

545 F.3d 943, 2008-2 USTC P 50,621, 88 U.S.P.Q.2d 1385  
(Cite as: 545 F.3d 943)



United States Court of Appeals,  
Federal Circuit.

In re Bernard L. BILSKI and Rand A. Warsaw.

No. 2007-1130.  
Oct. 30, 2008.

**Background:** Patent applicants challenged denial of patent application for method of hedging risk in field of commodities trading based on lack of patent-eligible subject matter. The Patent and Trademark Office, Board of Patent Appeals and Interferences, 2006 WL 5738364, sustained rejection of all claims in application. Applicants appealed.

**Holdings:** Following sua sponte order of review en banc, the Court of Appeals, Michel, Chief Judge, held that:

(1) machine-or-transformation test, rather than test determining whether claim recited algorithm applied in any manner to physical elements or process steps, was applicable test for determining patent-eligibility of process claims, abrogating, *In re Freeman*, 573 F.2d 1237, *In re Walter*, 618 F.2d 758, and *In re Abele*, 684 F.2d 902;

(2) machine-or-transformation test, rather than “useful, concrete and tangible result” inquiry, was proper test to apply to determine patent-eligibility of process claims, abrogating *In re Alappat*, 33 F.3d 1526, *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, and *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352; and

(3) claim was not drawn to patent-eligible subject matter under transformation branch of machine-or-transformation test.

Affirmed.

Dyk, Circuit Judge, filed opinion concurring, in which Linn, Circuit Judge, joined.

Newman, Circuit Judge, filed opinion dissenting.

Mayer, Circuit Judge, filed opinion dissenting.

Rader, Circuit Judge, filed opinion dissenting.

West Headnotes

## [1] Patents 291

291 Patents

291I Subjects of Patents

291k4 Arts

291k5 k. In general. [Most Cited Cases](#)

Whether a patent claim is drawn to patent-eligible subject matter is a threshold inquiry, and any claim of an application failing the statutory requirements must be rejected even if it meets all of the other legal requirements of patentability. [35 U.S.C.A. § 101](#).

## [2] Patents 291 104

291 Patents

291IV Applications and Proceedings Thereon

291k104 k. Examination and proceedings on application in general. [Most Cited Cases](#)

When determining patentability, a Patent and Trademark Office (PTO) examiner should generally first satisfy herself that the application's claims are drawn to patent-eligible subject matter. [35 U.S.C.A. § 101](#).

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**[3] Patents 291** 🔑324.5

291 Patents

291XII Infringement

291XII(B) Actions

291k324 Appeal

291k324.5 k. Scope and extent of review  
in general. [Most Cited Cases](#)

Whether a patent claim is drawn to patent-eligible subject matter is an issue of law that the Court of Appeals reviews de novo. [35 U.S.C.A. § 101](#).

**[4] Federal Courts 170B** 🔑3574

170B Federal Courts

170BXVII Courts of Appeals

170BXVII(K) Scope and Extent of Review

170BXVII(K)2 Standard of Review

170Bk3574 k. Statutes, regulations, and ordinances, questions concerning in general. [Most Cited Cases](#)

(Formerly 170Bk776)

Court of Appeals reviews issues of statutory interpretation de novo. [35 U.S.C.A. § 101](#).

**[5] Patents 291** 🔑7.11

291 Patents

291I Subjects of Patents

291k4 Arts

291k7.11 k. Use or operation of machine or apparatus as affecting process. [Most Cited Cases](#)

For purposes of determining whether process claim is tailored narrowly enough to encompass only a particular application of a fundamental principle rather than to pre-empt the principle itself, a claimed process involving a fundamental principle that uses a particular machine or apparatus would not pre-empt

uses of the principle that do not also use the specified machine or apparatus in the manner claimed. [35 U.S.C.A. § 101](#).

**[6] Patents 291** 🔑7

291 Patents

291I Subjects of Patents

291k4 Arts

291k7 k. Process or methods in general.

[Most Cited Cases](#)

For purposes of determining whether process claim is tailored narrowly enough to encompass only a particular application of a fundamental principle rather than to pre-empt the principle itself, a claimed process that transforms a particular article to a specified different state or thing by applying a fundamental principle would not pre-empt the use of the principle to transform any other article, to transform the same article but in a manner not covered by the claim, or to do anything other than transform the specified article. [35 U.S.C.A. § 101](#).

**[7] Patents 291** 🔑101(3)

291 Patents

291IV Applications and Proceedings Thereon

291k101 Claims

291k101(3) k. Limitations in general. [Most Cited Cases](#)

Pre-emption of all uses of a fundamental principle in all fields and pre-emption of all uses of the principle in only one field both indicate that the patent claim is not limited to a particular application of the principle. [35 U.S.C.A. § 101](#).

**[8] Patents 291** 🔑7.11

291 Patents


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291I Subjects of Patents

291k4 Arts

291k7.11 k. Use or operation of machine or apparatus as affecting process. [Most Cited Cases](#)

A patent claim that is tied to a particular machine or brings about a particular transformation of a particular article does not pre-empt all uses of a fundamental principle in any field but rather is limited to a particular use, a specific application; therefore, it is not drawn to the principle in the abstract. [35 U.S.C.A. § 101](#).

**[9] Patents 291** 7.11


291 Patents

291I Subjects of Patents

291k4 Arts

291k7.11 k. Use or operation of machine or apparatus as affecting process. [Most Cited Cases](#)

Even if a patent claim recites a specific machine or a particular transformation of a specific article, the recited machine or transformation must not constitute mere insignificant postsolution activity, for purposes of determining whether process claim is tailored narrowly enough to encompass only a particular application of a fundamental principle rather than to pre-empt the principle itself. [35 U.S.C.A. § 101](#).

**[10] Patents 291** 7.12

291 Patents

291I Subjects of Patents

291k4 Arts

291k7.12 k. Law of nature. [Most Cited Cases](#)

Even though a fundamental principle itself is not patent-eligible, processes incorporating a fundamental principle may be patent-eligible. [35 U.S.C.A. § 101](#).

**[11] Patents 291** 7


291 Patents

291I Subjects of Patents

291k4 Arts

291k7 k. Process or methods in general. [Most Cited Cases](#)

When determining patent-eligibility of a patent claim as a whole, it is irrelevant that any individual step or limitation of such processes by itself would be unpatentable. [35 U.S.C.A. § 101](#).

**[12] Patents 291** 7.14


291 Patents

291I Subjects of Patents

291k4 Arts

291k7.14 k. Particular processes or methods as constituting invention. [Most Cited Cases](#)

Machine-or-transformation test, rather than test determining whether claim recited algorithm applied in any manner to physical elements or process steps, was applicable test for determining patent-eligibility of process claims, in action challenging denial of patent application for method of hedging risk in field of commodities trading; abrogating, *In re Freeman*, 573 F.2d 1237, *In re Walter*, 618 F.2d 758, and *In re Abele*, 684 F.2d 902. [35 U.S.C.A. § 101](#).

**[13] Patents 291** 7.14

291 Patents

291I Subjects of Patents

291k4 Arts

291k7.14 k. Particular processes or methods as constituting invention. [Most Cited Cases](#)

Machine-or-transformation test, rather than “useful, concrete and tangible result” inquiry, was

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proper test to apply to determine patent-eligibility of process claims, in action challenging denial of patent application for method of hedging risk in field of commodities trading; abrogating *In re Alappat*, 33 F.3d 1526, *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, and *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352. 35 U.S.C.A. § 101.

#### [14] Patents 291 🔑7.11

##### 291 Patents

###### 291I Subjects of Patents

###### 291k4 Arts

291k7.11 k. Use or operation of machine or apparatus as affecting process. [Most Cited Cases](#)

The proper inquiry to determine patent-eligibility of process claims is not whether the process claim recites sufficient physical steps, but rather whether the claim meets the machine-or-transformation test; thus, it is simply inapposite to the analysis whether process steps performed by software on a computer are sufficiently physical. 35 U.S.C.A. § 101.

#### [15] Patents 291 🔑7.11

##### 291 Patents

###### 291I Subjects of Patents

###### 291k4 Arts

291k7.11 k. Use or operation of machine or apparatus as affecting process. [Most Cited Cases](#)

Even a process claim that recites physical steps but neither recites a particular machine or apparatus, nor transforms any article into a different state or thing, is not drawn to patent-eligible subject matter; conversely, a claim that purportedly lacks any physical steps but is still tied to a machine or achieves an eligible transformation passes muster under patent law. 35 U.S.C.A. § 101.

#### [16] Patents 291 🔑7.11

##### 291 Patents

###### 291I Subjects of Patents

###### 291k4 Arts

291k7.11 k. Use or operation of machine or apparatus as affecting process. [Most Cited Cases](#)

The machine-or-transformation test is a two-branched inquiry; an applicant may show that a process claim satisfies the statute either by showing that his claim is tied to a particular machine, or by showing that his claim transforms an article. 35 U.S.C.A. § 101.

#### [17] Patents 291 🔑7.11

##### 291 Patents

###### 291I Subjects of Patents

###### 291k4 Arts

291k7.11 k. Use or operation of machine or apparatus as affecting process. [Most Cited Cases](#)

For purposes of determining patent-eligibility of a process claim, the use of a specific machine or transformation of an article must impose meaningful limits on the claim's scope to impart patent-eligibility. 35 U.S.C.A. § 101.

#### [18] Patents 291 🔑7.11

##### 291 Patents

###### 291I Subjects of Patents

###### 291k4 Arts

291k7.11 k. Use or operation of machine or apparatus as affecting process. [Most Cited Cases](#)

For purposes of determining patent-eligibility of a process claim, the involvement of the machine or transformation in the claimed process must not merely be insignificant extra-solution activity. 35 U.S.C.A. §

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101.

**[19] Patents 291** 🔑7

291 Patents

291I Subjects of Patents

291k4 Arts

291k7 k. Process or methods in general.

[Most Cited Cases](#)

A claimed process is patent-eligible if it transforms an article into a different state or thing; this transformation must be central to the purpose of the claimed process. [35 U.S.C.A. § 101](#).

**[20] Patents 291** 🔑7

291 Patents

291I Subjects of Patents

291k4 Arts

291k7 k. Process or methods in general.

[Most Cited Cases](#)

It is virtually self-evident that a process for a chemical or physical transformation of physical objects or substances is patent-eligible subject matter. [35 U.S.C.A. § 101](#).

**[21] Patents 291** 🔑7.14

291 Patents

291I Subjects of Patents

291k4 Arts

291k7.14 k. Particular processes or methods as constituting invention. [Most Cited Cases](#)

Process in patent application for method of hedging risk in field of commodities trading did not transform any article to different state or thing, and thus claim was not drawn to patent-eligible subject matter under transformation branch of ma-

chine-or-transformation test, as required for patent-eligibility; applicants sought to claim non-transformative process that encompassed purely mental process of performing requisite mathematical calculations without aid of computer or any other device, mentally identifying those transactions that calculations revealed would hedge each other's risks, and performing post-solution step of consummating those transactions, and effective pre-emption of all applications of hedging even just within area of consumable commodities was impermissible. [35 U.S.C.A. § 101](#).

**[22] Patents 291** 🔑7.14

291 Patents

291I Subjects of Patents

291k4 Arts

291k7.14 k. Particular processes or methods as constituting invention. [Most Cited Cases](#)

Purported transformations or manipulations simply of public or private legal obligations or relationships, business risks, or other such abstractions cannot meet the machine-or-transformation test to determine patent-eligibility of process claims, because they are not physical objects or substances, and they are not representative of physical objects or substances. [35 U.S.C.A. § 101](#).

\*946 [David C. Hanson](#), The Webb Law Firm, of Pittsburgh, PA, argued for appellants. With him on the brief were [Richard L. Byrne](#) and [Nathan J. Prepelka](#).

Raymond T. Chen, Associate Solicitor, Office of the Solicitor, United States Patent and Trademark Office, of Arlington, Virginia, argued for the Director of the United States Patent and Trademark Office. With him on the brief were James A. Toupin, General Counsel, Stephen Walsh, Acting Solicitor, and Thomas W. Krause, Associate Solicitor. Of counsel on the brief were [Jeffrey S. Bucholtz](#), Acting Assistant Attorney

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