Justices Take Broad View of Business Method Patents

By JOHN SCHWARTZ
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The door to the patent office should remain open to those who create methods of doing business, the Supreme Court said in a long-awaited decision announced on Monday.

Many legal analysts had anticipated that the court would substantially narrow the rules regarding patents on business methods. The questions the justices raised during oral arguments in November made it clear that several were skeptical of the course of modern patent law.

Justice Sonia Sotomayor, for example, asked whether there could be a patent on a method of speed dating. Justice Stephen G. Breyer asked whether he should be able to obtain a patent for his "great, wonderful, really original method of teaching antitrust law" that "kept 80 percent of the students awake."

The decision, however, closed off no options to patent seekers, though the justices unanimously declared that the process at issue in the case could not be patented.

The plaintiffs in the case, Bernard L. Bilski and Rand A. Warsaw, tried to patent a system that institutions like businesses and schools could use to hedge the seasonal risks of buying energy. The United States Patent and Trademark Office denied their 1997 application for a patent, and they filed suit.

The narrow question at issue in the case was whether a patent should be granted on processes that did not meet what was known as the "machine-or-transformation" test — that is, the process was not tied to a particular machine or did not change a particular article into a different state or thing.
The case, argued on Nov. 9, was among the decisions released on the last day of the Supreme Court's term. The justices differed somewhat in their view of the legal reasoning in the decision.

Justice Anthony M. Kennedy, who wrote the 16-page majority opinion, was joined by Chief Justice John G. Roberts Jr. and Justices Clarence Thomas and Samuel A. Alito Jr., in saying that the United States Court of Appeals for the Federal Circuit was wrong to declare in 2008 that the "machine or transformation" test was the only appropriate test for patenting a process.

Justice Kennedy, however, wrote that "a business method is simply one kind of 'method' that is, at least in some circumstances, eligible for patenting." Still, he added, the law "does not suggest broad patentability of such claimed inventions," and so "we by no means foreclose the Federal Circuit's development of other limiting criteria."

Four other justices — Ruth Bader Ginsburg, Justice Breyer, John Paul Stevens and Justice Sotomayor — argued in a concurring opinion written by Justice Stevens that a broader shift in patent law was called for.

"The court is quite wrong, in my view," Justice Stevens wrote, "to suggest that any series of steps that is not itself an abstract idea or law of nature may constitute a 'process' under the law that may be patentable. The court's logic, he said, "can only cause mischief." The better result, he said would have been to declare flatly that "business methods are not patentable."

The scale was apparently tipped by Justice Antonin Scalia, who joined in parts of the majority opinion, and also in a concurrence written by Justice Breyer.

Court analysts suggested that Justice Stevens wrote his 47-page opinion in anticipation of its serving as the majority view, but lost to those who favored a narrower result. "He was swinging for the fences to have something to be remembered for many, many decades to come," said Yar R. Chaikovsky, a former patent lawyer for Yahoo.

The court, by pursuing a moderate path, has left much unresolved, said James R. Myers, an intellectual property lawyer in Washington. "The Supreme Court's division generates a significant set of disputes about where the boundaries ought to be drawn," he said, "and this case does not — and explicitly refuses — to draw the boundary."

Manny W. Schecter, chief patent counsel for I.B.M., which holds business process patents but has urged the court to tighten the rules concerning them, said that the ruling did provide a measure of guidance.

"Because of this ruling, we know there are limits to business method patents," Mr. Schecter said. "But the court declined to take an extreme position."

That measured middle ground, Mr. Schecter added, was "exactly what I.B.M. argued for."

The lawyer who represented Mr. Bilski and Mr. Warsaw, J. Michael Jakes, said that he and his clients were "disappointed by today's decision" because they believed that the hedging method should have been patentable. "We are pleased," he continued, with the broader message of the case — that business methods could be patented, and that process patents would not be limited to the machine-or-transformation test.

He said the patent application from Mr. Bilski and Mr. Warsaw would be reworked and resubmitted to the patent office.
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Steve Lohr contributed reporting.

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