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Supreme Court Holds Oral Argument in Bilski v. Kappos: O'Melveny Attends and Provides Observations

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Today, the Supreme Court held argument in the closely watched "business method patent" case, *Bilski v. Kappos*. The Court appears poised to rule that the business method claim at issue is not the valid subject of a patent. Whether the Court will provide further guidance as to what is and what is not a patentable “process” is uncertain. Representatives from O'Melveny & Myers attended the argument. Here are some further observations:

The Federal Circuit's "machine or transformation" test as the sole test for a patentable "process" may be invalidated as unduly rigid.

- Justice Sotomayor referred to the Federal Circuit ruling as "extreme. "
- Justice Breyer said he was "nervous about the circuit decision."
- Justice Ginsburg referred to it as an unnecessarily "bold step."
- None of the Justices defended "machine or transformation" as the sole test.

The patentee's claim for a "process" of hedging consumption risk may be invalidated as a claim for unpatentable subject matter outside the scope of 35 U.S.C. 101.

- The Justices did not appear to reach agreement on a rationale for invalidating the claim.
- The Justices discussed several possible rationales for invaliding the claim.
- Chief Justice Roberts and Justice Alito emphasized that the claim is an attempt to patent the abstract idea of hedging consumption risk.
- Justice Sotomayor proposed a blanket rule that "patent law does not cover business methods."
- Justice Scalia proposed "no business methods except those attached to a machine."
- Justice Ginsburg proposed a "tied to technology" test.

The Supreme Court appears unlikely to rule on the patentability of software, medical diagnostics, or any other particular type of patent claim.

- Justices Breyer and Sotomoyor both expressed awareness of the difficulty of announcing unduly broad exclusions of patentability.
- Justice Kennedy noted that the United States had urged against further review out of concern the Supreme Court would "mess it up."

One possible outcome:

- The Court might issue a short unanimous decision holding the hedging claim invalid because it is unlike any process claim previously approved by the Court.
- Several of the Justices could issue separate concurrences stating more precise views.
- The Court followed this approach in the 2006 *eBay Inc. v. MercExhange LLC* decision.

An opinion could issue in a few months, and will certainly issue by June 2010.

O'Melveny attorneys previously suggested that the Supreme Court might not agree with the Federal Circuit's "machine or transformation" test in the recent article, The Federal Circuit and the Supreme Court (Circa 2009) (19 *The Federal Circuit Bar Journal* 1, 2009).