

BILSKI SCHMILSKY- BUSINESS METHOD STATUS QUO?

Business method patents have gained popularity in recent years in part because they provide a very convenient and effective means for businesses to broaden intellectual property protection. By patenting a unique way a business works, and registering trademarks by which a business is known to the trade and market, a company can create a very broad zone of protection around itself as a shield to competition.

Business method patents are secured as “processes” defined under 35 U.S.C. §100(b), which defines “process” as a “process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.” The much anticipated *Bilski* Supreme Court case recently decided the issue of whether a patentable “process” must be tied to a particular machine or apparatus or must transform a particular article into a different state of thing. This commonly referred-to “machine-or-transformation” test has been the prevailing test as to whether a process claim is eligible for patent. Companies interested in the continued viability of business method patents had been watching for this decision, as limiting the definition of “process” in accordance with the Federal Circuit’s holding could spell doom – or great uncertainty at least – with respect to business method patents.

In *Bilski*, the claims at issue were directed to a “method for managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price.” The claims were rejected as being directed to unpatentable subject matter of the Patent laws. *Bilski* sought review in the Federal Circuit. The Federal Circuit upheld the rejection, characterizing the issue as whether the claimed method was a patentable process, as that term is used in §101 of the Patent law. The Federal Circuit held that the processes described in *Bilski*’s application failed to pass the “machine-or-transformation” test, and as such were not patentable subject matter. The Supreme Court granted certiorari.

In the end, the court upheld the rejection of *Bilski*’s claims, but on the grounds that the claims comprised an unpatentable abstract idea. The high court chose not to define what actually constitutes a patentable “process” under Section 100(b), but did hold that the machine-or-transformation test is not the only test to determine whether a claim is patentable. As a result, the Court held that there is nothing in Section 101 or its plain meaning that would categorically exclude patenting business methods. The Supreme Court held that trial courts cannot read into the patent laws limitations and conditions which the legislature has not expressed, and that the plain and common meaning of “process” does not necessitate use of a machine or the transformation of an article. Indeed, the Court cited the “prior use” defense under 35 U.S.C. §273(b)(1) as evidence that the statute provides for at least some business method patents.

Dear Lackebach Siegel Clients:

One thing that is certain – perhaps the only thing – is that the scope of business method (and other) “process” patents will be the subject of copious future litigation. The Supreme Court was unequivocal in stating that while some business method patents are certainly contemplated and legitimate, the statute does not suggest broad patentability of business methods generally. Here at Lackebach Siegel, our patent department followed and has been studying *Bilski*, together with previous precedent in the area, and will keep a vigilant eye out for upcoming interpretations in order to best evaluate your present and future business method systems. If there is a way to make *Bilski* work for you, we can find it! Call to discuss how *Bilski* affects pending patent applications, or the ability to patent your proprietary business systems.



In Conclusion: Business as Usual?

Bilski is being scored as a victory for businesses seeking broadest possible intellectual property protection, as the Supreme Court is clear in its holding that business methods remain protectable. But there are unanswered questions:

- If a process need not be machine-based, or transformative, how should those processes which are neither machine-based nor transformative be defined?
- When does a business method transcend the realm of “abstract idea” to become patentable subject matter?
- Will courts interpreting *Bilski* afford broader, or more narrow protection for business methods going forward, given the latest ruling?

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