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# Can I Get a Business Method Patent?

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In 1980, Chief Justice Warren E. Burger opined in *Diamond v. Chakrabarty* that Congress had intended patentable subject matter to include "anything under the sun that is made by man," with the exception of the laws of nature, natural phenomena and abstract ideas. However, what constitutes an abstract idea has been a source of much debate. If a method physically transforms an article, for example, a process that melts rubber, it is no longer an abstract idea and is patentable. However, the recent *In re Bilski* decision has reversed previous precedent and found that business method patents are not eligible for patent protection and a recent Supreme Court decision relating to the *Bilski* case has made the landscape for business method patents unclear.

**Patent Protection for business methods**

The United States Patent and Trademark Office at its inception and for a period of fifty years thereafter granted business method patent protection. The earliest business method patent was granted in 1799 for a financial patent for "Detecting Counterfeit Notes." Forty-one financial patents in the art of bank notes, bills of credit, bills of exchange, check blanks, detecting and preventing counterfeiting, coin counting, interest calculation tables and lotteries were also granted.

However, soon after these patents were issued, early case law emerged that eroded patent protection for business methods. *Hotel Security Checking Co. v. Lorraine Co.,* held that a bookkeeping system to prevent embezzlement by waiters was unpatentable. Similarly, in *Joseph E. Seagram & Sons v. Marzell*, the court held that a patent on "blind testing" whiskey blends for consumer preferences was also unpatentable.

With advancement in computer related methodologies, the U.S. Patent Office deviated from its position of delineation between technological and business inventions and took the position that patents having computer implemented methods for businesses were acceptable. The Patent Act provides that a patent may be granted for any new and useful article of manufacture, machines, composition of matter or process. The meaning of a "process," however, has been a source of much uncertainty with respect to business method patents.

Even International Patent Offices can't agree whether business method patents should be granted. Countries such as Australia, Japan and Singapore have historically regarded business methods as patentable. Protection in Canada, Korea and Taiwan is less certain and countries such as Israel, China, India, Mexico and most of Europe have been less willing to grant patent protection for business methods.

**State Street Bank v. Signature Financial Group**

Finally, in 1998, the court ruled in *State Street Bank v. Signature Financial Group* that a financial group could patent a process for managing a portfolio of mutual funds. This case affirmed the U.S. Patent Office's position that methods of doing business were indeed patentable.

The *State Street Bank* decision opened the door for the U.S. Patent Office to issue patents on methods of doing business which were previously excluded as abstract ideas. Since 1998, when business method patents became available, many of these patents issued and have become the subject of costly patent litigation. Banks, insurance companies, accounting firms, securities and many other businesses that had never been confronted with potential patent litigation were now at an increased risk of being sued or enjoined for simply conducting everyday business. Moreover, with computerization taking hold in the financial sector, many of these business method patents related to automating previously manual procedures, further complicated the dangers to many financial industries.

The U.S. Patent Office was heavily criticized for issuing business method patents that were considered vague, broad and a simple automation of known practices. The impact of these changes was further exacerbated by the fact that the U.S. Patent Office didn't have adequate databases to search for business method applications, nor did they have patent examiners that had sufficient background in the business sector. As a result of these problems, the Patent Office attempted to develop more stringent and intensive reviews of business method patent applications.

The tides of change began with the case of *eBay Inc. v. MercExchange, L.L.C.*, when the Supreme Court commented that some business method patents had "potential vagueness and suspect validity."

The case *In re Bernard L. Bilski* involved a patent application for a method for managing the consumption risk costs of a commodity sold by a commodity provider. In that case, the U.S. Patent Office refused to issue a patent for what they considered to be an abstract idea. The Board of Patent Appeals and Interferences stated that Bilski's application was not patentable because it addressed an abstract idea without specifying tangible steps or technology for implementing the claimed concept, nor did it provide a "physical transformation and a practical application of the abstract idea." The case was appealed to the U.S. Court of Appeals for the Federal Circuit, which reviews patent cases from the Appeal Board.

In a nine to three decision, the court upheld the ruling made by the Board of Patent Appeals that denied the patent application and largely contradicted the *State Street Bank* case.

**Conclusion**

The effect of the *In re Bilski* case is that it potentially hits some business industries particularly hard, including the financial service industries, insurance industry and the software industries. Many patent experts believed that the case would probably never be reviewed by the Supreme Court as it typically avoids involvement in patent cases, unless it sees reason for judicial review. Contrary to expert opinion, on June 1, 2009, the Supreme Court agreed to hear the case of *In re Bilski* on appeal from the Federal Circuit.

So where does that leave us today? In light of the Supreme Court's decision to hear the case, many patent experts anticipate that it will likely reverse the lower court's decision or at least limit its effect and re-institute business method patents. These new business method patents will likely have stricter requirements and a clearer scope of what is protected under the patent.

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