

# FOCUS

## ON INTELLECTUAL PROPERTY

## U.S. court to reconsider business method patents

A closely-watched case in the United States Federal Circuit Court of Appeals could determine the future of business method patents in the U.S., at a time when the door to these controversial types of patents is just beginning to open in Canada.

In a rare rehearing by the entire twelve-member Court of Appeals, the court is considering the patentability of a claim by Bernie Bilski for a method of managing the risk of bad weather through commodities trading. What makes the claimed invention most interesting is that the claims are not tied to any transformation of matter, nor do they require a machine to carry out the steps, which are criteria the U.S. Patent and Trademark Office said were required for the invention to be patentable.

The U.S. has seen an explosion of so-called business method patents since the same court ruled ten years ago in the landmark case of *State Street Bank & Trust Co. v.*



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*Signature Financial Group Inc.* that methods of doing business were not excluded patentable subject matter and that a business method that produced a “useful, concrete and tangible result” could be patented.

Business method patents are controversial and critics argue that they are not real “inventions”, tie up the Patent and Trademark Office, and result in increased litigation, particularly by so-called “patent trolls”.

There are indications that some of the justices of the United States Supreme Court feel some skepticism towards business method patents. For example, in a 2006 decision, Justice Anthony Kennedy commented that some of these

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## No Canadian court has upheld these patents

### Bilski

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types of patents showed “potential vagueness and suspect validity.”

In another 2006 decision, fellow Supreme Court Justice Stephen Breyer, in dissent, took issue with the statement in *State Street* that a process is patentable if it produces a “useful, concrete and tangible result”, writing that, if taken literally, “the statement would cover instances where this Court has held the contrary.” Concerns about potential abuses of the patent system are also partially behind major patent law reform efforts currently under way in the U.S.

Perhaps because of this climate, the Federal Circuit Court of Appeals took the unusual step of

having its full panel rehear the *Bilski* matter. The questions it asked the parties and those filing amicus briefs to address include whether a method or process must result in a physical transformation of an article or be tied to a machine to be patentable, and whether it is appropriate to reconsider or overrule the *State Street* decision, as well as the *AT & T Corp. v. Excel Communications, Inc.* decision, which further confirmed the principle in the *State Street* decision.

Dozens of parties on both sides of the debate filed briefs, including companies such as American Express and IBM, and organizations such as The American Civil Liberties Union and the American Intellectual Property Law Association.

On our side of the border, until recently, business methods were considered to be non-patentable in Canada. However, in 2005, the Canadian Patent Office revised its Manual of Patent Office Practice to change its interpretation of what is patentable. As a result, the manual now states that business methods “are not automatically excluded from patentability, since there is no authority in the *Patent Act* or *Rules* or in the jurisprudence to sanction or preclude patentability.”

No Canadian court has yet upheld these types of patents and it will be interesting to see how this area of patent law develops in Canada in light of U.S. developments.

The *Bilski* matter in the U.S. was heard by the Court of Appeals in May and a decision on the rehearing is expected later this year. However, many anticipate that the appeal court’s decision will not be the last word on the matter and expect that the United States Supreme Court may seize on this case as an opportunity to pronounce on the patentability of business methods. ■

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