands of software patents were issued under a more flexible standard than the rigid "machine-or-transformation" test. Those patents may or may not meet this new requirement, so their validity and value are now in question. Many patents in the biotechnology industry are also affected. For example, the Federal Circuit recently applied the *Bilski* test to invalidate issued patent claims to an immunization method. The Patent Office has also applied the "machine-or-transformation" test to reject claims to a method for diagnosing the condition of a cornea of an eye.

Has the Court heard a case like this recently? If not, why now?
The Supreme Court has not considered the issue of patentable subject matter since 1981, when computers were just becoming a part of daily life. The Federal Circuit decision is based on Supreme Court cases decided during the industrial age, when most novel processes were manufacturing processes.

In today's knowledge economy, novel processes involve computer software, Internet technologies, and information management. The Federal Circuit's restrictive "machine-or-transformation" test excludes most of these areas from patent protection, even as the U.S. economy becomes more and more information and services based. In fact, Judge Rader dissented from the majority's decision because the machine-or-transformation test "links patent eligibility to the age of iron and steel at a time of subatomic particles and terabytes." *In re Bilski*, 545 F.3d at 1011 (Rader, J. dissenting).

The patent laws are designed to encourage innovation. For the United States to remain a leader in protecting intellectual property, we must recognize the importance of new and creative business methods and protect them with patent rights. The Supreme Court needs to step in to stop the Federal Circuit from tying the patent laws to a bygone era.

Who is Bilski?
Bernard L. Bilski and Rand A. Warsaw invented a novel way to hedge consumption risk associated with commodity transactions, like the sale of natural gas, electricity, oil, or coal. A business method patent application was filed in 1996 to protect the invention. It has now taken over ten years to move through the patent office and federal court.

What is a business method? Are business methods patentable?
A business method is any process for conducting business, such as Bilski's method of hedging commodities transactions. The term "business method" is often used to describe any process that does not depend on a particular machine or device. Before reversing direction in *Bilski*, the Federal Circuit held in the *State Street Bank* case that business methods are patentable if they produce a "useful, concrete, and tangible result." Congress has also recognized that business methods are eligible for patent protection in section 273 of the patent statute.

Didn't the Federal Circuit in *Bilski* say business methods are still patentable?
The Federal Circuit did say in *Bilski* that it rejected a categorical exclusion of business method patents, but its holding has the practical effect of denying patent protection to business methods in their purest form. For example, many business methods relate to human behavior or the flow of information. Neither of those types of business methods would satisfy the Federal Circuit's machine-or-transformation test. This is inconsistent with Congress's clearly expressed intention to provide protection for business methods.

Does today's economic situation impact the Court's decision to take this case?
While the Court's decision will far out-live this economic downturn, there is certainly a hope that in reconsidering *Bilski,* the Supreme Court will restore the incentive that patents provide to innovators in today's information economy.

Is Finnegan hopeful that amicus briefs will be filed?
Yes. In light of the fundamental nature of the issue, the major shift in the law, and the new uncertainties created by the Federal Circuit's "machine-or-transformation test,"

Finnegan encourages support of the petition for writ of certiorari. We are hopeful that interested parties will file amicus curiae, or friend of the court, briefs (commonly referred to as amicus briefs) urging the Supreme Court to take this case. Amicus curiae briefs in support of the petition will be due on or about February 27, 2009.

What's the timeline of the case?
The Supreme Court could decide whether to hear this case before the current term ends in June. If the Court takes the case, oral argument would likely be held in the fall.

Are Finnegan and other experts available for comment?
Yes, experts and individuals involved with the case are available to lend comment regarding the proceedings. They include:

- Michael J. Jakes, Esq., a partner at Finnegan with extensive appellate experience. Jakes leads Finnegan's appellate practice.
- Wayne Sobon, Associate General Counsel and Director of Intellectual Property of Accenture and founder of NewEconomyPatents.org.
- Mark A. Lemley, Professor at Stanford Law School.

To arrange an interview with one of the individuals above, please contact Chuck Kabat at Schwartz Communications at 781.684.0770 or ckabat@schwartz-pr.com.

Who is Finnegan?
With more than 375 intellectual property lawyers, Finnegan is one of the largest IP law firms in the world. From offices in Washington, DC; Atlanta, Georgia; Cambridge, Massachusetts; Palo Alto, California; Reston, Virginia; Brussels, Belgium; Shanghai, China; Taipei, Taiwan; and Tokyo, Japan; the firm practices all aspects of patent, trademark, copyright, and trade secret law, including counseling, prosecution, licensing, and litigation. The firm also represents clients on IP issues related to international trade, portfolio management, the Internet, e-commerce, government contracts, antitrust, and unfair competition. For additional information on the firm, please visit www.finnegan.com.

Quotes for use in media materials:
"Bilski goes to the heart of patent law by asking what can be patented," said J. Michael Jakes of Finnegan. "The Supreme Court has not addressed this fundamental issue since 1981, and, in light of the very limiting test put forth by the Federal Circuit in Bilski, the time is right for the Supreme Court to weigh in."

Inventors Bernard L. Bilski and Rand A. Warsaw said, "We welcome the Supreme Court reviewing the case. The creation of new business methods is critical to spurring economic growth in this country. The Federal Circuit's *Bilski* decision is a throwback to the 19th century when our economy was primarily manufacturing based, and fails to recognize that many inventions are based on ideas not necessarily tied to a machine or piece of equipment. Prior to the Federal Circuit's decision, the ability to patent a business method put the U.S. squarely ahead of the rest the world in protecting valuable intellectual property assets that are integral to encouraging innovation in today's economy. The Federal Circuit's decision represents a step backward."

Wayne Sobon, Associate General Counsel and Director of Intellectual Property of Accenture and founder of NewEconomyPatents.org, agreed, noting, “The Federal Circuit’s *Bilski* decision approaches the U.S. economy as if the incredible revolutions in software, the internet and business innovation of the last 30 years never happened. That’s just wrong. In today’s knowledge and services-based economy, innovation and competitive advantage depend just as much on creating new business processes as creating new widgets. Patent law should reflect the current realities of the economic marketplace.”

Media Contact
Chuck Kabat
Schwartz Communications
781-684-0770
781-608-3812 cell
ckabat@schwartz-pr.com