

Federal Circuit To Mull Patents' Scope In Bilski Case

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Tuesday, Feb 19, 2008 --- The Federal Circuit is using a patent case involving a method for managing risks for commodity providers as the means for re-examining the scope of patents, calling into question previous decisions that expanded the categories of innovations that can be patented.

In re Bilski was granted a hearing en banc on Thursday by the Federal Circuit.

The court invited the parties to submit briefs addressing several questions about the Bilski case, such as whether the method described in the patent claim is eligible for a patent even though it represents an “abstract idea or mental process” and is not tied to a physical transformation or machine.

Since the 1998 decision in *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, novel business methods have been patentable. But the Federal Circuit, in its order for the Bilski case, asks whether it is appropriate to reconsider or even overturn *State Street*.

It is unusual for the Federal Circuit to issue an order on its own action for an en banc review of one of its precedents, said James Myers, a partner at Ropes & Gray.

“It would seem unlikely that they would do that unless they were seriously considering revising that precedent,” he said.

Some attorneys think reconsidering the *State Street* decision is a mistake, especially because the U.S. has a strong presence of innovation in areas where business methods are routinely applied.

It doesn't take a big corporation to obtain patents on innovations in these areas, said Charles Macedo, partner at Amster Rothstein & Ebenstein LLP.

“By challenging whether or not business methods are patentable, it precludes patent laws from having the greatest effect on areas which are most accessible to the common man,” he said. “Patentable subject matter should be broadly construed.”

But the *State Street* precedent has also come under fire for allowing too many weak patents to be granted.

Bradley Wright at Banner & Witcoff, Ltd. said it's unclear whether the State

Street decision is good or bad for innovation.

The Federal Circuit also asked the Bilski parties whether it is appropriate to reconsider *AT&T Corp. v. Excel Communications Inc.* That case furthered the idea that business methods are patentable.

The patent application in *In re Bilski* was filed in April 1997, describing a "method for managing the consumption risk costs of a commodity sold by a commodity provider."

The U.S. Patent and Trademark Office deemed Bernard L. Bilski and Rand A. Warsaw's business process unpatentable because it did not involve the transformation of a physical subject matter and no apparatus is described to perform the claimed functions.

Several of the claims were "also rejected as nonstatutory subject matter because they are directed to an 'abstract idea,'" and fail to "recite a 'practical application' or produce a 'concrete and tangible result' under the State Street test," an administrative judge for the Board of Patent Appeals and Interferences wrote in a March 2006 decision.

The Federal Circuit granted Bilski the en banc hearing just days after denying one for *In re Nuijten*, a case involving a patent for an electronic signal.

The court found in that case in September that a signal, when not connected to the means of storing the signal or a process of changing the signal, cannot be patented.

The *Nuijten* case dealt with a narrower issue than the *Bilski* case, which provides a broader framework for dealing with statutory subject matter, Wright said. The *Bilski* case is "a better vehicle for addressing the issue" of the scope of patents, he said.

The patent office has had trouble implementing the State Street precedent partly because examiners are required to have technical expertise but not business method expertise, Myers said.

The patent office also lacks a solid database for existing business methods, adding difficulty to the process of determining whether a patent claim is novel.

Wright said he would be surprised if the business method described in *Bilski* was granted a patent, but he does not think the State Street decision will be overturned.

Instead, the Federal Circuit may "impose some additional requirements for patentability beyond what the patent office has been granting in some of the business method patent areas," he said.

Supreme Court Justices Anthony Kennedy, David Hackett Souter, Stephen

Breyer and John Paul Stevens have all expressed concerns over business method patents, Myers said.

Oral arguments for *In re Bilski* are scheduled for May 8.

The case is *In re Bernard L. Bilski and Rand A. Warsaw*, case number 2007-1130, in the U.S. Court of Appeals for the Federal Circuit.