

## In re Bilski

No. 07-1130, Fed. Cir. (Michel,\* Newman, Mayer, Lourie, Rader, Schall, Bryson, Gajarsa, Linn. Dvk. Prost. Moore)

***Purported transformations or manipulations simply of public or private legal obligations or relationships, business risks, or other such abstractions cannot meet the [§ 101 subject matter] test because they are not physical objects or substances, and they are not representative of physical objects or substances.***

On October 30, 2008, the Federal Circuit en banc affirmed the USPTO Board of Patent Appeals and Interferences decision upholding the examiner's rejection of U.S. patent application Serial No. 08/833,892, which related to a method of hedging risk in the field of commodities trading, as not directed to patent-eligible subject matter under 35 U.S.C. § 101. The Federal Circuit stated:

[A] claim is not a patent-eligible "process" if it claims "laws of nature, natural phenomena, [or] abstract ideas." . . . The question before us then is whether Applicants' claim recites a fundamental principle and, if so, whether it would pre-empt substantially all uses of that fundamental principle if allowed. Unfortunately, this inquiry is hardly straightforward. . . . The Supreme Court, however, has enunciated a definitive test to determine whether a process claim is 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. A claimed process involving a fundamental principle that uses a particular machine or apparatus would not pre-empt uses of the principle that do not also use the specified machine or apparatus in the manner claimed. And a claimed process that transforms a particular article to a specified different state or thing by applying a fundamental principle would not pre-empt the use of the principle to transform any other article, to transform the same article but in a manner not covered by the claim, or to do anything other than transform the specified article.

[O]ur reliance on the Supreme Court's machine-or-transformation test as the applicable test for § 101 analyses of process claims is sound. Nevertheless, we agree that future developments in technology and the sciences may present difficult challenges to the machine-or-transformation test, just as the widespread use of computers and the advent of the Internet has begun to challenge it in the past decade. Thus, we recognize that the Supreme Court may ultimately decide to alter or perhaps even set aside this test to accommodate emerging technologies. And we certainly do not rule out the possibility that this court may in the future refine or augment the test or how it is applied. At present, however, and certainly for the present case, we see no need for such a departure and reaffirm that the machine-or-transformation test, properly applied, is the governing test for determining patent eligibility of a process under § 101. . . .

The machine-or-transformation test is a two-branched inquiry; an applicant may show that a process claim satisfies § 101 either by showing that his claim is tied

to a particular machine, or by showing that his claim transforms an article. Certain considerations are applicable to analysis under either branch. First, [the] use of a specific machine or transformation of an article must impose meaningful limits on the claim's scope to impart patent-eligibility. Second, the involvement of the machine or transformation in the claimed process must not merely be insignificant extra-solution activity.

A claimed process is patent-eligible if it transforms an article into a different state or thing. This transformation must be central to the purpose of the claimed process. But the main aspect of the transformation test that requires clarification here is what sorts of things constitute "articles" such that their transformation is sufficient to impart patent-eligibility under § 101. It is virtually self-evident that a process for a chemical or physical transformation of physical objects or substances is patent-eligible subject matter. [T]he transformation of that raw data into a particular visual depiction of a physical object on a display was sufficient to render that more narrowly-claimed process patent-eligible. . . . So long as the claimed process is limited to a practical application of a fundamental principle to transform specific data, and the claim is limited to a visual depiction that represents specific physical objects or substances, there is no danger that the scope of the claim would wholly pre-empt all uses of the principle. . . .

We hold that the Applicants' process as claimed does not transform any article to a different state or thing. Purported transformations or manipulations simply of public or private legal obligations or relationships, business risks, or other such abstractions cannot meet the test because they are not physical objects or substances, and they are not representative of physical objects or substances. Applicants' process at most incorporates only such ineligible transformations. [T]he process as claimed encompasses the exchange of only options, which are simply legal rights to purchase some commodity at a given price in a given time period. The claim only refers to "transactions" involving the exchange of these legal rights at a "fixed rate corresponding to a risk position." Thus, claim 1 does not involve the transformation of any physical object or substance, or an electronic signal representative of any physical object or substance. Given its admitted failure to meet the machine implementation part of the test as well, the claim entirely fails the machine-or-transformation test and is not drawn to patent-eligible subject matter.

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