

The U.S. Supreme Court handed down its long-awaited ruling in *Bilski v. Kappos* at the end of its term. Justice Anthony M. Kennedy wrote the majority opinion in a 5-4 vote. The subject of the patent application related to a process for hedging risk in commodities trading. In 2008, the Federal Circuit indicated that the sole test for determining patent eligibility of processes (including “business” processes) was the machine-or-transformation test previously enunciated in the cases of *Benson, Flook, and Diehr*. Under the “MT” test, a claim process needs to be analyzed to determine whether (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing. The U.S. Supreme Court reviewed two questions: (1) is the MT test the only test for determining whether a process is patent-eligible, and (2) does the Patent Act, granting prior users rights for business methods, imply that Congress intended the patent should be able to protect methods of doing business.

The U.S. Supreme Court held that the MT test is not the sole test for determining the patent-eligibility of processes, finding that there was nothing in the Patent Act that a process be tied to a machine or transform an article, and that adopting the MT test as the sole test for what constitutes a “process” violates statutory interpretation principles. However, the Court noted that laws of nature, physical phenomenon, and abstract ideas were not patent-eligible subject matter, even though the MT test was not intended to be the exhaustive or exclusive test. As to the second question, the Court found that the ordinary meaning of the relevant statutory terms did not provide reason for categorically excluding business methods from patent eligibility, and that they were not, per se, unpatentable. The Court went on to look at specific elements from each of *Benson, Flook, and Diehr*. The Court concluded that the broader claims in the application at issue were directed to the basic concepts of hedging, and the claim subject matter is an unpatentable abstract idea, the patenting of which would preempt use of this in all fields and would effectively grant a monopoly over an abstract idea.

The *Bilski* ruling left the precise criteria for subject matter eligibility determinations to be further developed by the Federal Circuit Court of Appeals. The USPTO has established interim guidelines until such further criteria are developed. As enunciated by the Commissioner for Patents, patent examiners will be evaluating whether a claim meets the subject matter eligibility requirements or is ineligible because it is directed to an abstract idea. The interim guidance, to be issued shortly (pursuant to statements made in August, 2010) will include a detailed list of factors that can be weighed to evaluate whether a claim is an eligible process or directed to an abstract idea. Examiners will continue using existing guidance concerning the MT test as a tool for determining whether the claimed invention is a process, and failing that, the application may be reviewed to determine whether a claim can separately be shown to be (or not to be) an abstract idea, effecting patent eligibility.

As with the *KSR* case, the legal landscape is currently evolving.