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SOFTWARE, PHARMACEUTICAL, AND BUSINESS METHOD PATENTS SURVIVE

The patent world has been awaiting the ruling of the *Bilski v. Kappos* ("Bilski") case since it was first heard by the United States Supreme Court back in November 2009. On June 28, 2010, the Court finally decided Bilski.

At issue in *Bilski* was whether claims directed to the hedging of risk of future price fluctuations of a commodity due to weather were patent-eligible subject matter. Of broader importance, the Court addressed whether any "process" must necessarily satisfy a "machine or transformation test" to be patent-eligible subject matter. Generally speaking, *Bilski* was a highly anticipated decision because claims to some types of business method patents (e.g., software, pharmaceutical, financial, etc.) are particularly susceptible to failing the "machine or transformation test" since a machine is not necessarily involved in the claimed process, and because no transformation of a particular article to a different state or thing necessarily occurs.

In *Bilski*, the Court unanimously preserved the patentability of method patents. Along the way, the Court affirmed the U.S. Court of Appeals for the Federal Circuit ruling that the claims in the Bilski application were unpatentable as claiming "abstract ideas."

Additionally, the Court ruled that the "machine or transformation test" is not to be used as the sole test to determine the eligibility of subject matter in method patents, but is still important in the analysis of patent-eligible subject matter. In addition, the Court determined that business methods are patentable-eligible subject matter under federal patent law. Although the Court did not specifically address software patents, these patents consistently have been classified as business method patents, and as such, are also still eligible for patent protection. However, in a more cautionary note, the Court did not preclude application of a "limiting principle" to further restrain the patentability of business methods.

In conclusion, software, pharmaceutical, and business methods are still eligible for patent protection. As for patent litigation, we anticipate business method patents will be increasingly challenged as to whether their claims are directed to "abstract ideas."

Please feel free to contact your HRO attorney to discuss the consequences of the *Bilski* decision and how it may affect your particular patent applications or potential litigation matters.

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