

Chicago Daily Law Bulletin®

Volume 156, No. 104

Thursday, May 27, 2010

Ruling may spur IP lawyers to rethink business model

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Intellectual property lawyers prefer to use the fewest elements in describing an invention, since it gives their clients the broadest coverage, said Paul C. Craane, a partner at Marshall, Gerstein & Borun LLP.

Now as they await the U.S. Supreme Court's decision in *In re Bilski*, Craane said IP lawyers might have to re-evaluate the way they do business.

In 2008, the U.S. Court of Appeals for the Federal Circuit affirmed the U.S. Patent and Trademark Office's rejection of Bilski's claimed method of hedging risks in commodities trading. The Federal Circuit held that the business method was ineligible for patenting since it was not tied to a machine and did not transform an article into a different state or thing.

The Supreme Court heard oral arguments on the appeal last November and could issue its decision within the next few weeks.

Craane, who has 17 years of experience in domestic and foreign IP law, said many business methods are computer-driven and meet the "machine-or-transformation test," while others such as trading securities and insuring risk aren't always connected to a computer.

These business methods can meet the test if IP lawyers add computing to their patents, he said, but this creates the potential for future complications.

"Computing keeps changing and evolving, or sometimes the computer doesn't make sense or is difficult to pinpoint," Craane said. "If I add a computer to my request for protection and put the computer in the wrong spot, have I lost the ability to protect my invention?"

In one case, Craane filed a patent application for a method of analyzing municipal solid waste. He said he made the patent eligible under *Bilski* by adding a machine into the application, but could have explained the business method without it.

"There was still a lot of interest in having a business method patent not tied to a machine or transformation of matter," Craane said. "That's why the case was pushed forward."

In 1998, the Federal Circuit ruled in *State Street Bank & Trust v. Signature Financial Group Inc.* that software or other processes that yield a "useful, concrete and tangible result" were patentable. The court included business method patents in its decision.

Until the Supreme Court affirms the machine-or-transformation test or offers a new test, Craane said, he will advise his clients to meet the *Bilski* requirements. The USPTO should then continue to issue their patents, he said.

Some patent attorneys said *Bilski* will positively impact their practice and their clients.

Joseph M. Barich, a partner at McAndrews, Held & Malloy Ltd., said the machine-or-transformation test forces claims to be less abstract.

"Less abstract claims typically have clearer boundaries, which make it easier for the patent owner and the public to understand the scope of the rights granted by the patent," Barich said. "On the enforcement side, clearer claim boundaries help make it easier to enforce patents. On the innovation side, clearer claims can help highlight for a later innovator exactly what they need to avoid or seek a license for."

Randall G. Rueth, a partner at Marshall,

Gerstein & Borun LLP, works with clients in the financial services, insurance and e-commerce industries. While *Bilski* doesn't largely affect business method patents in these areas, since their processes are tied to a computer, he agreed that the case changed how IP attorneys approach patents.

Additionally, he said, the case opened up more possibilities for IP attorneys to invalidate patents belonging to competitors. Many patents issued before *Bilski* lost their value if they were not sufficiently tied to a machine or do not transform matter in any way, he said.

"If they were ever litigated, they would be held invalid," Rueth said. "Patent owners know better than to initiate a lawsuit that they would lose for sure."

"If companies have those patents, they have to write them off their books."

These patents are a "double-edged sword," Rueth said — they're bad for clients who owned them and good for clients who were previously kept from entering those markets.

Rueth said clients in the U.S. and overseas are interested in the Supreme Court's decision.

"They all have clients with technology that will be impacted or affected by this decision," he said.

Craane said if the Supreme Court upholds the machine-or-transformation test, it could limit the patent eligibility for some claims or add more steps to applications for others, but it would not eliminate business method patents.

"Whatever test they give us will be the test for quite some time," he said. "We're all waiting for that guidance."

The case is *In re Bernard L. Bilski and Rand A. Warsaw*, 545 F.3d 943.