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BUSINESS METHODS AND SOFTWARE STILL PATENTABLE IN U.S. FOLLOWING CLOSELY- WATCHED BILSKI

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In a ruling that has been eagerly anticipated by the worldwide intellectual property community, the Supreme Court of the United States issued a decision on June 28 on the validity of business method patents.

The Supreme Court rejected a patent application for a business method of risk management in financial markets. However, in its judgment, the court provided a number of comments that appear to indicate that business methods are still patentable in the U.S. and that software can continue to be patentable in that jurisdiction.

The *Bilski v. Kappus* case [<http://www.supremecourt.gov/opinions/09pdf/08-964.pdf>] resulted from an appeal of a judgment of the U.S. Court of Appeals for the Federal Circuit, which had re-examined the validity of patents on business methods. In a majority decision, the appeals court rejected a patent claim for a business method for hedging risks in energy markets.

The Court of Appeals had determined that such a patent application could not be valid if the object of the application was not attached to a physical machine, or if it did not produce a change of state or transformation of a product in what is known as the machine-or-transformation test.

Although the case involved a U.S. patent application more of interest to financial institutions, the Bilski decision has an impact on the patent filing strategies of Canadian and other foreign applicants in several different fields, including biotechnology and software.

A substantial amount of Canadian and foreign patent portfolios usually include a U.S. patent since the country often represents an important market for products and services.

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The decision of the Supreme Court in this case was expected to help define the limits of what can be protected through a patent and the level of allowable abstraction in patent claims.

Indeed, several important technologies in the new economy, including diagnostic methods in life sciences and software applications, such as Amazon.com's one-click Internet shopping features, involve very abstract or intangible concepts, as opposed to more traditional mechanical inventions.

Some people have argued that patents should not be granted on such abstract concepts.

The U.S. Supreme Court rejected the idea that the machine-or-transformation test, established by the Court of Appeals for the Federal Circuit, be the sole test to establish patentability of an invention.

It determined that in the Bilski case the method of risk management was not an innovation that could be protected through a patent. The court avoided using the machine-or-transformation test, preferring instead to refer to previous Supreme Court decisions to establish that the claimed method was too abstract to be patentable.

But in rendering its decision, the Supreme Court did not establish any new tests to evaluate patentable subject matter for patent applications in the U.S. Consequently, the uncertainty surrounding what constitutes patentable subject matter in that jurisdiction remains.

The Supreme Court did declare in its decision that business methods could nevertheless in certain cases be protected through patents. Moreover, although the court did not explicitly comment on the patentability of software, the court did not make any statement that would appear to go against the concept of the patentability of software in the U.S.

As a result, patent applicants who want to protect software innovations do not yet have a clear test to determine whether or not their software invention represents a patentable invention in the U.S.

While one awaits subsequent court decisions to apply the principles established in the Bilski decision, Canadian patent applicants can in the meantime refer to a new chapter in the Manual of Patent Office Practice (MOPOP) in Canada related to computer implemented inventions.

This new MOPOP chapter is available for consultation here [\[\[http://www.cipo.gc.ca/eic/site/cipointernet-internetopic.nsf/vwapj/consultation_chapitre16-chapter16-eng.pdf/\\$FILE/consultation_chapitre16-chapter16-eng.pdf\]](http://www.cipo.gc.ca/eic/site/cipointernet-internetopic.nsf/vwapj/consultation_chapitre16-chapter16-eng.pdf/$FILE/consultation_chapitre16-chapter16-eng.pdf). The chapter gives

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several examples of inventions with software components, as well as the opinion of the Canadian Patent Office on what constitutes patentable subject matter in these inventions. The public is invited to provide comments on this chapter until August 19, 2010. Access to the page indicating how observations and suggestions can be provided to the Canadian Patent Office is available here [[<http://www.cipo.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr02486.html>]].

One must note, however, that this Canadian chapter on the question of patentability of software may also require modifications once the Amazon.com case, related to the rejection of Amazon.com's patent application on one-click shopping, is heard and a decision is rendered by the Federal Court of Canada.

For now, case law on the patentability of software appears to be as active as recent technological and innovative developments in this field.



