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Patents, copyright, trademark, trade secret, unfair competition and related areas of the law

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**Patent:** A method for hedging against risks such as weather that cause the price of commodities such as electricity to fluctuate.

**Issues:**

- Whether the claims recite statutory subject matter under Section 101.
- Do the claims use a computer?
- Do the claims cover every possible way of hedging?
- Are the claims related to a technological art?
- Do they define a concrete, tangible and useful result?

**Claim 1: (Modified for easier understanding)**

**1. A method for managing the consumption risk costs of electricity sold by an electric company at a fixed price comprising the steps of:**

**(a) initiating a series of transactions between said electric company and consumers of electricity wherein said consumers purchase the electricity at a fixed rate based upon historical averages, said fixed rate corresponding to a risk position of said consumer;**

**(b) identifying market distributors for electricity having a counter-risk position to said consumers;**

**(c) initiating a series of transactions between said electric company and said distributors at a second fixed rate such that said series of electric company/distributor transactions balances the risk position of said series of electric company/consumer transactions.**

**Board Decision:**

**The claims do not define statutory subject matter.**

**Claims that read on statutory and on sub-statutory subject matter are not patentable.**

**There is no physical transformation.**

**The claims define an abstract idea because they cover always of performing the method.**

**There is no tangible result.**

**Questions for the Federal Circuit:**

**In summary, the concurrence, dissent in Lundgren makes the following conclusions about non-machine-implemented method claims, which hopefully will be addressed by the Federal Circuit.**

- (a) Not every process in the dictionary sense is a “process” under Section 101; i.e., not every series of steps is a “process” under Section 101.**
- (b) The definition of a “process” under Section 101 requires a transformation of physical subject matter to a different state or thing.**

**(i) The physical subject matter transformed can be matter (an object or material) or some form of energy (e.g., heat into mechanical motion; electromagnetic waves propagating in space into electrical current in a wire; etc.).**

**(c) The oft-quoted statement that “Congress intended statutory subject matter to ‘include anything under the sun that is made by man,’” is based on the Senate Report statement that “[a] person may have ‘invented’ a machine or manufacture, which may include anything under the sun made by man.” The Senate Report indicates that things made by man (“machines, manufactures, or [man-made]**

**compositions of matter”) are statutory, but does not imply that Congress intended every concept conceived by man that can be claimed as a method to be patentable subject matter.**

**(d) Some claims that nominally fall within Section 101 because they recite a general purpose machine or a method performed on a general purpose machine e.g., “a computer-implemented method comprising...” may nonetheless be nonstatutory subject matter if all that is performed is an “abstract idea.” This is a “special case” because the subject matter is technically within Section 101 by virtue of the machine, as opposed to an exclusion that was never within Section 101.**



**(e) “Abstract ideas” can represent ideas “made by man.”**

**(f) Possible indicia of an “abstract idea” may be (i) the lack of transformation of physical subject matter according to the definition of a “process” under Section 101, and/or (ii) the claim covers (preempts) any and every possible way that the steps can be performed.**

**(g) Physical steps or limitations in a claim are not necessarily sufficient to convert the claim into statutory subject matter, e.g., data-gathering steps, field of use limitations, and minimal post-solution activity.**

**(h) It is possible that a non-machine-implemented method may be nonstatutory subject matter if it does not perform a transformation of physical subject matter even though it contains physical steps that might prevent if from being labeled an “abstract idea.”**

**(i) The holding of State Street is limited to transformation of data by a machine.**

**(j) AT&T involved a machine-implemented process claim.**

- (k) The “useful, concrete and tangible result” test of State Street and AT&T is presently limited to machine claims and machine-implemented process claims.**
- (l) The terms “useful, concrete and tangible” have not yet been defined.**
- (m) During prosecution, claims that read on statutory and nonstatutory subject matter should be held to be unpatentable.**
- (n) There is no separate “technological arts” test for statutory subject matter.**

**Oral Argument in the Federal Circuit:**

- 1. What is a concrete tangible and useful result?**
- 2. Would a method for making a baseball curve define patentable subject matter?**
- 3. Would a method for operating a payroll service define patentable subject matter?**