BUSINESS METHODS AND SOFTWARE STILL PATENTABLE IN THE US

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In a ruling that has been eagerly anticipated by the worldwide intellectual property community, the US Supreme Court issued a decision on June 28, 2010, on the validity of business method patents. The US Supreme Court rejected a patent application based on a method of risk management in financial markets. However, in its judgment, the Court provided a certain number of comments that appear to indicate that business methods are still patentable in the US and that software can continue to be patentable in that jurisdiction.

The *Bilski* case (link to the decision) results from an appeal of a judgment of the Court of Appeals of the Federal Circuit in the United States which had re-examined the validity of patents on business methods. More particularly, a majority of the Court of Appeals had rejected a patent application based on a method of risk management in financial 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 (referred to as the "machine-or-transformation" test).

The US Supreme Court rejected the idea that this test, established by the Court of Appeals of the Federal Circuit, be the sole test to establish patentability of an invention. The Court determined that in the case at hand, the method of risk management was not an innovation that could be protected through a patent. The Supreme Court avoided using the "machine-or-transformation" test and preferred referring to previous Supreme Court decisions to establish that the claimed method was too abstract to be patentable.

In rendering its decision, the US Supreme Court however did not establish any new tests to evaluate patentable subject matter for patent applications in the US. Consequently, the uncertainty surrounding what constitutes patentable subject matter in the US remains.

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The Supreme Court declared in its decision however that business methods as such 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 United States.

Consequently, 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 US. 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 in Canada related to computer implemented inventions. This new chapter is available for consultation on the following site. The chapter gives 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. Click on the following link to access the page indicating how observations and suggestions can be provided to the Canadian Patent Office.

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 the decision is rendered by the Federal Court of Canada. Case law on the patentability of software appears therefore to be as active as recent technological and innovative developments in this field.

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