Supreme Court Says "Yes" to Business Methods

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Recently, the Supreme Court announced that many business method patents will continue to be a viable form of intellectual property protection in its landmark *Bilski* decision. For businesses, the decision reverses the severe narrowing of business methods by the courts and patent office, and provides an opportunity for another layer of intellectual property protection.

What is a Business Method Patent?

A "business method" patent is a regular utility patent - but with claims directed to steps that produce a good or service in a business context. Business methods range in scope from very abstract ideas such as actuarial tables, tax sheltering methods, and methods of hedging, to less abstract software claims and medical and diagnostic procedures, for example.

What did the Supreme Court Say About Business Methods?

The Supreme Court reiterated that business methods are still important in the *Bilski* decision. The Court stated: "'Congress plainly contemplated that the patent laws would be given wide scope.'"[1] The Court ratified the patenting of business methods, provided the claims of a patent application are directed to patent eligible subject matter. Abstract ideas, along with laws of nature and physical phenomena, are ineligible for patent protection.

Moreover, the Supreme Court expressly rejected the narrow machine or transformation test that the patent office and federal courts used previously to decide if a patent application was directed to patent eligible subject matter. Under the machine or transformation test, the subject matter either had to be tied to a machine or had to transform an article to a different state or thing (e.g., change one chemical into a new chemical or a piece of metal into a widget).

Is it Wise to File for Business Methods?

Whether to file for business method patents depends on the technology and the business' needs. Software or medical processes, for example, are likely patent eligible-type technologies. On the other hand, more abstract technologies, such as algorithms or those that can be performed solely in one's head, may not be eligible for patent protection.

The more abstract the subject matter of the claims, the more the claims are going to be scrutinized by the patent office. If the claims of an application remain ambiguous in this way, the costs of prosecution in time and expense are likely to be significantly greater. Consequently, a business is wise to balance the potential prosecution costs against the benefits of obtaining protection for their business methods.

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[1] *Bilski et al. v. Kappos*, No. 08-964, slip op. at 4 (U.S. June 28, 2010), quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980).

Filing Strategies

A number of strategies are likely to have favorable outcomes when it comes to filing for and prosecuting business method patent applications.

1. **Write broad specifications with practical applications of the methods.** Specifications that can support multiple claiming strategies allow for greater flexibility when facing patent eligibility-type rejections. The patent office recognizes that practical applications of abstract ideas may be patentable. Therefore, provide tangible examples of practical applications of any subject matter that might be deemed abstract by a patent examiner.

2. **Consider starting with narrow claims sets.** The Supreme Court previously indicated that if a claim covers every substantial practical application of an abstract idea, the claim is directed to the abstract idea and therefore covers patent ineligible subject matter.[2] Patent applications sought for narrower subsets of practical applications may improve the chances of obtaining a patent. Broader, more abstract claim sets can be reserved for prosecution after the initial patents are procured.

3. **Use the machine or transformation approach as a guide.** Although the machine-transformation test does not control, the patent office guidelines released shortly after the *Bilski* decision instructed Examiners to apply the machine-transformation test as a subject matter patent eligibility litmus test. Any claims that meet the machine-transformation standard are eligible subject matter, and no further inquiry will be performed by the patent office. Applicants therefore will want to tie their technologies, where possible, to computers or other special purpose machines, or focus the specification and claims on transforming a tangible article to a different state or thing.

Business methods, when used properly, can be a great asset to companies protecting their intellectual property with patents. In light of the change to the patent landscape in the wake of *Bilski*, companies should consult with their patent attorney to determine how best to preserve rights associated with their business methods.

[2] *Gottschalk v. Benson*, 409 U.S. 63, 71-72 (1972).