

## Supreme Court Patent Ruling is Good News for Cleantech Business Models

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Date: August 5, 2010

The U.S. Supreme Court's recent decision in [Bilski v. Kappos](#) is good news for clean energy innovators. The *Bilski* ruling ensures that the door to patenting business method inventions remains open, ending months of speculation that the Court might find such inventions categorically unpatentable. It helps ensure that our patent protection system stays robust, and this will spur innovation and attract the investment capital needed for research, development, and commercialization of clean energy technologies.

The *Bilski* patent application claimed a business method for buyers and sellers in the energy market to protect, or hedge, against changes in the demand for or price of energy. The U.S. Patent and Trademark Office rejected the invention as unpatentable, reasoning that it "is not implemented on a specific apparatus and merely manipulates an abstract idea."

The rejection by the Patent Office was [affirmed](#) by the Court of Appeals for the Federal Circuit, which held that the claimed invention failed the court's newly-established "machine-or-transformation" test for determining the patentability of a method. More specifically, the method was found unpatentable because it (1) was not tied to a particular [machine](#) or apparatus; and (2) did not [transform](#) a particular article into a different state or thing. However, the Federal Circuit expressly declined to address how this new "machine or transformation" test would impact the overall patentability of business method inventions generally.

When the Supreme Court agreed to review the Federal Circuit's ruling, many speculated that the Court might seize the opportunity to significantly narrow the scope of patentable subject matter by finding business method inventions unpatentable *per se*. Indeed, a number of companies and industry organizations filed amicus curiae ("friend of the Court") briefs in an attempt to persuade the Court to do so. A total of [68 amicus curiae briefs](#) were filed, advocating a wide variety of positions regarding the patentability of business method inventions.

### The Supreme Court's Decision

The Supreme Court's [decision](#) issued on June 28. The nine justices unanimously agreed that the *Bilski* invention was not patentable because it was nothing more than "an attempt to patent an abstract idea." However, the Court refused to hold that all business method inventions are categorically unpatentable. Instead, the Court, in a 5-4 split among the nine justices (Justices Kennedy, Roberts, Thomas, Alito, and Scalia were in favor of business method inventions being patentable), confirmed that business methods will be patentable as long as the proper conditions for patentability are satisfied and the inventions do not fall within one of the following exceptions:

- laws of nature (e.g., the law of gravity),
- physical phenomena (e.g., a naturally occurring mineral or plant), or
- abstract ideas (e.g., a mathematical formula).

Beyond this, the *Bilski* opinion does not set forth any specific test for determining what constitutes a patentable business method invention. The Supreme Court rejected the Federal Circuit's holding that the "machine or transformation" test is the sole test for deciding whether a business method is patentable. Nevertheless, patent applicants should keep the test in mind since the Supreme Court's opinion describes it as "a useful and important clue, an investigative tool" for assessing patentability.

### **Impact and Opportunity**

The Supreme Court's *Bilski* decision maintains an inventor's ability to patent innovative methods of doing business. This ruling should be welcome news for the cleantech industry. A strong U.S. patent system has helped drive wave after wave of American innovation – from typewriters to telephones to iPads. Maintaining this robust protection is key to success in the new low carbon economy. This is why clean energy business leaders have written to the U.S. Senate and House Judiciary Committees to stress "the importance of the United States patent system to our transition to a clean energy economy," and to caution that weakened IP protection would "have an effect on the availability of the venture capital required, decreasing the speed at which innovation will occur."

Over the past decade or so, successful Internet companies like Google have developed and patented many valuable business methods involving using algorithms and software in online searching, targeted advertising, and e-commerce. Energy technology innovators seeking to be similarly successful in the low carbon era should be focusing on developing and seeking patent protection for inventions using algorithms, software, and other creative methods to transform the business of how we generate, transmit, and use energy. *Bloomberg.com* has reported an upward trend in inventions relating to tracking carbon emissions and trading credits with patents issuing to U.S. mortgage finance company Fannie Mae, among others. Examples of additional areas of opportunity include innovative methods for:

- optimizing wind turbine operating parameters to most effectively capture wind energy;
- communicating with energy producers and consumers;
- tracking and responding to changes in electricity pricing;
- analyzing and forecasting trends in energy usage and demand;
- modulating the proportion of mechanical braking versus regenerative braking used in hybrid or electric vehicles under a variety of environmental conditions;
- allowing consumers to more closely monitor and control energy consumption;
- controlling or maintaining steam pressure in solar power towers in response to a particular level of electrical demand;

- detecting and prioritizing the energy needs of a variety of areas, appliances or products, and then distributing electricity accordingly;
- managing demand response, distribution, and storage of energy based on criteria such as weather conditions, air quality, or carbon dioxide emissions; and
- monitoring and controlling the massive amounts of energy data that will be generated by modernized, “smart” power grids.

The list could go on and on.

However, it will be important to keep in mind that more specialized patent claim drafting techniques may be required, since it is not yet known precisely how the Patent Office and the Federal Circuit will assess the patentability of business method inventions in view of the Supreme Court’s ruling.

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