

# INTELLECTUAL ASSETS

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## STRATEGIES TO PROTECT YOUR INTELLECTUAL PROPERTY



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### ***In re Bilski*: The Supreme Court Considers Whether To Trim the Business Method Patent**

Earlier this week, the Supreme Court heard argument in *In re Bilski*—a case set to redefine the scope of the business method patent and affect a multitude of businesses who seek protection for their novel ways of operating.

For years, the precise contours of the “business method patent” have been in doubt. What makes something like Amazon’s one-click “shopping cart” worthy of patent protection? Isn’t it just an “idea” that, while laudable and useful, is too abstract to patent?

The modern incarnation of the business method patent (the United States Patent and Trademark Office claims it dates back to the constitution or before) bloomed in the Court of Appeals for the Federal Circuit’s (“CAFC”) 1998 decision in *State Street Bank v. Signature Financial Group*, 149 F.3d 1368 (Fed. Cir. 1998). In that case, the CAFC was asked to decide whether Signature Financial’s scheme of using computers to increase efficiency and decrease taxes relating to mutual funds was worthy of patent protection. The three judge panel unanimously agreed that it was. In brief, the court held that since the scheme produced “a useful, concrete and tangible result”—a price—it was patentable. The court, to settle a long-running debate, even went so far as to specifically

state that business methods may be patented. Sounded like case closed. But not so fast.

Ten years later, in its October, 2008 decision in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008), the CAFC refined its view of what are, and are not, patentable “business methods.” This refinement provides some guidance in addressing the useful, concrete and tangible result” analysis, but ultimately leaves more questions than answers.

The patent at issue in *Bilski* was “for a method of hedging risk in the field of commodities trading.” In short, *Bilski* sought to patent a three-step system that a broker could employ to mitigate the effects of fluctuations in the price and demand for commodities. The patent examiner rejected the application on the grounds that *Bilski* sought to patent an “abstract idea” and the Board of Patent Appeals and Interferences upheld that rejection, leading *Bilski* to appeal to the CAFC.

The majority opinion focused on whether *Bilski*’s system was a patent-eligible “process,” providing a two-part test for a patent-eligible process: “[a] claimed process is surely patent-eligible... if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.” The court also disavowed other

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purported tests, including the “useful, concrete and tangible result” analysis it employed to uphold Signature Financial’s patent in *State Street* (in a footnote the court noted that the “‘useful, concrete and tangible result’ analysis should no longer be relied on”). As a result, the “useful, concrete and tangible result” analysis is out and the “transformation-machine test” is the rule of the road for business method patents.

And *Bilski*’s system? It failed the new and improved test as the CAFC upheld the rejection 9-3. The Court found that *Bilski* neither recited a particular machine to use nor “transform[ed] any article to a different state or thing.” The change in risks and business obligations resulting from the system were too abstract and not the altered “physical objects or substances” required by the patent law.

So where does that leave the concept of the business method patent now? In some serious doubt. Numerous commentators have voiced the opinion that the *Bilski* decision calls into question the validity of most, if not all, issued business method patents relying on the “useful, concrete

and tangible result” analysis. While the CAFC has clamped down on the concept, it did leave itself some wiggle room. The Court cryptically noted, with little explanation, that some applications that failed the test may still be patentable and that computer software could not be categorically excluded.

Luckily, the Supreme Court agreed to hear the case and clear the thicket of legal issues. After parsing the parties’ submissions and nearly 70 amicus curiae briefs, the justices expressed some skepticism at the positions taken by both parties at oral argument this past Monday. The questions from the court ranged from Justice Sotomayor’s query why patent protection shouldn’t be limited to “the sciences or the useful arts” to Justice Breyer’s inquiry into whether his method of teaching of antitrust law (that purportedly kept 80 percent of the students awake) was patentable. The response from Mr. *Bilski*’s attorney to Justice Breyer was “Potentially.” Until the Supreme Court issues its ruling on the matter this spring, that accurately answer the question of whether a business method is simply too abstract to patent—potentially. ■

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