***Bilski* FAQ**
Prepared by Finnegan
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How did *Bilski v. Kappos,* No. 08-964, make it to the U.S. Supreme Court?
The U.S. Supreme Court granted a writ of certiorari Finnegan filed on behalf of the applicants in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc). The petition asked 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.

Why is the case so important?
The test for patentability created by the Federal Circuit, called the "machine-or-transformation" test, may fundamentally change what kinds of inventions are eligible for patents. As stated in Bilski's Supreme Court brief, "[i]nnovation in the knowledge economy thrives beyond the traditional manufacturing and engineering fields and includes new and useful business-related processes."[1] But the "machine-or-transformation" test, rooted in the industrial age, could constrain future innovation in many important fields.

Patent experts and the business world alike have recognized the importance of the *Bilski* case. John F. Duffy, a professor at George Washington University Law School, stated that *Bilski* is "the most important patent case in 50 years."[2] *BusinessWeek* called *Bilski* "one of the most important decisions" in the current Supreme Court term and the *New York Times* wrote that *Bilski* is the "case that has most transfixed the business community" because "a broad ruling could affect many aspects of the economy."[3]

What's wrong with the Federal Circuit *Bilski* decision?
The Federal Circuit decision changes the law by requiring a process either to be tied to a machine or to 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 did 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."

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 Supreme Court heard a case like this recently?

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 increasingly based on information and services. 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."[4]

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.

What industries could be affected by the *Bilski* ruling?

The "machine-or-transformation" test could alter what kinds of inventions are patentable

in diverse fields such as computer software, biotechnology and medicine, industrial engineering, financial services, renewable energy, and many others. Many companies and industry groups in these and other fields filed amicus briefs to inform the Supreme Court of the ways in which the "machine-or-transformation" test would harm their business.[5]

How many cases will be affected if *Bilski* is affirmed?
The *Bilski* verdict will have an enormous impact on a wide range of patents and patent applications in diverse fields, and thus it is difficult to estimate how many cases will be affected. *Bilski* could limit patent protection for countless future inventions, and will also affect patent applications that are currently before the PTO and those currently on appeal or in litigation. Several amicus parties commented on notable patent applications and cases in their technical fields where *Bilski* could have a significant effect.[6] Further, the *Bilski* ruling may affect many patents that have already been granted, which could be challenged in litigation following the Supreme Court's ruling.

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 Supreme Court's decision to take this case?
While the Supreme 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.

How many amicus briefs have been filed?
Sixty-seven amicus briefs were filed in the Supreme Court. The entire list is available as

a separate document. Please contact the Karen Sharma at Schwartz Communications (Finnegan@schwartz-pr.com) to obtain the list.

What is the history of the case?
The case history is available on the Finnegan web site at: http://www.finnegan.com.

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

- J. Michael 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.
- Jeffrey R. Kuester, Thomas, Kayden, Horstemeyer & Risley, LLP; author of amicus brief for AwakenIP.com

To arrange an interview with one of the individuals above, please contact Karen Sharma at Schwartz Communications at 781-684-0770 or **finnegan@schwartz-pr.com**.

Who is Finnegan?
With 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 is patentable," 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 it is still manufacturing based. That's just wrong. In today's knowledge economy, innovation is just as likely to occur around creating a new business method as creating a new widget. Patent law should reflect the current realities of the economic marketplace."

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[1] Petitioners' Brief p. 38.
[2] Adam Liptak, *Justices to Weigh Issue of Patenting Business Methods*, NY TIMES, June 1, 2009, http://www.nytimes.com/2009/06/02/business/02bizcourt.html.
[3] Adam Liptak, *New Court Term May Give Hints to Views on Regulating Business*, NY TIMES, Oct. 4, 2009, http://www.nytimes.com/2009/10/05/us/politics/05scotus.html; Brian Burnsed, *Preview of Major Business Cases in Supreme Court's 2009-2010 Term*, BUSINESSWEEK, Sept. 24, 2009, http://www.businessweek.com/blogs/money_politics/archives/2009/09/it_looks_to_be.html.
[4] *In re Bilski,* 545 F.3d at 1011 (Rader, J. dissenting).
[5] *See, e.g.*, Accenture & Pitney Bowes Amicus Brief pp. 35-39; Biotechnology Industry Organization Amicus Brief pp. 14-27; Dolby Laboratories et al. Amicus Brief pp. 7-10; Nevada State Bar IP Section Amicus Brief pp. 25-27; Yahoo! Inc. Amicus Brief p. 8.
[6] *See, e.g.*, AwakenIP Amicus Brief pp. 20-21; Entrepreneurial Software Companies Amicus Brief, pp. 16-22.