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Client Alert: Federal Circuit Reaffirms That Business Methods Are Still Patentable

The recent decision by the U.S. Court of Appeals for the Federal Circuit in *In re Bilski*, where the Court affirmed the rejection of a patent application for a method for hedging risk in the field of commodities trading, raised significant concern with practitioners and inventors regarding the future patentability of business method inventions. Now that some dust has settled, it is becoming apparent that business method patents are still available, but may require additional effort and specificity by practitioners to procure than in years past. To be sure, *In re Bilski* represents a fundamental shift at the patent office from an “anything goes” mentality to a more measured approach requiring Patent Examiners to strictly apply a longstanding rule known as the “machine-or-transformation” test to determine whether a claimed business method is patentable subject matter, apart from evaluating the novelty and nonobviousness of the invention.

The “machine-or-transformation” test means that a claimed business method will be considered patentable subject matter if: (1) the method is tied to a particular machine or apparatus, or (2) the method transforms a particular article into a different state or thing. Unfortunately, the Court did not address the first prong of the test, and therefore, left open the question of what specifically qualifies as tying a method to a particular machine or apparatus. On the other hand, the Court did

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provide some guidance regarding the “transformation” prong as applied to business method inventions, as discussed below.

First, the Court determined that the transformation of a particular article into a different state or thing must be central to the purpose of the claimed method for the method to be deemed patentable subject matter. Second, in most cases, merely gathering data for input into a computer program, without more, does not constitute a patentable transformation of an article because it represents only “insignificant extra-solution activity.” Third, chemical or physical transformations of tangible objects, and transformation of raw data into a particular visual depiction of a physical object on a display, are patentable subject matter. Lastly, the Court opined that transformations or manipulations simply of public or private legal obligations or relationships, business risks or other similar “abstract” concepts cannot *by themselves* satisfy the “transformation” branch of the test because they are not physical objects or substances nor representative of physical objects or substances, and can be carried out with nothing more than the human mind (i.e., without aid of a machine). Considering these principles, business methods using machines (such as computers executing computer programs) to transform or manipulate public or private legal obligations or relationships, or business risks, may still be patentable in view of the *Bilski* ruling.

So what does *In re Bilski* mean, in practical terms, to those seeking patents for business methods? At the very least, practitioners and applicants should anticipate that Patent Examiners will now pay particular attention to whether a specific business method is patentable subject matter in the first place – before engaging in any analysis of the novelty or nonobviousness of the invention. Practitioners and applicants must therefore be cognizant of the “machine-or-transformation” test when drafting business method claims, and be certain to tie a claimed

business method to a particular machine or apparatus, or claim a business method that transforms a particular article into a different state or thing. And, while *In re Bilski* does not teach the scope of what qualifies as tying a business method to a particular machine, patent applicants should at least specify the machine to which the claimed method is tied and impose meaningful limits on the claim by, for example, including something more than insignificant “extra solution activity” or a mere restriction on the field-of-use. Applicants should also avoid drafting business method claims where all of the steps of the claimed method may be performed entirely in the human mind, as such methods are not likely to be considered as being tied to a particular machine or transformative of a particular article. Lastly, applicants should avoid the appearance of claiming fundamental principles, such as “laws of nature,” “natural phenomena” or “abstract ideas” as such amorphous concepts are now more likely to draw a rejection even if the claimed method is tied to a machine or achieves an eligible transformation of an article.

In re Bilski may well make it more difficult to obtain business method patents, but at least for the foreseeable future, business method inventions will remain patentable, especially when applying carefully executed claim drafting strategies that meet the machine-or-transformation test. Most businesses, therefore, should continue to consider business method patents as part of a comprehensive plan to protect their intellectual property rights.

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