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BUSINESS METHOD PATENTS UNDER FIRE

Upcoming case may shed light on problematic issue

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For the past 10 years, business method patents have been considered one of the more nebulous and problematic genres of patentable subject matter in the United



the determination to satisfy § 101 is whether an invention produced a “useful, concrete and tangible result.” Thus, business methods became eligible subject matter, “subject to the same legal requirements for patentability as applied to any other process or method.”



Comiskey, suggesting that business method patents will now be considered invalid unless the invention has a practical application and can be performed by a computer or other tangible medium.

The patent application at issue in *Comiskey* contained one set of claims directed to a system of mandatory arbitration of legal documents and a second set directed to software for conducting mandatory arbitration of legal documents. The Federal Circuit upheld the rejection of the first set of claims, stating “they merely claimed a mental process standing alone and untied to another category of statutory subject matter even when a practical application was claimed.”

However, the Federal Circuit recognized the second set of claims as patentable subject matter. In its opinion, the Federal Circuit stated that an otherwise abstract idea is only valid if it “(1) [is] tied to a machine; or (2) creates or involves a composition of matter or manufacture.” Thus, a business method would have to satisfy one of these criteria to be considered patentable subject matter.

Though *Comiskey* appeared to define practical guidelines for drafting business method claims, a pending Federal Circuit case, *in re Bilski*, may bring even these guidelines into question. Specifically, drafting business method claims to cover a physical manifestation of an invention may soon fail to provide for patentable subject matter. In deciding to hear *Bilski*, the Federal Circuit has indicated that it would like to review the patentability of business methods as a whole.

Weather-Related Risk

Bilski involves a method for managing the weather-related risk associated with a com-

States, inspiring a great deal of discussion and debate.

Before 1998, there was a general understanding that methods of doing business were simply not patentable subject matter. However, the Federal Circuit’s ruling in the 1998 case of *State Street* eliminated the business method exception by stating that

Since the ruling in *State Street*, the U.S. Patent and Trademark Office (USPTO) has been overwhelmed with business method patent applications. Most business methods manifest themselves as software applications, an example of which is Amazon’s “One Click” payment system, which allows a customer to make an online purchase with a single click of a computer mouse.

Judicial Reconsideration

In recent months, the USPTO and the Federal Circuit have begun to reconsider the definition of patentable subject matter as laid out in *State Street*, with regard to business methods. In September 2007, the Federal Circuit issued a decision *in in re*

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modity, such as managing the risk of a hot day to energy consumption, by making hedged trades on the commodities market. The Federal Circuit will hear the case *en banc*, requiring all 12 judges to hear the case in a single joint session. The Federal Circuit has indicated five points of review for *Bilski* encompassing a vast array of potential out-

comes. One point of review is whether the patent application claims include patent-eligible subject matter. Another point of review under consideration is whether any aspect of the *State Street* decision should be overruled.

Arguments in *Bilski* are scheduled to be heard in May and, based on the points of review, *Bilski* has the potential to eliminate

the patentability of business method claims as we know them today.

At the very least, the outcome of *Bilski* should further define if and when business methods constitute patentable subject matter and will, hopefully, provide substantive guidelines for practitioners preparing and prosecuting business method patents. ■