BUSINESS METHOD PATENTS REMAIN ALIVE AFTER *BILSKI*

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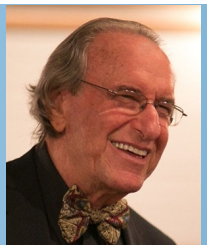

On the final day of its 2009-2010 term, the US Supreme Court in *Bilski v. Kappos* finally issued its long-awaited decision on so-called business method patents. The court, in three divided but oddly in agreement opinions, unanimously ruled that Bilski's claimed method covering the hedging of risks in commodities trading was not patentable. The reason? The court found that the Bilski claimed method was directed to an "abstract idea".

That said, did the court reach a decision on whether business methods can ever be patentable? The answer is a resounding no! From its opinions, it would appear that four of the Supreme Court's nine Justices (Kennedy, Thomas, Roberts and Alito) believe that business methods can possibly be patented. Four other Justices (Stevens, Ginsburg, Breyer and most recently seated Sotomayor) do not believe that such methods can be patented. The remaining Justice (Scalia) appears undecided, although he joined in much of Justice Kennedy's views.

The hopes of many that the Supreme Court would provide more clarity and guidance regarding business method patents were dashed by *Bilski*. The court did not offer any definitive test of its own and, thus, there is now more uncertainty than ever before.

The Supreme Court, of course, focused upon patent law Section 101 of Title 35 of the US Code. This federal statute provides for the grant of patents covering a process, a machine, manufacture or a composition of matter. Section 101 serves a gate-keeping function. Courts have consistently prohibited patents covering laws of nature, physical phenomena and abstract ideas, thereby utilising a threshold patentability test.

An element of the Supreme Court's *Bilski* ruling worth emphasising concerns the 'machine or transform test', which was adopted by the Federal Circuit in its 2008 decision that led to this appeal. The Supreme Court rejected the Federal Circuit's reliance upon the machine or transform test as the exclusive test for patentability. In doing so, the court acknowledged that times have changed since the machine or transform test originated, and that it is difficult, if not impossible, to predict what kind of technologies will be developed in the future. For this reason, the court went out of its way not to comment upon the patentability of particular inventions, thereby avoiding disturbing the delicate balance between the granting of patent monopolies and the fostering of creativity. While machine or transform is no longer the exclusive test, it certainly appears that it will serve as a clue to patentability.

It is worth noting here that the Bilski claimed method was not limited to transactions involving actual commodities. The scope of protection sought by Bilski was broad enough to cover many different types of technologies.

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Furthermore, the claimed method did not involve the transformation of any physical object or substance, nor was it directed to an electrical signal representative of any physical object or substance. It is clear that the Supreme Court believed that the granting of patent rights for Bilski's claimed method, as an abstract idea, would pre-empt by monopoly its use in all fields.

The Supreme Court in *Bilski* attempted to provide historical context in setting forth its opinions. It discussed four significant prior cases, namely: *Gottschalk v. Benson; Parker v. Flook; Diamond v. Dieher; and State Street Bank & Trust Co. v. Signature Financial Group Inc.* For example, in *Benson*, the claimed invention covering an algorithm to convert binary-coded decimal numbers into pure binary code was held to be an unpatentable abstract idea.

Business method patents are alive, but they certainly cannot be considered healthy and well. Those who develop new business methods, medical diagnostics, computer software and other business-related systems will do well to seek advice from experienced patent attorneys who are familiar with the law as it exists today. And those of us who prepare and prosecute patent applications directed to business methods will draft claim language very carefully in order to enhance the chances of surviving invalidity attacks in possible future litigation.

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