



## REST ASSURED: BUSINESS METHODS AND SOFTWARE ARE STILL PATENTABLE

On October 30, 2008, the U.S. Court of Appeals for the Federal Circuit (CAFC) issued its much anticipated en banc decision in *In re Bilski*, 2008 WL 4757110 (Fed. Cir. October 30, 2008). In a majority opinion written by Chief Judge Michel, the CAFC held that claims directed to a method for hedging risks in commodities trading do not satisfy the patentable subject matter requirements of 35 U.S.C. § 101. In affirming the decision of the Board of Patent Appeals and Interferences (BPAI) at the U.S. Patent and Trademark Office (USPTO), the CAFC reaffirmed the machine-or-transformation test from *Gottschalk v. Benson*, 409 U.S. 63 (1972) and disapproved the “useful, concrete, and tangible” test made famous in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998) as “inadequate.”

Rejecting suggestions in various amicus curiae briefs to exclude business methods and software categorically from patentability, the CAFC clarified the standards applicable in determining whether a method constitutes a statutory process under § 101. In particular, the CAFC reiterated the machine-or-transformation test from *Benson* as the applicable test for § 101 analyses of process claims, and used this test to determine whether Bilski’s process claims are tailored narrowly enough to encompass only a particular application of a fundamental principle rather than to pre-empt the principle itself:

“A claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.” (emphasis in original).

Thus, the CAFC stated that by tying the process to a particular machine or apparatus, a claimed process would not pre-empt applications of the principle that do not also use the particular machine or apparatus as claimed. Similarly, by transforming the article in a particular way, a claimed process would not pre-empt applications of the principle that do not transform the article in the particular way claimed.

The effect of *Bilski* on existing patents may be less far-reaching than had been forecasted by some observers. The CAFC “rejected calls for categorical exclusions beyond those for fundamental principles already identified by the Supreme Court,” and noted that business methods and software are “subject to the same legal requirements for patentability as applied to any other process or method.” Moreover, the CAFC declined to “adopt a broad exclusion over software or any other such category of subject matter beyond the exclusion of claims drawn to fundamental principles set forth by the Supreme Court.” The CAFC further noted that its selection of the machine-or-transformation test for process claims is in agreement with the position taken by the USPTO.

Although the decision may lead to new challenges to validity during litigation, the *Bilski* decision should be viewed as reassurance that business methods and software continue to be patentable if they satisfy the machine-or-transformation test. It is important to direct claims to processes that are tied to a particular machine or apparatus or that transform a particular article into a different state or thing provided that: (1) the use of a specific machine or transformation of an article imposes meaningful limitations on the claim scope to impart patent-eligibility; and (2) the involvement of the machine or transformation in the claimed process is not merely insignificant extra-solution activity. Inventors should continue to patent their innovative business methods and software, and consider reviewing their portfolio of pending patent applications to ensure that the subject matter is claimed in a manner consistent with *Bilski*.

The decision by the Federal Circuit in *Bilski* is consistent with earlier U.S. Supreme Court decisions.

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

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