Court rules against inventors in patent case

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(AP) -- The Supreme Court on Monday refused to weigh in on whether software, online-shopping techniques and medical diagnostic tests can be patented, saying only that inventors' request for protection of a method of hedging weather-related risk in energy prices cannot be granted.

The high court unanimously agreed with a lower court ruling that threw out Bernard Bilski and Rand Warsaw's patent, a decision many said could endanger patents in an increasingly high-tech world. But the high court said they did not need to make a broad sweeping decision about patents to dispose of Bilski and Warsaw's case.

"The patent application here can be rejected under our precedents on the unpatentability of abstract ideas," Justice Anthony Kennedy wrote for the court. "The court, therefore, need not define further what constitutes a patentable process."

The Supreme Court has already said that abstract ideas, natural phenomena and laws of nature cannot be patented. But the U.S. Court of Appeals for the Federal Circuit added that a process cannot be patented unless it is "tied to a particular machine or apparatus" or if it "transforms a particular article into a different state or thing."

Kennedy said the Supreme Court was not endorsing that idea.

"There are reasons to doubt whether the test should be the sole criterion for determining the patentability of inventions in the Information Age," Kennedy said. "... The machine-or-transformation test would create

uncertainty as to the patentability of software, advanced diagnostic medicine techniques and inventions bases on linear programming, data compression and the manipulation of digital signals."

Patent lawyers said the lower courts will now try to come up with another way to judge patents. Fabio Marino at the law firm Orrick said it is likely "to result in more software and e-commerce patents being awarded."

"The decision opens ever so slightly the door to the patentability of business methods, but strongly suggests these patents should be subject to a higher standard of scrutiny to be further defined by the lower courts," Marino said.

Scott Bain, lawyer for The Software & Information Industry Association, said the decision "preserves a delicate but important balance."

"It keeps the door closed to patenting mere abstract ideas, which many 'business method' patent applications have been," he said. "But just as importantly, it affirms the continued viability of patenting useful software applications, which will allow software companies to continue in their role as a driver of economic growth."

David Tennant of the White & Case law firm added that the ruling "maintains the status-quo and affirms the patent eligibility of business method patents provided that certain established standards are satisfied."

Justices John Paul Stevens and Stephen Breyer said that they agreed with the result of the case but didn't agree with the court's line of reasoning on the patentability of business methods.

"This court has never before held that so-called 'business methods' are

patentable, and, in my view, the text, history, and purposes of the Patent Act make clear that they are not," Breyer said.

Bilski and Warsaw in 1997 tried to patent a method of hedging weather-related risk in energy prices. That process, which powers energy billing services offered by a Pittsburgh company called WeatherWise USA, can be used to lock in energy prices, even during an unusually cold winter.

The Patent Office concluded the process was too abstract and denied the application. So Bilski and Warsaw took their claim the U.S. Court of Appeals for the Federal Circuit, which upheld the Patent Office decision last year and came up with the machine-or-transformation test. The Bilski filing, the court found, did not meet the test.

Nothing is stopping the appeals court from coming up with another test, Kennedy said.

"It may be that the Court of Appeals thought it needed to make the machine-or-transformation test exclusive because its case law had not adequately identified less extreme means of restricting business method patents," Kennedy said. "In disapproving an exclusive machine-or-transformation test, we by no means foreclose the Federal Circuit's development of other limiting criteria that further the purpose of the Patent Act," Kennedy said.

Lawyer Mike Jakes, who argued for Bilski, said he was disappointed with the decision.

"We are pleased, however, that the Court rejected the Federal Circuit's very limiting 'machine-or-transformation'test and confirmed that business methods are not excluded from patenting," Jakes said. "In reaffirming that section 101 of the Patent Act should be interpreted broadly, the court's decision will encourage continued innovation in

today's information economy."

The case is Bilski v. Kappos, 08-964.