

IN THE INFORMATION AGE, BUSINESS METHODS PATENTS HAVE COME OF AGE

By Martin S. Loui

We have seen the headlines ridiculing patents which many believe should have never been granted, like the one for making a peanut butter and jelly sandwich or for exercising a cat using a laser pointer. Such examples are often associated with “business method” patents and fuel the perception that our patent system is of questionable quality. But these sensationalized exceptions are aberrational and there is a legitimate and important role for business method protection, particularly in light of the accelerating progress of technology and innovations in the Digital Information Age. This was recently acknowledged on June 28, 2010 in the landmark decision of *Bilski v. Kappos*, 561 U.S. ___ (2010), where the U.S. Supreme Court held that a business method patent is an appropriate and viable option for intellectual property protection.

According to the Court, business methods are patent eligible subject matter and are not categorically excluded from protection. The Court expressly ruled that the machine-or-transform test was not the sole or proper test to determine patent eligibility of business methods. That test, articulated by the Federal Circuit, was very stringent and required that the business method invented be tied to a particular machine or transform an article from one state to another. Many patent applications covering business methods could not meet that criteria and have been rejected by the U.S. Patent and Trademark Office (“USPTO”) as unpatentable statutory subject matter. While the machine-or-transform test is perhaps adequate for inventions of the Industrial Age, the Court indicated that “other” tests should be considered for new and unforeseen inventions associated with emerging technologies in the Information Age. What those “other” tests are have been left open to be defined.

This may be good news for some businesses because patent-eligibility for business methods is presently subject to interpretation, at least, in general. For practical purposes, technologies in certain industries may be easier to patent as business methods, such as software and manufacturing processes. Nevertheless, business methods can cover a wide range of steps from producing a product to rendering a service and may be pertinent to a wide range of industries. When patented, they can also be used by businesses to strategically boost their market share.

Some might think it should be easier to obtain a business method patent following the landmark *Bilski* decision, at least until they discover how the USPTO may actually handle business method patent applications. In issuing Examination Guidelines shortly after *Bilski*, the USPTO expressly instructed the patent examiner to consider the machine-or-transform test, even though that is not consistent with the decision in *Bilski*.

Accordingly, it is even more important than ever that businesses have patent counsel craft business method patent applications to navigate around such roadblocks. Businesses that are considering filing for patent protection for their inventive business methods should consult patent counsel for strategies to obtain a patent. For example, patent counsel can provide guidance on how to include practical examples in the patent application for subject matter that a patent examiner might otherwise find too abstract, and thus reject the patent application. Patent counsel can also advise on how to craft different levels of claim sets that cover a range of legal protection, that is, from some level of

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abstraction to particular implementation details. Perhaps in some instances, counsel might propose that the characterization of claims ought to obviate business method classification. The facts of each case may lead to different approaches. Exploring various strategies with counsel should test the boundaries of the USPTO and offer the best chance to obtain the broadest scope of legal patent protection.

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This summary of recent case law development is informational in purpose and is not intended to be legal advice. Independent advice of counsel should be sought for questions about this topic.

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