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## US Business Method Patents All of your business?

**The US Supreme Court have issued their opinion in the case of *Bilski v Kappos* which considers the limits on patentability of methods in the US and in particular business methods. The patent application, for a method of hedging utilities prices, was found not to be patentable as it claimed merely an abstract idea.**

**The Supreme Court found the “machine-or – transformation test” not to be the only test for patentable subject matter.**

**A dissenting opinion, agreed with the decision to refuse the application, but for the different reason that a patentable “process” in US patent law should not extend to include business methods.**

### Background

The U.S. patent application related to a method for hedging risk in commodities markets and in particular the energy market

The application was initially rejected by the examiner, and the Board of Appeals and Interferences of the US Patent and Trade Mark Office (USPTO) agreed. The Court of Appeals for the Federal Circuit (CAFC) also agreed and rejected their prior test for determining whether process claims were patentable of whether the invention produced a “useful, concrete and tangible result”, as used in the *State Street* case. Instead, the CAFC indicated that the sole test for a patent eligible process is whether it is (a) tied to a particular machine or apparatus, or (b) it transforms a particular article into a different state of thing (“the machine-or-transformation test”).

### The Supreme Court’s Opinion

U.S. patent law recognises four categories of invention (processes, machines,

manufactures and compositions of matter) and this case goes to the question of what the limits are on patentable processes. The Supreme Court’s precedents are considered to provide three exceptions to these categories, namely: “laws of nature, physical phenomena and abstract ideas”.

The Supreme Court found the CAFC to be wrong, and that the “machine-or-transformation test” is not the sole test of patent eligibility, but it is a useful and important tool.

The Supreme Court also found that “process” does not categorically exclude business methods.

The patent application was trying to protect the concept of hedging risk and the application of that concept to energy markets. These were found to be abstract concepts and therefore not patentable processes.

As the Supreme Court could rely on their precedent that abstract ideas are not patentable, they considered it none of their business to try and further define patentable processes.

Justice Stevens, and others, concurred with the result but disagreed with the reasoning. From an analysis of the history of the evolution of patent law he concluded that “process” does have a special meaning in US patent law and does not include methods of doing business.

### USPTO Examination Practice

A memorandum of interim examination guidance issued to the patent examining corps of the US patent office in July 2010 and a notice published in the Federal Register, Vol. 75, No. 143 on July 27, 2010, pages



43922-43928. The interim guidance is intended to be used by the examiners when assessing the patent eligibility of process claims and supplements the guidance in the early Interim Examination Instructions of August 24, 2009 for machine, composition and manufacture claims.

A claim should be assessed as a whole and a number of factors for and against patent eligibility should be considered to determine whether the process claim meets the machine-or-transformation test or does provide a practical application of an abstract idea. If not then the claimed process will not be patent eligible.

Factors in favour of patent eligibility include the recitation of a machine or transformation, the practical application of a law of nature or the claim being more than a mere statement of concept. Examples of general concepts include, economic practices or theories, legal theories, mathematical concepts, mental activity, interpersonal relationships, teaching concepts, human behaviour and instructing.

### Comment

Given the opportunity, the Supreme Court narrowly rejected the opportunity to end business method patents. The high water mark of business method patenting seems to have passed. Process claims that were previously allowed are less likely to be allowed, or to be allowed in a narrower form, than previously. This does not mean that business method patents, particularly computer implemented ones, have gone, merely that they will evolve to be defined in terms of the operation of more specific hardware.

Also, a long shadow will continue to be cast over commercial activities in the US by previously granted US business method patents. There is little definitive guidance on what process claims will be considered invalid by US courts. However, those claims merely reciting business method steps without being tied to and limited by the operation of specific hardware are now more likely to be considered invalid.

So, while some previously patented business schemes are possibly no longer the patentee's exclusive business, the US supreme court did not consider it their business to extend what it says in US patent law as to why.

If you have a technology implemented business related process then the chances of obtaining protection in the US are probably still greater than those in Europe.

Business method patents are probably now somewhat diminished in their commercial power in the US, but they are certainly not gone: the king is dead, long live the king.

For advice on any issues arising from this note, please contact your usual UDL representative or Andrew Alton at our Leeds office.

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