



March 12, 2008

## IN RE BERNARD L. BILSKI

The U.S. Court of Appeals for the Federal Circuit (CAFC) recently seized upon an opportunity to further clarify the eligibility of business method patents as statutory subject matter, and to potentially limit that eligibility.

In the Patent Act of 1793, Congress identified four categories of subject matter that is eligible for patent protection. Over the years, courts have evaluated new technologies not imagined in 1793 in view of these four categories that were eventually codified into 35 U.S.C. § 101. For example, the CAFC confirmed the patentability of business methods in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998) and software patents in *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 50 USPQ 2d 1447 (Fed. Cir. 1999). Recently, the CAFC placed some limits on patentability in *In re Stephen W. Comiskey* (a business method must be combined with a machine to produce patentable subject matter) and *In re Petrus A.C.M. Nuijten* (a fleeting and transitory signal, absent any physical carrier or medium storing or perpetuating the signal, is not patentable subject matter).

Showing their continued interest in § 101, on February 15, 2008, the CAFC ordered an en banc hearing of an appeal of an application by Bernard L. Bilski involving methods for managing risk. A summary of *In re Bilski* is provided below.

In 2006, the Board of Appeals and Interferences (“the Board”) at the U.S. Patent and Trademark Office (USPTO) issued a 71 page non-precedential opinion that affirmed a USPTO final rejection of claims 1-11 of U.S. Patent Application No: 08/833,892, entitled “Energy Risk Management Method” by Bernard Bilski and Rand Warsaw. No references were applied against the Bilski application, rather the issue considered by the Board was whether the subject matter of claims 1-11 was directed to a statutory “process” under 35 U.S.C. § 101. The Board concluded that it was not.

Claim 1 of Bilski’s application recited a method for managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price. The method included initiating a series of transactions between a commodity provider and consumers of the commodity, identifying market participants for the commodity having a counter-risk position to the consumers, and initiating a series of transactions between the commodity provider and the market participants.

The Board submitted the claims of Bilski to a variety of tests that the USPTO and the courts have used to determine if a process is patentable. The Board concluded that the subject matter is not eligible for patent protection. The Board also showed a desire to limit the applicability of *State Street* and *AT&T* by suggesting the “useful, concrete, and tangible result” test be limited to “special cases” of claims to machines and machine-implemented processes. These “special cases” are claims that recite structure, but may involve an abstract idea. For this reason, the Board stated that their decision in Bilski was not controlled by the CAFC decisions in *State Street* or *AT&T*.

The CAFC order of February 15, 2008 specifically requested that additional issues relating to patent eligible subject matter be addressed by the parties prior to the hearing.

Both the attention given to the Opinion by the Board, and the CAFC’s decision to grant this hearing en banc, are indications that the USPTO and CAFC believe this case is an opportunity to further clarify and potentially limit the eligibility of a business method as statutory subject matter. Oral arguments are scheduled for May 8, 2008.

As the courts continue to interpret the U.S. patent laws, it is becoming increasingly important to carefully draft claims that clearly fall within one of the four statutory categories of patentable subject matter.

If you have questions, please contact your regular Armstrong Teasdale contact or one of the following:

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