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Client Alert

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US Supreme Court Rejects "Machine-or-Transformation" Test for Determining Patent Eligibility

On June 28th, the US Supreme Court handed down its highly anticipated opinion in *Bilski v. Kappos*. As we previously reported (August 12, 2009[1]), the Supreme Court took this case to review the Federal Circuit's determination that the so-called "machine-or-transformation" test was the sole test to be used for determining the patentability of a "process" under the Patent Act.

AGG partners William H. Kitchens,[2] Dr. Robert A. Hodges,[3] Dr. David E. Huizenga,[4] Scott E. Taylor[5] and Heather Smith Michael[6] filed an amicus brief in the Supreme Court on behalf of GeorgiaBio advocating that the "machine-or-transformation" test conflicted with Supreme Court precedent and was too rigid and categorical to serve as an appropriate standard for determining issues of patentability, especially with regard to biotechnology inventions. Indeed, the AGG amicus brief pointed out that many uses of the composition of matter in the field of biotechnology are not tied to a particular machine and might not be considered to involve a transformation to a new state or thing. Consequently, AGG argued that many biomedical inventions, which the Patent Act contemplates as patent eligible, would be at risk of exclusion by the Federal Circuit's "machine-or-transformation" test.

In particular, the Court held that Supreme Court precedent establishes that although such a machine-or-transformation test may be a useful and important clue or investigative tool in determining whether a patent application meets one of the four independent categories of inventions that are patent eligible (i.e., processes, machines, manufacturers, and compositions of matter), "it is not the sole test for deciding whether an invention is a patent-eligible 'process' under the patent laws." The Court ruled that in holding to the contrary, the Federal Circuit violated two principles of statutory interpretation: Courts should not read into patent laws limitations and conditions which the legislature has not expressed," and "[u]nless otherwise defined," words will be interpreted as taking their ordinary, contemporary, common meaning." In so holding, the Court stated it was unaware of any ordinary, contemporary, common meaning of "process" that would require it "to be tied to a machine or the

1 www.agg.com/media/interior/publications/08-964tsacGeorgiaBiomedicalPartnershipInc(2).pdf
2 http://www.agg.com/Contents/AttorneyDetail.aspx?ID=331
3 http://www.agg.com/Contents/AttorneyDetail.aspx?ID=1933
4 http://www.agg.com/Contents/AttorneyDetail.aspx?ID=1898
5 http://www.agg.com/Contents/AttorneyDetail.aspx?ID=395
6 http://www.agg.com/Contents/AttorneyDetail.aspx?ID=347

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transformation of an article." Moreover, in language that will be especially helpful and useful for the patentability of future biomedical inventions, the Court noted that:

> The machine-or-transformation test may well provide a sufficient basis for evaluating processes similar to those in the Industrial Age—for example, inventions grounded in a physical or other tangible form. But there are reasons to doubt whether the test should be the sole criterion for determining the patentability of inventions in the Information Age.

Even though the Court rejected the "machine-or-transformation" test, it affirmed the decision of the Federal Circuit on narrow grounds that are not damaging to the biotech industry. The Court concluded that the rejection of the business method patent application at issue was appropriate because the application, which provided for a claimed invention that explains how commodities buyers and sellers in the energy market can protect, or hedge, against the risk of price changes, was an unpatented abstract idea. The Court noted that because the patent application at issue can be rejected under the Supreme Court's precedents on the unpatentability of "abstract ideas," the Court need not define further what constitutes a patentable "process."

The Supreme Court's decision in Bilski is, thus, totally consistent with the position AGG advocated in its amicus brief. We argued that the Federal Circuit's "machine-or-transformation" test conflicted with the Supreme Court's precedent declining to adopt a rigid test for determining patent-eligible subject matter, as well as with the proper construction of federal law defining what is patent eligible. We urged the Supreme Court to reject the Federal Circuit's use of the "machine-or-transformation" test as a "gateway" test of what is patent eligible and that is exactly what the Court did. The Supreme Court's decision reinforces that Congress intended that the patent laws should be given wide scope to ensure that "ingenuity should receive a liberal encouragement."

It's also worth noting that the Supreme Court refused to categorically deny patent-eligibility to business methods. In doing so, the Court relied on a separate statutory provision that contemplates business method patents. The Court ruled that the definition of "method" in Section 101 of the Patent Act could not be read to exclude what Congress clearly included elsewhere in the statute. This finding is consistent with an argument raised in AGG's amicus brief concerning a similar inconsistency between a narrow interpretation of "methods" and a biotech-related statutory provision in the Patent Act.

In conclusion, the decision is good news for the biotech industry. Going forward, biotech companies can rely on the machine-or-transformation test whenever it applies to a method, such as the diagnostic method found patent-eligible under the machine-or-transformation test in the Federal Circuit case *Prometheus v. Mayo Clinic*, but the industry can also argue for patent eligibility using one of the other tests that the Supreme Court's decision now revives if the machine-or-transformation test does not help.

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