

THE BOARD BITES BACK: *BILSKI* AND THE B.P.A.I.

By Justin M. Lee

After a period of considerable expansion in subject-matter eligibility,¹ the Federal Circuit announced in *In re Bilski* that a process patent claim can be patentable only if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.²

The patent at issue claimed processes for hedging risks in commodities trading. Because the applicants conceded that their claims were not limited to any specific machine or apparatus, the opinion focused on the eligibility of *Bilski*'s claim under the transformation prong of the court's test. It held that the required transformation must be of a physical article, or of data that represents a physical article. The court also rejected a slew of past and proposed tests, clarified that subject matter is a requirement of patentability separate from nonobviousness and other statutory sections, and affirmed that field-of-use limitations and extra-solution activity alone will not suffice for section 101.

Although the Federal Circuit specifically rejected categorical exclusions on domains of inventions (like software or business methods), the Board of Patent Appeals and Interferences (Board) has issued several opinions since *Bilski* severely curtailing the subject-matter eligibility of software patents. The Board has clearly rejected the "new machine" theory of *In re Alappat* and is split on whether it will allow software-on-media

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1. See *In re Beauregard*, 53 F.3d 1583 (Fed. Cir. 1995) (mooting a case because the PTO Commissioner agreed to withdraw objection to a software method claim when claimed on physical media); *In re Alappat*, 33 F.3d 1526, 1544 (Fed. Cir. 1994) (en banc) (allowing software methods when claimed on a general purpose computer); *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1373 (Fed. Cir. 1998) (allowing patents on business methods); *AT&T v. Excel Comm'ns*, 172 F.3d 1352 (Fed. Cir. 1999) (holding the scope of subject matter eligibility to be the same regardless of the form of the claim); ROBERT P. MERGES & JOHN F. DUFFY, *PATENT LAW AND POLICY: CASES AND MATERIALS* 154 (4th ed. 2007) (describing the "floodgates" of software patents starting in the mid-1990s).

2. *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008).